7.22 MAJOR LICENCES AND PERMIT

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

No.	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
PFWSI						
1.	SMC	Licence to – (a) process/carry out engineering works on iron; (b) operate a factory to store goods; (c) operate a business office; and (d) display a unit of non-lighted advertising board, at the premise known as Puchong Land 1	**Account no.:** 331201025082	**Validity period:** Valid till 31 December 2023	(i) The licence must be displayed in a visible place at all times at the licenced premise. (ii) No other business activities shall be carried out except for the business activities approved by the SMC. (iii) The licence holder shall maintain the business premise, including any fixtures and fittings, to ensure that the premise is in good and clean condition, at all times, and up to the satisfaction of the licensing authority. (iv) SMC has the right to take any enforcement action upon violation of the conditions contained in the licence or any approval letter.	(i) Complied (ii) Complied (iii) Complied (iv) Noted
2.	SMC	Licence to – (a) operate a factory to store goods; (b) process/carry out engineering works on iron; (c) provide workers accommodation; and (d) to store petrol, at the premise known as Puchong Land 2	**Account no.:** 331201031297	**Validity period:** Valid till 3 October 2023 (1)	(i) The licence must be displayed in a visible place at all times at the licenced premise. (ii) No other business activities shall be carried out except for the business activities approved by the SMC. (iii) The licence holder shall maintain the business premise, including any fixtures and fittings, to ensure that the premise is in good and clean condition, at all times and up to the satisfaction of the licensing authority. (iv) SMC has the right to take any enforcement action upon violation of the conditions contained in the licence or any approval letter.	(i) Complied (ii) Complied (iii) Complied (iv) Noted
3.	CIDB	Licence to – (a) tender under Grade 7 (no limit) for projects under Category B04 (involving	**Registration no.:** 0120151001-WP166169	**Validity period:** 2 May 2023 to 30 April 2024	(i) The registration certificate is non-transferable. (ii) Contractor must adhere to the CIDB Act and the relevant regulations in connection thereto and terms, conditions or restrictions imposed by	(i) Noted (ii) Complied (iii) Not applicable

7. BUSINESS OVERVIEW *(cont'd)*

No.	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
		building construction works); (b) tender under Grade 7 (no limit) for projects under Category CE21 (involving general engineering construction); and (c) tender under Grade 7 (no limit) for projects under Category M15 (involving miscellaneous mechanical equipment).			CIDB from time to time. (iii) Contractor must not submit any tender or carry out any construction activities upon expiry of the registration certificate unless such certificate has been renewed. (iv) Contractor must display the registration certificate issued by the CIDB or a certified copy of such certificate at its business premise. (v) Contractor must submit information relating to the construction works or the relevant contracts within 14 days from the date of the award or prior to the commencement of the construction works, whichever is earlier. (vi) Contractor must submit any information requested by CIDB from time to time. (vii) Contractor must adhere to the Code of Ethics.	(iv) Complied (v) Not applicable (vi) Complied (vii) Complied
4.	MDTC	Licence to purchase and store diesel	**Reference no.:** SL(SPG)41/18P (D)	**Validity period:** 21 December 2022 to 20 December 2023	(i) To comply with the description of the controlled items as set out in the permit. (ii) To store the controlled item at the premise as stipulated in the permit. (iii) To store the controlled item within the quantity as prescribed for in the permit. (iv) The purchase of the controlled item is for personal use and not for the purposes of trading. (v) To maintain a record of purchase (including, the name and address of the suppliers, date of purchase and quantity of purchase) and keep a copy of invoices and receipts for purposes of audit. (vi) To label the skid tank which is used to store diesel with details such as, reference number of the permit, type of controlled item, name and address of the applicant.	(i) Complied (ii) Complied (iii) Complied (iv) Complied (v) Complied (vi) Complied

7. BUSINESS OVERVIEW *(cont'd)*

No.	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
5.	MTIB	Registered as importer to import plywood (including laminated veneer)	**Reference no.:** R-IPL 185/2020	**Validity period:** 4 November 2022 to 3 November 2023 (2)	(i) Declare the accurate custom code with accordance with the type of species of wood (ii) Submit additional copies of Certificate of Origin when importing from countries which are not the manufacturer of the plywood.	(i) Complied (ii) Not applicable
SS						
6.	SMC	Licence to – (a) operate a factory for supplying construction materials/hardware; (b) to operate a factory to manufacture/install decorative goods or internal construction; (c) display 2 units of non-lighted advertisement boards; and (d) display a unit of lighted advertisement board, at the premise known as Puchong Land 1	**Account no.:** 200801002014	**Validity period:** Valid till 31 December 2023	(i) The licence must be displayed in a visible place at all times at the licenced premise. (ii) No other business activities shall be carried out except for the business activities approved by the SMC. (iii) The licence holder shall maintain the business premise, including any fixtures and fittings, to ensure that the premise is in good and clean condition, at all times, and up to the satisfaction of the licensing authority. (iv) SMC has the right to take any enforcement action upon violation of the conditions contained in the licence or any approval letter.	(i) Complied (ii) Complied (iii) Complied (iv) Noted
7.	MDTC	Licence to trade, sell and wholesale mild steel round bars at the premise known as Puchong Land 1	**Licence no.:** BB10000780	**Validity period:** 28 March 2022 to 27 March 2024	The licence holder shall comply with the following: (i) Authorities' instructions in relation to the supply and/or trade of steel bars. (ii) To display the licence at its business premise. (iii) To refer to and obtain MDTC's consent prior to increasing the price of steel bars.	(i) Complied (ii) Complied (iii) Not applicable

7. BUSINESS OVERVIEW *(cont'd)*

No.	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
8.	MDTC	Licence to trade, sell and wholesale the cement at the premise known as Puchong Land 1	**Licence no.:** SB10000022	**Validity period:** 28 March 2022 to 27 March 2024	The licence holder shall comply with the following: (i) SS shall not export cement unless the Controller of Supply's written consent has been obtained. (ii) To maintain a record relating to the details, including the dates, quantity, price and addresses of customers and suppliers, for purchases and sales of cement. (iii) To deal in cement that conform to the standard of MS522:1989. (iv) To refer to and obtain MDTC's consent prior to increasing the price of cement. (v) Any instructions of the Controller of Supply or any officers appointed as Controller of Supplies in accordance with the Control of Supplies Act 1961, relating to the supply of cement.	(i) Not applicable (ii) Complied (iii) Complied (iv) Not applicable (v) Complied
9.	MTIB	Registered as importer to import plywood (including laminated veneer)	**Reference no.:** R-IPL 184/2020	**Validity period:** 4 November 2022 to 3 November 2023 [(2)]	(i) Declare the accurate custom code with accordance with the type of species of wood. (ii) Submit additional copies of Certificate of Origin when importing from countries which are not manufacturer of the plywood.	(i) Complied (ii) Not applicable
10.	MTIB	Registered as a trader of plywood to carry out activities of buying, selling and storing of wood and wood-based products for purpose of trading within the Malaysian market.	**Reference no.:** TT 0011/2023	**Validity period:** 19 May 2023 to 18 May 2024	Nil	Not applicable
PCFM						
11.	Johor Bahru City Council	Licence to operate a business office and display a unit of advertising board located at 3, Jalan Perniagaan Setia 1/1, Taman Perindustrian Setia, 81100 Johor Bahru, Johor	**Reference no.:** L2021L106024	**Validity period:** Valid till 31 December 2023	Nil	Not applicable

7. BUSINESS OVERVIEW *(cont'd)*

No.	Approving authority / issuer	Type of approvals / licences / permits	Licence / Permit / Reference no.	Date of issuance / Validity	Major conditions imposed	Status of compliance
PISM						
12.	KLMC	Temporary licence to operate a warehouse factory for storage of goods and construction materials on the Olak Lempit Land	**File No.:** MPKL/JPL/L6794(BTG)	**Validity period:** 15 September 2023 to 14 March 2024 (3)	Nil	Not applicable
BEST						
13.	Seberang Perai City Council	Licence to operate an office at the premise located at No. 12A, Jalan Borealis 4, Pusat Komersial Borealis, 14110 Simpang Ampat, Pulau Pinang.	**Account no.:** 555165240468125	**Validity period:** Valid till 31 December 2023	Nil	Not applicable

Notes:

(1) The renewal application has been submitted on 19 September 2023. As at the LPD, the renewal application is in progress.

(2) The renewal application has been submitted on 21 September 2023.As at the LPD, the renewal application is in progress.

(3) PISM intends to transfer its fabrication and warehousing activities currently conducted at the warehouse factory on the Olak Lempit Land to the new factories to be constructed on the Olak Lempit Land. Upon the completion of the proposed construction of the new factories, PISM will apply for a permanent business premise licence for the Olak Lempit Land from KLMC. Accordingly, there is no plan to apply for a permanent licence for the temporary warehouse factory.

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7.23 INTELLECTUAL PROPERTY RIGHTS

As at the LPD, our Group holds the following trademarks:

No.	Trademark	Name of applicant / Trademark no.	Issuing authority	Class / Description	Status / Validity period
1.	PLYTEC formwork	PFWSI / **Trademark no**.: 2016008345	Intellectual Property Corporation of Malaysia ("**MYIPO**")	Class 6 / Construction elements of metal; metal materials for construction	Registered / 5 August 2016 to 5 August 2026
2.	PLYTEC	SS / **Trademark no**.: 2016008338	MYIPO	Class 6 / Construction elements of metal, metal materials for construction	Registered / 5 August 2016 to 5 August 2026
		SS / **Trademark no**.: 2016008336		Class 19 / Construction elements of timber; construction materials, not of metal	
		SS / **Trademark no**.: 2016008339		Class 22 / Tents	
		SS / **Trademark no**.: 2016008340		Class 37 / Building and construction services, provision of construction advice	
3.	PLYTEC 百特	SS / **Trademark no**.: 2016008335	MYIPO	Class 6 / Construction elements of metal, metal materials for construction	Registered / 5 August 2016 to 5 August 2026
		SS / **Trademark no**.: 2016008333		Class 19 / Construction elements of timber; construction materials, not of metal	
		SS / **Trademark no**.: 2016008334		Class 22 / Tents	

7. BUSINESS OVERVIEW *(cont'd)*

No.	Trademark	Name of applicant / Trademark no.	Issuing authority	Class / Description	Status / Validity period
		SS / **Trademark no**.: 2016008331		Class 37 / Building and construction services, provision of construction advice	
4.	PLYTEC	PFWSI / **Trademark Registration Certificate No**.: 61497503	China National Intellectual Property Administration ("**CNIPA**")	Class 6 / Construction elements of metal; metal materials for construction; metal frame for use in the construction; metal accessories for construction; metal brackets for use in the construction and assembly of decking; metal staples; steel angles for use in building construction	Registered / 14 June 2022 to 13 June 2032
		PFWSI / **Trademark Registration Certificate No**.: 61490916	CNIPA	Class 9 / Construction / Building stone	Registered / 21 September 2022 – 20 September 2032
5.	WONDER Steps!	PISM / **Registration No.:** 231121943	Department of Intellectual Property in Thailand	Class 6 / Latches of metal; door bolt of metal; windows stop of metal; door fasteners of metal; window fasteners of metal; joist of metal; beams of metal; frame of metal for building; frame of metal for doorstep; frame of metal for windows; frame of metal for roofs; framework of metal for building; cramps of metal; strap-hinges of metal; band of metal for instruction purposes; pipes of metal' pipes of metal for instruction purposes; water-pipes of metal; gutter pipes of metal; pipework of metal; door handles of metal; sash fasteners of metal for window; scaffolding of metal; cornices of metal; door panels of metal; prefabricated houses (kit) of metal; moulding of metal for building; building panels of metal; piling of metal; ceiling of metal; floors of metal; fabricated floors of metal; knobs of metal; door castings of metal; windows frame of metal; reinforcing materials of metal for building; windows of metal; roofing of metal; steel frames	Registered / 6 January 2022 – 5 January 2032

7. BUSINESS OVERVIEW *(cont'd)*

No.	Trademark	Name of applicant / Trademark no.	Issuing authority	Class / Description	Status / Validity period
				for building; building of metal; fabricated metal materials for building; fabricated metal components for building foundation (construction materials); metal brackets for use in constructions and assembly of decking; cramps of metal; anchor plate of metal; steel angles for use in building constructions; ladder of metal; metal step ladders	
		PISM / **Registration No.:** 231121352	Department of Intellectual Property in Thailand	Class 9 / Protection shoes for protection against accidents; shoes for protection against accidents and fire; shoes for protection against accidents, irradiation and fire; shoes for protection against fire; shoes for protection against irradiation	Registered / 6 January 2022 – 5 January 2032
6.	WONDER Steps	PISM / **Registration No.:** 7152109	U.S. Patent and Trademark Office	Class 6 / Construction elements made of metal, namely, fabricated metal components for building foundations; construction materials, namely, metal piles; ladders of metal; metal brackets for use in the construction and assembly of decking; metal staples for construction or industrial use; metal step ladders; refractory construction materials of metal; reinforcing materials of metal for building purposes; steel angles for use in building construction	Registered / 29 August 2023 – 29 August 2033 (1)

Notes:

(1) The trademark has been successfully registered subject to the following conditions:

(a) PISM must file a declaration of use or excusable non-use between the 5^{th} and 6^{th} year after the registration date.

(b) PISM must file a declaration of use or excusable non-use and an application for renewal between the 9^{th} and 10^{th} year after the registration date.

7.24 PPE

7.24.1 Owned Properties

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

No.	Title / Postal Address	Registered / Beneficial Owner	Description / Existing Use	Express conditions / Category of land use	Restrictions in interest / Encumbrances / Endorsement	Land area / Built-up area (approximate)	Tenure	Date of issuance of CFO / CCC	Audited NBV as at 31 May 2023 (RM)
1.	**Title:** HS(D) 4226, PT 9500, Mukim Dengkil, District of Sepang, State of Selangor **Postal address:** No. 4, Jalan Meranti Permai 1, Meranti Permai Industrial Park, 47100 Puchong, Selangor (referred to as Puchong Land 2)	PFWSI	**Description:** An industrial land **Existing use:** Warehouse and workers accommodation	**Express condition:** Light industry **Category of land use:** Industrial	**Restrictions in interest:** The land shall not be transferred, leased or charged without the consent of the state authority. **Encumbrances / Endorsement:** (1) Charge in favour of Hong Leong vide presentation no. 24667/2022 on 14 March 2022 (2) Charge in favour of Hong Leong vide presentation no. 24668/2022 on 14 March 2022	**Land area:** 3,080 square metres **Built-up area:** 2,475 square metres	Leasehold for 99 years expiring on 13 June 2095	*The temporary building permit was issued by the SMC on 13 September 2022 and was subsequently renewed until 31 December 2023*	1,075,969
2.	**Title:** GRN 232387, Lot 19 Seksyen 2, Pekan Bukit Changgang, District of Kuala Langat, State of Selangor **Postal address:** No. 1, Jalan 13, Kawasan Perindustrian Olak Lempit, 42700 Banting, Kuala Langat, Selangor Darul Ehsan (referred to as the Olak Lempit Land)	PFWSI	**Description:** An industrial land **Existing use:** A warehouse, workshop for refurbishment of our Group's trading inventories and workers accommodation	**Express condition:** Light industrial **Category of land use:** Industrial	**Restrictions in interest:** Nil **Encumbrances / Endorsement:** (1) Charge in favour of Al Rajhi Bank vide presentation no. 107445/2016 on 5 December 2016. (2) Charge in favour of Al Rajhi Bank vide presentation no. 12328/2022 on 9 February 2022 (3) Charge in favour of Al Rajhi Bank vide presentation no. 12329/2022 on 9 February 2022	**Land area:** 74,500 square metres **Built-up area:** 1,487 square metres	Freehold	*The temporary building permit has been issued by the KLMC on 30 July 2022 and is valid until 31 December 2023.*	24,726,237
3.	**Title:** HS(D) 4228, PT 9502, Mukim Dengkil, District of Sepang, State of Selangor	SS	**Description:** An industrial land **Existing use:** Warehouse and office	**Express condition:** Light industrial	**Restrictions in interest:** The land shall not be transferred, leased or charged without the consent of the state authority.	**Land area:** 3,928 square metres **Built-up area:**	Leasehold for 99 years expiring on 13 June 2095	14 August 2006 and 6 October 2022[(1)]	6,666,072

7. BUSINESS OVERVIEW *(cont'd)*

No.	Title / Postal Address	Registered / Beneficial Owner	Description / Existing Use	Express conditions / Category of land use	Restrictions in interest / Encumbrances / Endorsement	Land area / Built-up area (approximate)	Tenure	Date of issuance of CFO / CCC	Audited NBV as at 31 May 2023 (RM)
	Postal address: No. 19, Jalan Meranti Permai 3, Meranti Permai Industrial Park, Batu 15, Jalan Puchong, 47100 Puchong, Selangor (referred to as Puchong Land 1)			**Category of land use:** Industrial	**Encumbrances / Endorsement:** (1) Charge in favour of United Overseas Bank (Malaysia) Bhd. vide presentation no. 67968/2006 on 1 August 2006 (2) Charge in favour of United Overseas Bank (Malaysia) Bhd. vide presentation no. 67969/2006 on 1 August 2006 (3) Charge in favour of United Overseas Bank (Malaysia) Bhd. vide presentation no. 20756/2008 on 19 March 2008 (4) Charge in favour of United Overseas Bank (Malaysia) Bhd. vide presentation no. 81659/2011 on 11 August 2011 (5) Charge in favour of United Overseas Bank (Malaysia) Bhd. vide presentation no. 1533/2013 on 11 January 2013 (6) Charge in favour of United Overseas Bank (Malaysia) Bhd. vide presentation no. 85128/2014 on 7 August 2014	1,745 square metres			
4.	**Title:** PN 19574, Lot 67919, Mukim Sungai Buloh, District of Petaling, State of Selangor **Postal address:** F-1-50A, No. 10, Jalan PJU 10/10F, Saujana Damansara PJU 10, 47830 Petaling Jaya, Selangor	Maxisegar Sdn. Bhd. / SS[(2)]	**Description:** Apartment **Existing use:** Currently vacant	**Express condition:** Commercial building **Category of land use:** Building	**Restrictions in interest:** The land shall not be transferred, leased or charged without the consent of the state authority. **Encumbrances / Endorsement:** (1) Registrar's caveat vide presentation no. 30163/2003 on 4 August 2003 (2) Private caveat lodged by MBB vide presentation no. 52033/2007 on 12 December 2007	**Land area:** Not applicable **Built-up area:** 102 square metres	Leasehold for 99 years expiring on 16 August 2100	1 March 2007	107,170

7. BUSINESS OVERVIEW *(cont'd)*

No.	Title / Postal Address	Registered / Beneficial Owner	Description / Existing Use	Express conditions / Category of land use	Restrictions in interest / Encumbrances / Endorsement	Land area / Built-up area (approximate)	Tenure	Date of issuance of CFO / CCC	Audited NBV as at 31 May 2023 (RM)
					(3) Private caveat lodged by MBB vide presentation no. 17778/2014 on 19 March 2014				
5.	**Title:** PN 19574, Lot 67919, Mukim Sungai Buloh, District of Petaling, State of Selangor **Postal address:** F-1-50B, No. 10, Jalan PJU 10/10F, Saujana Damansara PJU 10, 47830 Petaling Jaya, Selangor	Maxisegar Sdn. Bhd. / SS[(2)]	**Description:** Apartment **Existing use:** Currently vacant	**Express condition:** Commercial building **Category of land use:** Building	**Restrictions in interest:** The land shall not be transferred, leased or charged without the consent of the state authority. **Encumbrances / Endorsement:** (1) Registrar's caveat vide presentation no. 30163/2003 on 4 August 2003 (2) Private caveat lodged by MBB vide presentation no. 52033/2007 on 12 December 2007 (3) Private caveat lodged by MBB vide presentation no. 17778/2014 on 19 March 2014	**Land area:** Not applicable **Built-up area:** 91 square metres	Leasehold for 99 years expiring on 16 August 2100	1 March 2007	83,116
6.	**Title:** HS(D) 191352, PT 53630, Mukim Petaling, District of Petaling, State of Selangor **Postal address:** PT 53630 Taman Lestari Perdana, 43300 Seri Kembangan, Selangor	SS	**Description:** Vacant land **Existing use:** Currently vacant	**Express condition:** Residential building **Category of land use:** Building	**Restrictions in interest:** The land shall not be transferred, leased or charged without the consent of the state authority. **Encumbrances / Endorsement:** Nil	**Land area:** 464 square metres **Built-up area:** Not applicable	Leasehold for 99 years expiring on 26 August 2102	*Not applicable*	172,221
7.	**Title:** HS(D) 191353, PT 53631, Mukim Petaling, District of Petaling, State of Selangor **Postal address:**	SS	**Description:** Vacant land **Existing use:** Currently vacant	**Express condition:** Residential building **Category of land use:** Building	**Restrictions in interest:** The land shall not be transferred, leased or charged without the consent of the state authority. **Encumbrances / Endorsement:** Nil	**Land area:** 582 square metres **Built-up area:** Not applicable	Leasehold for 99 years expiring on 26 August 2102	*Not applicable*	215,759

7. BUSINESS OVERVIEW *(cont'd)*

No.	Title / Postal Address	Registered / Beneficial Owner	Description / Existing Use	Express conditions / Category of land use	Restrictions in interest / Encumbrances / Endorsement	Land area / Built-up area (approximate)	Tenure	Date of issuance of CFO / CCC	Audited NBV as at 31 May 2023 (RM)
	PT 53631 Taman Lestari Perdana, 43300 Seri Kembangan, Selangor								
8.	**Title:** (1) PM 2823, Lot 18546 Seksyen 2, Bandar Ulu Kelang, District of Gombak, State of Selangor (2) PM 2824, Lot 18547 Seksyen 2, Bandar Ulu Kelang, District of Gombak, State of Selangor **Postal address:** D-G-07, Pangsapuri Servis SpringVilla, Jalan UP 1/1B, Taman Ukay Perdana, 68000 Ampang, Kuala Lumpur	Ukay Land Sdn. Bhd. / SS(3)	**Description:** Retail lot **Existing use:** Rented to Red Bricks Event for commercial use	**Express condition:** Commercial building **Category of land use:** Building	**Restrictions in interest:** The land shall not be transferred, leased or charged without the consent of the state authority. **Encumbrances / Endorsement:** (1) Registrar's caveat vide presentation no. 298/2011 on 25 January 2011 (2) Registrar's caveat over parcel no. SB-401 vide presentation no. 1710/2013 on 18 April 2013 (3) Registrar's caveat over parcel no. SD-104 vide presentation no. 1712/2013 on 18 April 2013 (4) Registrar's caveat over parcel no. SD-1403 vide presentation no. 1712/2013 on 18 April 2013 (5) Registrar's caveat over parcel no. SD-1517 vide presentation no. 1714/2013 on 18 April 2013 (6) Registrar's caveat vide presentation no. 4502/2013 on 24 October 2013 (7) Registrar's caveat over parcel no. SD-1214 vide presentation no. 3268/2020 on 20 October 2020 (8) Private caveat lodged by Public Islamic Bank Berhad vide presentation no. 1918/2021 on 2 September 2021 (9) Private caveat lodged by Public Islamic Bank Berhad vide	**Land area:** Not applicable **Built-up area:** 95 square metres	Leasehold for 99 years expiring on 4 October 2100	22 August 2011	135,939

7. BUSINESS OVERVIEW *(cont'd)*

No.	Title / Postal Address	Registered / Beneficial Owner	Description / Existing Use	Express conditions / Category of land use	Restrictions in interest / Encumbrances / Endorsement	Land area / Built-up area (approximate)	Tenure	Date of issuance of CFO / CCC	Audited NBV as at 31 May 2023 (RM)
					presentation no. 1919/2021 on 2 September 2021 (10) Private caveat lodged by Public Islamic Bank Berhad vide presentation no. 2054/2021 on 21 September 2021 (11) Private caveat lodged by Public Islamic Bank Berhad vide presentation no. 2946/2021 on 16 December 2021				
9.	**Titles:** (1) PM 2823, Lot 18546 Seksyen 2, Bandar Ulu Kelang, District of Gombak, State of Selangor (2) PM 2824, Lot 18547 Seksyen 2, Bandar Ulu Kelang, District of Gombak, State of Selangor **Postal address:** D-G-08, Pangsapuri Servis SpringVilla, Jalan UP 1/1B, Taman Ukay Perdana, 68000 Ampang, Kuala Lumpur	Ukay Land Sdn. Bhd. / SS[(3)]	**Description:** Retail lot **Existing use:** Rented to Kimyka Trading for commercial use	**Express condition:** Commercial building **Category of land use:** Building	**Restrictions in interest:** The land shall not be transferred, leased or charged without the consent of the state authority. **Encumbrances / Endorsement:** (1) Registrar's caveat vide presentation no. 298/2011 on 25 January 2011 (2) Registrar's caveat over parcel no. SB-401 vide presentation no. 1710/2013 on 18 April 2013 (3) Registrar's caveat over parcel no. SD-104 vide presentation no. 1712/2013 on 18 April 2013 (4) Registrar's caveat over parcel no. SD-1403 vide presentation no. 1712/2013 on 18 April 2013 (5) Registrar's caveat over parcel no. SD-1517 vide presentation no. 1714/2013 on 18 April 2013 (6) Registrar's caveat vide presentation no. 4502/2013 on 24 October 2013 (7) Registrar's caveat over parcel no. SD-1214 vide presentation no. 3268/2020 on 20 October 2020	**Land area:** Not applicable **Built-up area:** 95 square metres	Leasehold for 99 years expiring on 4 October 2100	22 August 2011	135,939

7. BUSINESS OVERVIEW *(cont'd)*

No.	Title / Postal Address	Registered / Beneficial Owner	Description / Existing Use	Express conditions / Category of land use	Restrictions in interest / Encumbrances / Endorsement	Land area / Built-up area (approximate)	Tenure	Date of issuance of CFO / CCC	Audited NBV as at 31 May 2023 (RM)
					(8) Private caveat lodged by Public Islamic Bank Berhad vide presentation no. 1918/2021 on 2 September 2021 (9) Private caveat lodged by Public Islamic Bank Berhad vide presentation no. 1919/2021 on 2 September 2021 (10) Private caveat lodged by Public Islamic Bank Berhad vide presentation no. 2054/2021 on 21 September 2021 **(11)** Private caveat lodged by Public Islamic Bank Berhad vide presentation no. 2946/2021 on 16 December 2021				
10.	**Titles:** (1) GRN 58722, Lot 22476, Mukim Tanjong Minyak, District of Melaka Tengah, State of Melaka (2) GRN 58723, Lot 22477, Mukim Tanjong Minyak, District of Melaka Tengah, State of Melaka (3) GRN 58724, Lot 22478, Mukim Tanjong Minyak, District of Melaka Tengah, State of Melaka (4) GRN 58725, Lot 22479, Mukim Tanjong Minyak, District of Melaka Tengah, State of Melaka	SS	**Description:** Industrial land **Existing use:** Currently vacant	**Express condition:** For industrial building only **Category of land use:** Industrial	**Restrictions in interest:** The land shall not be transferred or leased without the consent of the state authority, this restriction in interest shall not be applicable to the first transfer or lease. **Encumbrances / Endorsement:** Charge in favour of OCBC Bank (Malaysia) Berhad vide presentation no. 0400SC2019008699 on 15 May 2019	**Land area:** 22,246 square metres **Built-up area:** Not applicable	Freehold	*Not applicable*	4,050,347

7. BUSINESS OVERVIEW *(cont'd)*

No.	Title / Postal Address	Registered / Beneficial Owner	Description / Existing Use	Express conditions / Category of land use	Restrictions in interest / Encumbrances / Endorsement	Land area / Built-up area (approximate)	Tenure	Date of issuance of CFO / CCC	Audited NBV as at 31 May 2023 (RM)
	(5) GRN 58726, Lot 22480, Mukim Tanjong Minyak, District of Melaka Tengah, State of Melaka (6) GRN 58728, Lot 22482, Mukim Tanjong Minyak, District of Melaka Tengah, State of Melaka (7) GRN 58729, Lot 22483, Mukim Tanjong Minyak, District of Melaka Tengah, State of Melaka (8) GRN 58730, Lot 22484, Mukim Tanjong Minyak, District of Melaka Tengah, State of Melaka (9) GRN 58731, Lot 22485, Mukim Tanjong Minyak, District of Melaka Tengah, State of Melaka **Postal address:** Jalan Nobat 1 & 4, Taman Bukit Rambai, Melaka								
11.	**Title:** Geran 338065, Petak M1-BA/26/556, Lot 116834, Bandar Cyberjaya, District of Sepang, State of Selangor **Postal address:** No. B2-26-2A, Aras 26, Blok B2, Kenwingston	SS	**Description:** Apartment **Existing use:** Staff accommodation	**Express condition:** Commercial **Category of land use:** Commercial	**Restrictions in interest:** The land shall not be transferred, leased or charged without the consent of the state authority. **Encumbrances / Endorsement:** Nil	**Land area:** Not applicable **Built-up area:** 76 square metres	Freehold	9 January 2019	469,748

7. BUSINESS OVERVIEW *(cont'd)*

No.	Title / Postal Address	Registered / Beneficial Owner	Description / Existing Use	Express conditions / Category of land use	Restrictions in interest / Encumbrances / Endorsement	Land area / Built-up area (approximate)	Tenure	Date of issuance of CFO / CCC	Audited NBV as at 31 May 2023 (RM)
	Residence, Kenwingston Square Garden, Persiaran Bestari, Cyber 9, 63000 Cyberjaya, Selangor								
12.	**Title:** GRN 60619, Petak M1 – Menara C / 20 / 655, Lot 12064, Bandar Melaka, Kawasan Bandar XXXI, District of Melaka Tengah, State of Melaka **Postal address:** C20-08 Parklane Residence Apartment, Jalan Tun Perak, 75300 Sungai Melaka, Melaka	SS	**Description:** Apartment **Existing use:** Currently vacant	**Express condition:** For commercial building (service apartment) only **Category of land use:** Building	**Restrictions in interest:** Nil **Encumbrances / Endorsement:** Nil	Land area: Not applicable Built-up area: 101 square metres	Freehold	4 October 2018	387,428
13.	**Title:** GRN 537263, Lot 159701, Mukim Tebrau, District of Johor Bahru, State of Johor **Postal address:** No. 3, Jalan Perniagaan Setia 1/1, Taman Perniagaan Setia, Setia Business Park II, 81100 Johor Bahru, Johor	SS	**Description:** A 1½-storey semi-detached cluster factory **Existing use:** Warehouse and office	**Express conditions:** (1) The land shall be used for Light Industry Cluster 3 Level and other relevant usage, construction in accordance with the building plan approved by the relevant local authority. (2) All the impurities and	**Restrictions in interest:** Nil **Encumbrances / Endorsement:** Charge in favour of AmBank (M) Berhad vide presentation no. 69557/2019 on 22 August 2019	**Land area:** 1,070 square metres **Built-up area:** 521 square metres	Freehold	17 February 2015	1,883,849

7. BUSINESS OVERVIEW *(cont'd)*

No.	Title / Postal Address	Registered / Beneficial Owner	Description / Existing Use	Express conditions / Category of land use	Restrictions in interest / Encumbrances / Endorsement	Land area / Built-up area (approximate)	Tenure	Date of issuance of CFO / CCC	Audited NBV as at 31 May 2023 (RM)
				pollution as a result of the activities shall be channelled or discarded to the places designated by the relevant authority. (3) All policies and conditions that have been imposed and enforced from time to time by the relevant authorities shall be complied with. **Category of land use:** Commercial / Industrial					
14.	**Title:** Geran 80515, Lot 50086 Seksyen 92, Bandar Kuala Lumpur, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur **Postal address:** B-62-07, Trion@KL Apartment, Jalan Sungai	Perbadanan Pengurusan Trion @ KL / SSP	**Description:** Serviced apartment **Existing use:** Currently vacant	**Express condition:** The land shall be used for business buildings for service apartments, hotels and shops only.	**Restrictions in interest:** Nil **Encumbrances /Endorsement:** Nil	**Land area:** Not applicable **Built-up area:** 95 square metres	Freehold	19 April 2023	592,670

7. BUSINESS OVERVIEW *(cont'd)*

No.	Title / Postal Address	Registered / Beneficial Owner	Description / Existing Use	Express conditions / Category of land use	Restrictions in interest / Encumbrances / Endorsement	Land area / Built-up area (approximate)	Tenure	Date of issuance of CFO / CCC	Audited NBV as at 31 May 2023 (RM)
	Besi, Off Chan Sow Lin, 55200 Kuala Lumpur			**Category of land use:** Building					
15.	**Title:** Geran Mukim 2623, Lot 201827, Mukim Setapak, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur **Postal address:** A-22-08, Kenwingston Platz Apartment, Jalan Gombak, 53000 Kuala Lumpur	Kenwingston Venture Sdn. Bhd. / SSP	**Description:** Apartment **Existing use:** Currently vacant	**Express condition:** The land shall be used for business buildings for shops/offices and suite apartments only. **Category of land use:** Building	**Restrictions in interest:** Nil **Encumbrances / Endorsement:** Leased part of the land for 30 years to Tenaga Nasional Berhad vide presentation no. PTSC4109/2021 and expiring on 29 April 2051	**Land area:** Not applicable **Built-up area:** 75 square metres	Freehold	5 January 2023	485,177
16.	**Title:** Geran 80418, Lot 50085 Seksyen 92, Bandar Kuala Lumpur, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur **Postal address:** A-40-01, Trion2@KL Apartment, Jalan Sungai Besi, Off Chan Sow Lin, 55200 Kuala Lumpur	Binastra Land Sdn. Bhd. / SSP	**Description:** Serviced apartment **Existing use:** Pending vacant possession	**Express condition:** The land shall be used for business buildings for service apartments only. **Category of land use:** Building	**Restrictions in interest:** Nil **Encumbrances / Endorsement:** Nil	**Land area:** Not applicable **Built-up area:** 86 square metres	Freehold	*Not applicable*[(4)]	471,631
17.	**Title:** Geran 76064/M1B/30/1348, Lot 80012, Mukim Ampang, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	SSP	**Description:** Apartment **Existing use:** Currently vacant	**Express condition:** SOHO **Category of land use:** Building	**Restrictions in interest:** Nil **Encumbrances / Endorsement:** Nil	**Land area:** Not applicable **Built-up area:** 73 square metres	Freehold	29 January 2016	653,971

No.	Title / Postal Address	Registered / Beneficial Owner	Description / Existing Use	Express conditions / Category of land use	Restrictions in interest / Encumbrances / Endorsement	Land area / Built-up area (approximate)	Tenure	Date of issuance of CFO / CCC	Audited NBV as at 31 May 2023 (RM)
	Postal address: No. 1-29-17, M City Ampang, No. 326 Jalan Ampang, 50450 Kuala Lumpur								
18.	**Title:** Geran 321926/M1/1/6, Lot 42126, Seksyen 4, Bandar Cheras, District of Hulu Langat, State of Selangor **Postal address:** No. R-06, Blok A, Parkland Residence, Jalan SS 2/2, Batu 11 Cheras 43200 Cheras, Selangor	Parkland Residence Sdn. Bhd. / SSP	**Description:** Retail shop lot **Existing use:** Currently vacant	**Express condition:** Commercial building **Category of land use:** Commercial	**Restrictions in interest:** Nil **Encumbrances / Endorsement:** Nil	**Land area:** Not applicable **Built-up area:** 86 square metres	Freehold	8 November 2022	52,889

Notes:

*(1) The premises at Puchong Land 1 has been issued with a CFO on 14 August 2006. Subsequently, a double-storey office ("**Administrative Office**") has been constructed on Puchong Land 1 and the CCC in respect of the Administration Office has been issued on 6 October 2022.*

(2) As at the LPD, the properties are held under a master title of which the registered owner is the developer, Maxisegar Sdn. Bhd.. SS is the beneficial owner of the properties. As at the LPD, Maxisegar Sdn. Bhd. is currently in liquidation and our Group understands that the strata titles for the properties have yet to be issued. Our Group will liaise with the liquidator of the developer for the strata titles and the relevant transfer documents upon issue of the strata titles, for the purpose of effecting the transfer of title to the properties in favour of SS. Despite Maxisegar Sdn. Bhd. being in liquidation, such liquidation process should not have a material adverse effect on the ability of SS to be registered as the registered owner of the strata titles as the full purchase price for such properties have been settled by SS and the liquidator holds the power and authority to give effect to the transfer of strata titles in place of the developer. Furthermore, the liquidator has provided a written confirmation to SS that upon issuance of the strata titles, it will forward to SS the executed and unstamped memorandums of transfer together with the issued strata titles (being the documentation required to effect the transfer of titles of such properties to SS) to SS and/or its end-financier.

(3) As at the LPD, the properties are held under a master title of which the registered owner is the developer, Ukay Land Sdn. Bhd. SS is the beneficial owner of the properties. As at the LPD, Ukay Land Sdn. Bhd. is currently in liquidation and our Group understands that the strata titles for the properties have yet to be issued. Our Group will liaise with the liquidator of the developer for the strata titles and the relevant transfer documents upon issue of the strata titles, for the purpose of effecting the transfer of title to the properties in favour of SS. Despite Ukay Land Sdn. Bhd. being in liquidation, such liquidation process should not have a material adverse effect on the ability of SS to be registered as the registered owner of the strata titles as the full purchase price for such properties have been settled by SS and the liquidator holds the power and authority to give effect to the transfer of strata titles in place of the developer. Furthermore, the liquidator has provided a written confirmation to SS that upon issuance of the strata titles, it will forward to SS the executed and unstamped memorandums of transfer together with the issued strata titles (being the documentation required to effect the transfer of titles of such properties to SS) to SS and/or its end-financier.

(4) The vacant possession of the abovementioned property is expected on the first quarter of 2024. As such, the CCC for the property has not yet been issued.

7.24.2 Rented Properties

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

No.	Landlord	Tenant	Postal Address	Description / Existing Use	Date of CFO / CCC or equivalent	Approximate Floor Area	Tenure	Rental Per Annum (RM)
1.	Sudut Swasta	PCFM	No. 3, Jalan Perniagaan Setia 1/1, Taman Perniagaan Setia, Setia Business Park II, 81100 Johor Bahru, Johor	**Description**: A 1½-storey semi-detached cluster factory **Existing use**: Use as an office and warehouse	17 February 2015	521 square metres	1 year Commencing from 1 January 2023 to 31 December 2023	96,000
2.	Sudut Swasta	PFWSI	PLYTEC BIM Centre @ West Wing (1st Floor), No. 19, Jalan Meranti Permai 3, Meranti Permai Industrial Park, Batu 15, Jalan Puchong, 47100 Puchong, Selangor	**Description**: The first floor of an office unit **Existing use**: Use as an office	14 August 2006 and 6 October 2022	503 square metres	1 year Commencing from 1 January 2023 to 31 December 2023	216,000
3.	Yoong Tsen Properties Development Sdn. Bhd.(1)	BEST	12A, Jalan Borealis 4, Pusat Komersial Borealis, 14110 Bandar Cassia, Pulau Pinang	**Description**: A 2-storey shop office **Existing use**: Use as an office	15 January 2021	264 square metres	3 years Commencing from 1 April 2022 to 31 March 2025	84,000

Note:

(1) The registered owner of the property is Eco Horizon Sdn. Bhd.. As at the LPD, Yoong Tsen Properties Development Sdn. Bhd. has proceeded with the execution of the Memorandum of Transfer for the property. As at the LPD, the Memorandum of Transfer has yet to be fully executed.

7. BUSINESS OVERVIEW *(cont'd)*

7.24.3 Material Machinery and Equipment

Machinery and equipment	Functions	No. of Units	Year of purchase (Average age)	NBV as at 31 May 2023 RM
Cutting machine	Metal cutting machine	2	2	46,233
Water blaster	High pressure water blaster for cleaning purposes	6	3	240,667
Mesh bending machine	Machine to bend engineering wire mesh	2	5	31,199
Forklift	Transporting of heavy materials	10	9	117,702
Telehandlers	Transporting of heavy materials	1	1	329,800

7.24.4 Material Plans to Construct, Expand or Improve Facilities

Save as disclosed in Sections 4.7.1 and 7.17 of this Prospectus, our Group has no immediate material plans to expand or improve any of our existing equipment.

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7.25 GOVERNING LAWS AND REGULATIONS INCLUDING ENVIRONMENTAL CONCERNS

7.25.1 Governing Laws and Regulations

The following is an overview of the material laws and regulations that are relevant to the business operations of our Group in Malaysia.

Laws and Regulations Relating to Our Business

(i) Local Government Act 1976 ("LGA")

According to the LGA and the by-laws of the relevant local authorities in Peninsular Malaysia, we are required to obtain and maintain business and advertisement licences to carry out our operations and to display our signboard at our offices.

The business and advertisement licences granted by the local authority are generally valid for a period not exceeding 3 years and are subject to renewal. A person to whom such licence has been granted is generally required to exhibit the licence at all times in some prominent place of the licensed premises and to produce the licence if required to do so by any officer of the local authority authorised to demand the same.

Any person who contravenes any of the provisions of the LGA and/or the by-laws of the relevant local authorities in Peninsular Malaysia shall be liable for an offence and shall on conviction, be liable to a fine not exceeding RM2,000 or to imprisonment for a term not exceeding 1 year or to both.

Our owned and rented properties which are used for our business operations are issued with valid business licences and advertising licences and as at the LPD, there has been no non-compliance of our Group in relation to the LGA that may have a material adverse impact on our business operations.

(ii) Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994 ("CIDB Act")

The CIDB Act which applies throughout Malaysia regulates the establishment of the CIDB and provides for its function relating to the construction industry and for matters connected therewith. One of the main focus of the CIDB Act is to ensure that the quality of construction building materials used in Malaysia complies with standards prescribed by CIDB.

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

Pursuant to Section 25 of the CIDB Act, a contractor must register with the CIDB and hold a valid certificate of registration issued by the CIDB under the CIDB Act in order to carry out or complete, undertake to carry out or complete any construction works or hold himself as a contractor. Failure to register with the CIDB constitutes an offence and on conviction, the party in breach of the CIDB Act may be liable to a fine of not less than RM10,000 but not more than RM100,000.

Every contractor whether registered under CIDB Act or not, is subject to the CIDB Act.

Pursuant to section 33C of the CIDB Act, the CIDB shall certify the construction materials used in the construction industry as specified and in accordance with the standards prescribed in the Fourth Schedule of the CIDB Act. Section 33D provides that a person shall not deal or undertake to deal, whether directly or indirectly, with the construction materials specified in the Fourth Schedule unless the construction materials have been certified by the CIDB. Failure to comply with section 33D is an offence and on conviction, the party in breach shall be liable to a fine of not less than RM10,000 but not more than RM500,000.

According to the Contractor Registration Requirements and Procedures Handbook issued by the CIDB in July 2018, the certificate of registration issued by the CIDB is valid for a minimum period of one year and a maximum term not exceeding 3 years, unless cancelled, suspended or revoked earlier by the CIDB. There are four categories of registrations, namely building construction, civil engineering, mechanical and electrical and facility. The scope of registration may further be classified into the following 7 grades with each grade having different tendering capacity:

Grade	Tendering capacity
G1	Not exceeding RM200,000
G2	Not exceeding RM500,000
G3	Not exceeding RM1,000,000
G4	Not exceeding RM3,000,000
G5	Not exceeding RM5,000,000
G6	Not exceeding RM10,000,000
G7	No limit

Our business operations are regulated by the CIDB Act and we have obtained and hold a G7 licence issued by the CIDB in accordance with the provisions of the CIDB Act. As at the LPD, there has been no non-compliance of our Group in relation to the CIDB Act that may have a material adverse impact on our business operations.

(iii) Control of Supplies Act 1961 ("CSA") and Control of Supplies Regulations 1974 ("CSR")

Pursuant to the CSA, any article or food may be declared as controlled article or rationed article either generally or with reference to some specified part(s) of Malaysia.

Pursuant to section 7 of the CSA, the controller of supplies may issue or renew licences to authorize any person to sell, wholesale or retail any controlled article in any premises or at any places specified in the licence. Every licence issued under section 7 of the CSA shall be valid for such period as may be expressed therein and may be renewed for such further period as the controller of supplies thinks fit. The controller of supplies may vary the conditions of, suspend, revoke or refuse to renew any licences or permits granted under the CSA.

Section 16 provides that no person shall sell by wholesale or retail any controlled article, either on his own behalf or on behalf of any body corporate of which he is a director or officer unless he holds a licence under the CSA. A holder of a licence under the CSA shall also not sell or store any controlled article in any premises other than as specified in the license, nor shall he sell any controlled article contrary to any of the conditions expressed in the licence.

In exercise of the powers conferred by Section 6 of the CSA, the CSR has been put into force in relation to the controlled articles specified in the schedule to the CSR ("**Scheduled Articles**").

Pursuant to Regulation 3(1) of the CSR, no person shall deal by wholesale or retail any Scheduled Articles except under and in accordance with a licence issued under the CSR. Where a person has more than one place of business where the Scheduled Articles are manufactured or sold by wholesale or retail, separate licences shall be taken out in respect of each place of business.

Pursuant to Regulation 4(1) of the CSR, the licences to manufacture or deal in Scheduled Articles by wholesale or retail shall be subject to such conditions as may be specified in the licences and may be valid for a period not exceeding 5 years. Regulation 5 provides that the controller of supplies may cancel or suspend the licence or vary, add to, amend or delete the conditions to which the licence is subject.

Regulation 7 provides that the licence shall be prominently displayed in the place of business of the holder of the licence. Pursuant to Regulation 9(1), a wholesaler shall sell to wholesalers or retailers the entire quantity of any Scheduled Articles acquired by him or otherwise in his possession or custody as soon as is practicable and shall not have in his possession or custody or control at any one time a quantity of any Scheduled Articles in excess of the quantity specified in the licence.

Any person (including a director or officer of a body corporate) who commits an offence under the CSA shall, on conviction, be liable to a fine not exceeding RM1,000,000 or to imprisonment for a term not exceeding 3 years or both and for a second or subsequent offence, to a fine not exceeding RM3,000,000 or to imprisonment for a term not exceeding 5 years or both. Any body corporate which commits an offence under the CSA shall, on conviction be liable to a fine not exceeding RM2,000,000 and, for a second or subsequent offence, to a fine not exceeding RM5,000,000. The licence may also be cancelled, suspended or barred.

Our business operations include dealing with and wholesale of Scheduled Articles and our Group holds valid licences pursuant to the provisions of the CSA and CSR. As at the LPD, there has been no non-compliance of our Group in relation to the CSA and CSR that may have a material adverse impact on our business operations.

(iv) Malaysian Timber Industry Board (Incorporation) Act 1973 ("MTIBIA") and Timber Import Export Regulation ("TIER")

Pursuant to the MTIBIA, no person shall carry on any activity as an exporter, importer, supplier or trader in relation to the timber industry unless he is registered under the MTIBIA. Any person who contravenes this provision under the MTIBIA shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 3 years or both. Any registration under the MTIBIA shall be valid for a period of one year or for such longer period not exceeding five years. Upon registration, a certificate of registration will be issued by the Malaysian Timber Industry Board.

In the course of our business, our Group imports plywood into Malaysia and trades plywood within Malaysia. As such, we have been duly registered as an importer and trader with the Malaysian Timber Industry Board and have been issued with valid certificates of registration. As at the LPD, there has been no non-compliance of our Group in relation to the MTIBIA and TIER that may have a material adverse impact on our business operations.

Laws and Regulations Relating to Land

(i) Street, Drainage and Building Act 1974 ("SDBA") and Uniform Buildings By-Laws 1984 ("UBBL")

The SDBA regulates laws relating to street, drainage and buildings in local authority areas in Peninsular Malaysia. It provides for the requirement to have a CFO or CCC to ensure that a building is safe and fit for occupation.

Pursuant to Section 70(1) of the SDBA, no person shall erect any building without the prior written permission of the local authority. Section 70(11) of the SDBA further provides that any person who makes any alteration to any building otherwise than is provided for under the SDBA or any by-laws made thereunder or without prior written permission of the local authority shall be liable on conviction to a fine not exceeding RM25,000 and a magistrate's court shall on the application of the local authority, issue a mandatory order to alter the building in any way or to demolish it.

Pursuant to Section 70A(1) of the SDBA, no person shall commence or carry out or permit to be commenced or carried out any earthworks without having first submitted to the local authority plans and specifications in respect of the earthworks and obtained the approval of the local authority.

Pursuant to Section 70A(2) of the SDBA, where earthworks are to be commenced or carried out for the purpose of the construction of any building, street, drain, sewer or embankment or for the laying of any cable or pipe or for the purpose of any other construction or work whatsoever, the plans and specifications relating to such construction or work required to be submitted under the SDBA or any by-laws made thereunder shall be submitted to the local authority at the same time as the plans and specifications in respect of the earthworks.

Any person who contravenes any provision of Section 70A of the SDBA or fails to comply with any direction or order given under such section or does any act to obstruct in any manner whatsoever the entry or the execution of any work authorised to be effected or executed under such section by or on behalf of the local authority shall upon conviction be guilty of an offence and shall be liable to imprisonment for a term not exceeding 5 years or to a fine not exceeding RM50,000 or to both and in the case of a continuing offence to a fine which may extend to RM500 for every day during which the offence is continued.

Further, where a person has been convicted of an offence pursuant to the paragraph above, the local authority may revoke the approval of the plans and specifications given under Section 70A(1) of the SDBA and the person carrying out the earthworks shall upon receipt of the notice of such revocation forthwith cease the whole of the earthworks.

The SDBA provides for the requirement to have a CFO or CCC to ensure that the building is safe and fit for occupation.

In exercise of the powers conferred by Section 133 of the SDBA, the UBBL has been put into force. Pursuant to By-law 25 of the UBBL, upon satisfaction of among others, the following requirements, a CFO or CCC shall be issued:

(a) The principal submitting person [i.e. the architect, building draughtsman or engineer ("**Qualified Persons**") who submits the building plans to the local authority for approval in accordance with the UBBL] ("**Principal Submitting Person**") have certified that they have supervised the erection and completion of the building and to the best of his knowledge and belief the building has been constructed and completed in accordance with the SDBA, UBBL and the approved plans; and

(b) All essential services where required, have been provided.

Upon issuance of the CFO or CCC, the Principal Submitting Person shall accept full responsibility for portions which he is respectively concerned with the issuance of the CFO or CCC and he certifies that the building is safe and fit for occupation.

Any person who occupies or permits to be occupied any building or any part thereof without a CFO or CCC shall be liable on conviction to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 10 years or to both.

As at the LPD, all of our Group's owned and rented properties have been issued with a CFO or CCC (as the case may be) and there has been no non-compliance of our Group in relation to the SDBA and UBBL that may have a material adverse impact on our business operations.

(ii) National Land Code ("NLC")

The NLC is the primary land law legislation in Malaysia which applies to land located in Peninsular Malaysia and the Federal Territory of Labuan. Under the NLC, there are three categories of land use, being "building", "industry" and "agriculture". The category of land use, if any, is endorsed on the documents of title issued by the state authority. All alienated lands in Peninsular Malaysia and the Federal Territory of Labuan are also subject to implied conditions as more particularly described in the NLC and express conditions imposed by the state authority.

Upon any breach arising of any condition to which any alienated land is for the time being subjected to, (i) the land shall become liable to forfeiture to the state authority and (ii) except in a case where a fine is imposed or where action for the purpose of causing the breach to be remedied is first required to be taken, the land administrator shall proceed with the enforcement of the forfeiture in accordance to the provisions of the NLC.

There is no breach and/or non-compliance of any property or land use conditions in relation to the premises owned or rented by our Group to carry out our business operations and there has been no non-compliance of our Group in relation to the NLC that may have a material adverse impact on our business operations.

Laws and Regulations Relating to Labour, Health and Safety

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

The OSHA provides provisions for securing the safety, health and welfare of persons at work, for protecting others against risk to safety or health in connection with the activities of persons at work and for matters connected therewith and applies throughout Malaysia to the industries specified in the OSHA. The OSHA applies to our Group.

Sections 15(1) and 15(2) of the OSHA provides that employers and every self-employed person must as far as is practicable, ensure the safety, health and welfare at work of all their employees by (including but without limitation):

(a) the provision and maintenance of plant and systems of work that are, so far as is practicable, safe and without risks to health;

(b) the making of arrangements for ensuring, so far as is practicable, safety and absence of risks to health in connection with the use or operation, handling, storage and transport of plant and substances;

(c) the provision of such information, instruction, training and supervision as is necessary to ensure, so far as is practicable, the safety and health at work of its employees;

(d) so far as is practicable, as regards any place of work under the control of the employer or self-employed person, the maintenance of it in a condition that is safe and without risks to health and the provision and maintenance of the means of access to and egress from it that are safe and without such risks; and

(e) the provision and maintenance of a working environment for its employees that is, so far as is practicable, safe, without risks to health and adequate as regards facilities for their welfare at work.

Under Section 16 of the OSHA, it shall be the duty of every employer and every self-employed person 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 of his employees.

Pursuant to Section 19 of the OSHA, any person who contravenes any of the above provisions shall be guilty of an offence and shall on conviction, be liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding 2 years or to both.

Pursuant to the Section 32 of the OSHA, an employer shall notify the nearest OSH office of any accident, dangerous occurrence, occupational poisoning or occupational disease which has occurred or is like to occur at the place of work. Any person who by any act or omission contravenes any provision of the OSHA where the penalty is not expressly provided, shall be guilty of an offence and shall on conviction, be liable to a fine not exceeding RM10,000 or to imprisonment for a term not exceeding one year or to both and in the case of a continuing offence, to a fine not exceeding RM1,000 for every day or part of a day during which the offence continues after conviction.

As at the LPD, there has been no non-compliance of our Group in relation to OSHA that may have a material adverse impact on our business operations. Our Group has formulated a health and safety policy to formalised control measures and procedure for the health and safety of our employees.

(ii) Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 ("EMSHAA") and Employees' Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020 ("Employees' Accommodation Regulations")

The EMSHAA prescribes, among other, the minimum standards for accommodations for employees and centralised accommodations and requires employers to provide health, hospital, medical and social amenities.

The EMSHAA imposes the duty and responsibility on employers or centralised accommodation providers to, among other things, ensure that:

(a) every accommodation provided for employees complies with the minimum standards required under the EMSHAA and any regulations made thereunder;

(b) no accommodation will be provided to an employee unless certified with a COA;

(c) any accommodation that is unfit for human habitation in accordance with the relevant written laws are not to be used to accommodate employees;

(d) the accommodation provided for employees has decent and adequate amenities in accordance with the EMSHAA and any regulations made thereunder;

(e) necessary preventive measures are taken to ensure employees' safety and well-being;

(f) the employees receive the necessary medical assistance;

(g) preventive measures are taken to contain the spread of infectious diseases as ordered by the Medical Officer of Health in accordance with the relevant laws and the employer will, at his own expense, make arrangements as ordered by the Medical Officer of Health so that all or any of the employees be given immunization against any infectious disease.

Further, the Employees' Accommodation Regulations, enacted pursuant to the EMSHAA, imposes among other, the minimum requirements for employee accommodations including the size of floor area for bedrooms and sleeping areas, the obligation on employers or centralised accommodation providers to ensure the provision of water and electricity supply as well as basic amenities which will not be shared in the employee accommodations.

An employer who fails to obtain the COA or fails to ensure the employee accommodation is fit for human habitation in accordance with the relevant written laws, commits an offence and will on conviction, be liable to a fine not exceeding RM50,000. Any employer who contravenes any other provision of the EMSHAA or any regulation made thereunder or fails to carry out any order made by the Director General of Labour, will be guilty of an offence under such provision and if no penalty is expressly provided for, the offence will on conviction, be liable to a fine not exceeding RM50,000 and to a further fine not exceeding RM1,000 a day for each day during which the offence continues.

We are required to comply with the provisions of the EMSHAA and Employees' Accommodation Regulations in relation to the accommodation provided to our Group's employees/workers.

As at the LPD, all of the accommodation provided to the employees of our Group have been issued with a COA and there has been no non-compliance of our Group in relation to EMSHAA and the Employees' Accommodation Regulations that may have a material adverse impact on our business operations.

Laws and Regulations Relating to Employment of Foreign Workers

(i) Employment (Restriction) Act 1968 (Revised 2017) ("ERA")

The ERA provides for the restriction of employment in certain business activities in Malaysia of persons not being citizens and the registration of such persons and for matters connected therewith.

Section 5 of the ERA prohibits a person from employing in Malaysia any non-citizen unless there has been issued in respect of that non-citizen a valid employment permit.

Section 12(1) of the ERA stipulates that subject to any exemption which may be granted under the ERA, every non-citizen of the class or classes or in the category or categories of employment or business shall be registered with the Director General of Labour.

Pursuant to Section 17(1) of the ERA, any person who fails to comply with Section 5 or Section 12 of the ERA commits an offence and shall on conviction, be liable to a fine not exceeding RM5,000 or to imprisonment for a term not exceeding one year or to both. Further, pursuant to Section 17(3) of the ERA 1968, every omission or neglect to comply with and every act done or attempted to be done contrary to the ERA or any regulations made thereunder or any breach of the conditions and restrictions subject to or upon which an employment permit is issued under the ERA, shall be an offence against the ERA and the offender shall on conviction, if no penalty is expressly provided, be liable to a fine not exceeding RM1,000 or to imprisonment for a term not exceeding 6 months or to both and, in the case of a continuing offence, to a further fine not exceeding RM100 a day.

As at the LPD, there has been no non-compliance of our Group in relation to the ERA that may have a material adverse impact on our business operations.

(ii) Immigration Act 1959/63 ("Immigration Act") and Immigration Regulations 1963 ("Immigration Regulations")

The Immigration Act regulates various aspects of immigration into Malaysia, including the entry of foreign workers into Malaysia.

Pursuant to Regulation 9(1) of the Immigration Regulations, an Employment Pass may be issued by the Controller (as defined in the Immigration Regulations) to any person other than a prohibited immigrant who satisfies the Controller that he wishes to enter the Federation (otherwise than as a visitor, tourist, transit passenger or student) in order to take up employment under a contract of service with the Government of the Federation or of any State in the Federation or of any City Council or Municipality in the Federation or to take up employment in the Federation under a contract:

(a) for a minimum period of 2 years employment in the Federation with a company or firm approved for the purposes of this sub-paragraph; and

(b) under which such person is entitled to a salary of not less than RM1,200 per month.

Regulation 9(2) of the Immigration Regulations states that where an Employment Pass has been granted, the holder is authorised enter the Federation on or before the date stated in such Pass and to remain therein for such period as may be so stated, but not exceeding 5 years from the date of such entry.

According to Regulation 9(3) of the Immigration Regulations, every Employment Pass issued to any person under Regulation 9(1) shall be subject to the condition that during the validity of the Pass the holder shall not without the consent in writing of the Controller engage in any form of paid employment or in any business or professional occupation in the Federation, other than such particular employment, business or professional occupation as shall be specified in such Pass.

Section 55A(1) of the Immigration Act states that any person involved (directly or indirectly) in conveying to Malaysia any person contrary to the Immigration Act shall be guilty of an offence and on conviction, be liable to a fine of not less than RM10,000 but not more than RM50,000 and to imprisonment for a term of not less than 2 years but not more than 5 years and shall also be liable to whipping of not more than 6 strokes. Where the offence under Section 55A(1) has been committed by a body corporate, the body corporate shall be guilty of that offence and shall on conviction, be liable to a fine of not less than RM30,000 but not more than RM100,000.

Section 55B of the Immigration Act further states that any person who employs one or more persons, other than a citizen or a holder or a holder of an Entry Permit, who is not in possession of a valid Pass shall be guilty of an office and shall on conviction, be liable to a fine of not less than RM10,000 but no more than RM50,000 or to imprisonment for a term not exceeding 12 months or to both for each such employee. Where, in the case of an offence under Section 55B(1) above, it is proved to the satisfaction of the court that the person has at the same time employed more than five such employees that person shall on conviction, be liable to imprisonment for a term of not less than 6 months but not more than 5 years and shall also be liable to whipping of not more than 6 strokes.

Section 55E(1) of the Immigration Act stipulates that no occupier shall permit any illegal immigrant to enter or remain at any premises. An occupier who contravenes Section 55E(1) above shall be guilty of an offence and shall upon conviction, be liable to a fine of not less than RM5,000 and not more than RM30,000 or to imprisonment for a term not exceeding 12 months or to both for each illegal immigrant found at the premises and, in the case of a second or subsequent conviction, to a fine of not less than RM10,000 and not more than RM60,000 or to imprisonment for a term not exceeding 2 years or to both for each illegal immigrant found at the premises.

We are required to comply with the provisions of the ERA, the Immigration Act and Immigration Regulations insofar as foreign workers employed by us are concerned.

As at the LPD, there has been no non-compliance of our Group in relation to the ERA, the Immigration Act or the Immigration Regulations that may have a material adverse impact on our business operations. All our foreign workers have been issued with valid working permits and/or documents such as passports and entry visas as at the LPD.

Laws and Regulations Relating to Environment Protection

(i) Environmental Quality Act 1974 ("EQA")

The EQA relates to the prevention, abatement, control of pollution and enhancement of the environment.

Pursuant to Section 22(1) of the EQA, unless licensed, no person shall emit or discharge any environmentally hazardous substances, pollutants or wastes into the atmosphere in contravention of the acceptable conditions specified under Section 21 of the EQA. Any person who contravenes Section 22(1) of the EQA shall be guilty of an offence and shall be liable to a fine not exceeding RM100,000 or to imprisonment for a period not exceeding 5 years or to both and to a further fine not exceeding RM1,000 a day for every day that the offence is continued after a notice by the Director General of Environmental Quality ("**Director General of Environmental Quality**") requiring him to cease the act specified therein has been served upon him.

Pursuant to Section 23(1) of the EQA, unless licensed, no person shall emit or cause or permit to be emitted any noise greater in volume, intensity or quality in contravention of the acceptable conditions specified under Section 21 of the EQA. Any person who contravenes Section 23(1) of the EQA shall be guilty of an offence and shall be liable to a fine not exceeding RM100,000 or to imprisonment for a period not exceeding 5 years or to both and to a further fine not exceeding RM500 a day for every day that the offence is continued after a notice by the Director General of Environmental Quality requiring him to cease the act specified therein has been served upon him.

Pursuant to Section 24(1) of the EQA, unless licensed, no person shall pollute or cause or permit to be polluted any soil or surface of any land in contravention of the acceptable conditions specified under Section 21 of the EQA. Any person who contravenes Section 24(1) of the EQA shall be guilty of an offence and shall be liable to a fine not exceeding RM100,000 or to imprisonment for a period not exceeding 5 years or to both and to a further fine not exceeding RM1,000 a day for every day that the offence is continued after a notice by the Director General of Environmental Quality requiring him to cease the act specified therein has been served upon him.

Pursuant to Section 25(1) of the EQA, unless licensed, no person shall emit, discharge or deposit any environmentally hazardous substances, pollutants or wastes into any inland waters in contravention of the acceptable conditions specified under Section 21 of the EQA. Any person who contravenes Section 25(1) of the EQA shall be guilty of an offence and shall be liable to a fine not exceeding RM100,000 or to imprisonment for a period not exceeding 5 years or to both and to a further fine not exceeding RM1,000 a day for every day that the offence is continued after a notice by the Director General of Environmental Quality requiring him to cease the act specified therein has been served upon him.

The Department of Environment ("**DOE**") is established to prevent, eliminate, control pollution and improve the environment which is consistent with the purposes of the EQA. The DOE is also responsible for the implementation of Malaysia's environmental regulations and policies.

We are required to comply with the provisions of the EQA in carrying out our business operations. As at the LPD, there has been no non-compliance of our Group in relation to the EQA that may have a material adverse impact on our business operations.

Laws and Regulations Relating to Foreign Exchange Control

(i) Financial Services Act 2013 ("FSA") and Bank Negara Malaysia's Foreign Exchange Rules

The business of our Group is subject to Malaysian foreign exchange laws, regulations and policies, as amongst others, we make and receive payments in foreign currency to and from non-residents such as our overseas suppliers and customers in relation to the import and export of plywood, formwork and fencing in the course of our business activities.

The foreign exchange policies in Malaysia support the monitoring of capital flows into and out of the country. The FSA provides for regulation and supervision of financial institutions, payment systems and other relevant entities and the oversight of the money market and foreign exchange market to promote financial stability.

Pursuant to the Foreign Exchange Rules issued under the FSA by Bank Negara Malaysia, which set out rules for payment in foreign currency between residents and non-residents, a resident is allowed to make or receive payment in foreign currency to or from a non-resident for any purpose other than in connection with foreign currency or exchange rate related derivatives. We continuously monitor compliance with prevailing foreign laws, regulations and policies relating to the exchange control regime in force in Malaysia.

As at the LPD, our Group is not in breach of laws and regulations governing our business that may have a material adverse impact on our business operations.

7.25.2 Environmental, Social and Governance

As at the LPD, there are no environmental issues which may materially affect our Group's business or operations and usage of properties owned and/or rented by our Group as set out in Section 7.24 of this Prospectus.

Our Group has implemented or is in the midst of implementing, the following practices:

(i) Environmental

Our Group is committed to adopting sustainable practices in response to environmental issues and the measures that we have taken or plan to take (as the case may be) include the following:

(i) to conduct a periodic energy audit for our Puchong Land 1 and Puchong Land 2 premises starting year 2023;

(ii) A management working committee to formulate environmental, social and governance compliance policies and strategies has been formed on 18 May 2023;

(iii) to work with our key suppliers to adopt low carbon aluminium materials in the production of our aluminium equipment/products;

(iv) to undertake a feasibility study for the incorporation and use of solar power in the development of new facilities, including the upcoming development of our production plants on our Olak Lempit Land; and

(v) to undertake a feasibility study on sustainable practices to be incorporated in the development of new facilities, including the upcoming development of our production plants on our Olak Lempit Land.

(ii) Social

Our Group is committed to maintaining a safe and healthy workplace for our employees. We has formalised control measures and procedures for health and safety functions which includes, amongst others, a health and safety policy. As at the LPD, our Group has designated a compliance officer, who is overseen by our Chief Executive Officer, to ensure that all areas of compliance with regards to Malaysian laws, regulations, rules and regulations in relation to our business and operations are adhered to.

Our Group also places strong emphasis on the wellbeing of our employees. The accommodations provided to our foreign workers at our Puchong Land 2 and our Olak Lempit Land are in compliance with the requisite requirements of the EMSHAA and Employees' Accommodation Requirements and have been issued with a COA, as disclosed 7.25.1 of this Prospectus.

In addition, our Group has taken on various corporate social responsibility initiatives to serve the needs of the community. In particular, our Group has made donations to charitable organisations and education foundations, including UTAR Hospital (via UTAR Education Foundation) and TARcian Alumni Association (via TAA Education Trust Fund) during the course of the Financial Years/Period Under Review up to the LPD. Furthermore, our Group has donated a unit of heavy-duty frame spray nozzle to Sekolah Kebangsaan Sungai Dua due to the flooding which had occurred at Kampung Sungai Dua, Pahang in FYE 2021.

(iii) Governance

Our Group is committed to conducting our business ethically and in compliance with all relevant laws and regulations as disclosed in Section 7.25.1 of this Prospectus.

As at the LPD, our Board has progressively adopted the principles and practices as promulgated in the MCCG, where appropriate. In seeking to maintain high standards of corporate governance, our Group will adopt all the applicable principles and practices as promulgated in the MCCG. In addition, our Group has adopted a zero-tolerance policy towards any forms of bribery and corruption in our business dealings and as such we have put in place policies and procedures to manage our corporate liability risks. In relation to the Group's risk management, our Group has put in place risk policies to monitor closely on risks relating to our business and operations, towards achieving our Company's objectives.

Moving forward, our Group will comply with the relevant provisions of the Listing Requirements relating to environmental, social and governance matters which are applicable to us following the listing of our Company on the ACE Market. This will include incorporation of a narrative statement of our management of material economic, environmental and social risks and opportunities (Sustainability Statement) in our annual report. Our Group will also comply with any further amendments and/or enhancements to the Listing Requirements or new provisions which are applicable to us as a company listed on the ACE Market as and when they come into force, including those relating to elevating sustainability practices and disclosures of listed corporations (Enhanced Sustainability Disclosure) which will come into force on or after 31 December 2024).

In order to ensure compliance with prescribed environmental, social and governance disclosures and practices going forward, our Board through our Audit and Risk Management Committee may when appropriate amongst others consider establishing a Board committee to (a) advise the Board on strategies in the area of sustainability, (b) monitor the implementation of sustainability strategies approved by the Board, (c) recommend to the Board measures relating to sustainability matters which are identified as material, (d) oversee the preparation of sustainability disclosures as required by relevant laws and the Listing Requirements and (e) manage other environmental, social and governance matters relating to our Group.

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Protégé
ASSOCIATES
BRAND | FINANCE | MARKET

The information in this Section 8 is based on market research conducted by Protégé Associates Sdn Bhd commissioned by PLYTEC Holding Berhad for the purpose of the IPO.

The Board of Directors
PLYTEC Holding Berhad
No. 19, Jalan Meranti Permai 3
Meranti Permai Industrial Park
Batu 15, Jalan Puchong
47100 Puchong
Selangor Darul Ehsan

Date: 29 September 2023

Dear Sirs,

Strategic Analysis of the Construction Industry in Malaysia

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

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

Mr. Seow Cheow Seng is the Managing Director of Protégé Associates. He has 23 years of experience in market research, having started his career at Frost & Sullivan where he spent 7 years. He has been involved in a multitude of industries covering automotive, construction, electronics, healthcare, energy, IT, oil and gas, etc. He has also provided his market research expertise to government agencies such as Malaysia Digital Economy Corporation Sdn Bhd, Malaysia Debt Ventures Berhad and Malaysia Technology Development Corporation Sdn Bhd.

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

Thank you.

Yours sincerely,

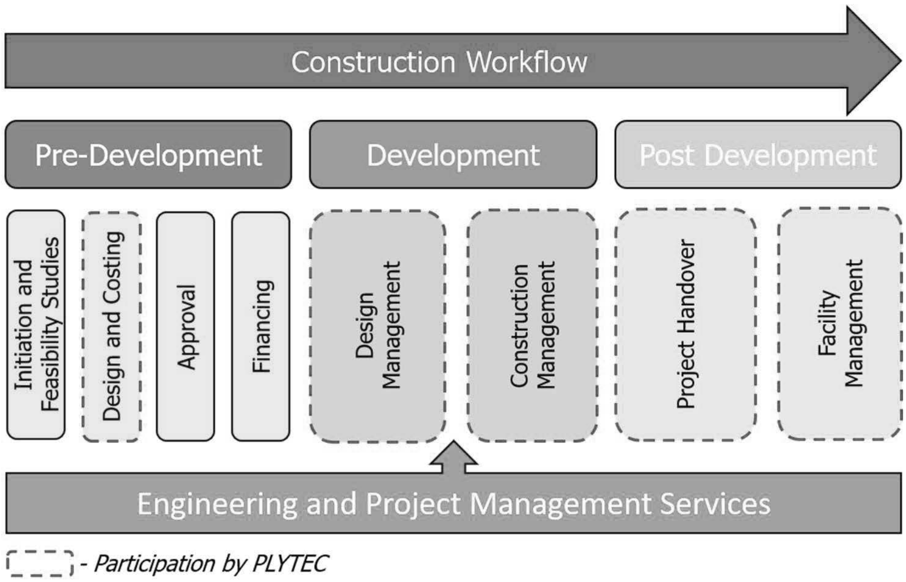
SEOW CHEOW SENG
Managing Director

1.0 Introduction to the Construction Industry

Construction refers to the conversion of raw materials through the use of labour into various forms of buildings and infrastructures. In Malaysia, the local construction industry can be segmented into the real estate construction market and the civil engineering and specialised trade work market. Real estate construction refers to the construction of structures and buildings for residential as well as non-residential purposes. Civil engineering mainly refers to the construction of infrastructures such as roads and highways, utility structures and buildings as well as public infrastructures like bridges, airports, dams and railways. Special trade works (also known as mechanical and electrical works) on the other hand refer to specialised construction work in building or non-building related project without responsibility for the entire project.

As constructions are processes that requires huge financial commitment, therefore, it is very crucial to have proper engineering and management services at every stage of the development to reduce the risk of cost and schedule overrun. The need for engineering and project management services is even more pronounced as the cost of construction in the country continues to rise in tandem with rising cost of land and building materials. Figure 1 below illustrates the 3 major stages in a construction project and the corresponding engineering and project management services applicable to each stage.

Figure 1: General Engineering and Project Management Services throughout a Typical Construction Workflow



Source: Protégé Associates

PLYTEC is principally involved in the provision of construction engineering solutions and services, which include construction method engineering solutions, digital design and engineering solutions, and prefabricated construction solutions. These specialised engineering solutions are mainly used in the design and construction of buildings and infrastructure as well as related components. PLYTEC is also involved in the trading and distribution of building materials.

1.1 Construction Method Engineering

Construction method engineering refers to the temporary works for the forming and safe erection of concrete structures. Temporary works are parts of a construction project that are needed to enable the permanent works to be built where it supports or protects either an existing structure or permanent works during construction. Temporary works for construction can then be segmented into falsework, formwork and access solutions. As the requirements for each construction project differs from each other, construction method engineering service providers often work closely with clients on a series of objectives even prior to the commencement of construction. These collaborations range from conducting feasibility studies on the practicality of using a certain type of falsework or formwork to the selection and design of a temporary works system. Building Information Modelling ("**BIM**") software is then utilised to develop a model of the required temporary works on how to install them to support the erection of permanent works. This is followed by supervision of the installation and end product review. Construction method engineering also involves the provision of supplementary access equipment such as self-climbing platform, scaffolding and various types of platform ladders.

1.2 Building Materials

Building materials, also known as construction materials or construction-related materials, refer to any material used for the purpose of construction. This includes natural substances such as sand, wood, rocks etc., or manufactured building materials such as concrete, metal, cement, glass, etc., which are used in various applications for construction purposes. In addition, finishing or architectural products which include ready-made items/sections made from various different materials that form part of a building or structure, be it for architectural or decorative purposes, can also be classified as building materials.

In Malaysia, the building materials industry comprises manufacturers and producers of building materials as well as building materials traders/distributors. The construction industry is therefore heavily dependent on the building materials industry to produce and supply construction materials such as metal, wood and wood products, as well as non-metallic products such as concrete, cement, and glass which are essential to the building of real estate and infrastructure.

1.3 Digital Design and Engineering

The design of a building or structure plays a fundamental part in the subsequent work that is involved in a construction project. In the early history of the construction industry, design drafting was done by paper drawing in a 1-dimensional form. Paper drawing is a lengthy process; each minor change leads to erasing and redrawing while major change would require recreation of the drawing from scratch. As global technology evolved along with the introduction of the computer, design drafting was made easier with the introduction of electronic drafting using computer-aided design ("**CAD**") software. This replaced traditional manual drafting. First-generation CAD software was a two-dimensional ("**2D**") vector-based drafting application and subsequently, transformation from 2D to three-dimensional drawings took place. Subsequent to developments above, BIM was introduced. BIM is a technology in which a digital representation of the building is created through the integration of previously disparate processes and technologies. BIM facilitates the exchange and interoperability of information in digital format thus allowing organisations to support physical and functional requirements in the form of visualisation. BIM integration could be built up by embracing building geometry, cost and schedule of construction, sustainability, facilities management and asset management of a development.

1.4 Prefabricated Construction Solutions

The use of prefabricated construction solutions, such as industrialised building system ("**IBS**"), refers to a construction method that utilises structural components, or a building system that involves prefabricated components and on-site installation. In Malaysia, 5 main groups of IBS have been identified, namely pre-cast concrete framing (panel and box systems), reusable formwork systems, steel framing systems, prefabricated timber framing systems and block work systems. It is a recognised solution that can drive greater automation and less labour-intensive work in the local construction industry. IBS construction can help to reduce construction time because different components for various stages of construction can be manufactured at the same time and these components are manufactured in a controlled environment leading to higher quality of construction.

Some of the services provided in prefabricated construction solutions involve the planning and designing of the precast concrete elements, whereby the elements need to be designed in accordance with the clients' construction drawings. After the design of the precast concrete elements have been finalised, the elements are sent for mass production. Lifting and connection accessories are often embedded into the precast concrete element during the fabrication process to facilitate the lifting of the elements during production, transportation and installation of multiple elements together as to form a single unit.

Despite being introduced in Malaysia in the 1960s, the adoption rate of IBS construction has failed to gain significant traction due to various hurdles related to industry preparedness and cost considerations. These hurdles include the lack of standardisation of IBS within Malaysia which has led to components produced for a specific project not being able to fit into another project, and resulting in higher costs required for new moulds and designs. At the same time, IBS consultants may not be adequately trained or fully equipped to undertake IBS design related tasks. Besides that, at present there is only a small number of construction industry players that have prepared themselves for an IBS-driven construction industry. As such, the Construction Industry Development Board Malaysia ("CIDB") has been promoting IBS through various initiatives including accrediting IBS courses, hosting seminars to promote IBS, providing support for training and encouraging the use of IBS in construction projects. The effects of IBS on labour cost and usage are significant. CIDB estimates that using IBS can reduce the number of workers required by half and the expenses by 14%. It would also allow construction firms to wean themselves off low-skilled workers and hire more skilled ones who would in turn help boost efficiency and productivity.

2.0 Overview of the Construction Industry in Malaysia

The construction industry in Malaysia serves as an important economic pillar in the country due to its strategic and extensive linkages with the rest of the economy. As such, the Malaysian Government's policies have generally been accommodative and supportive of the growth in the local construction industry which typically includes proposed government projects as part of its development expenditure.

In 2020, the local construction industry contracted as a result of the coronavirus disease ("**COVID-19**") pandemic and implementation of various lockdown measures, namely the movement control order ("**MCO**"), conditional MCO and recovery MCO. The COVID-19 pandemic and lockdown measures had disrupted local construction activities as most construction companies continue to face challenges to restart work due to strict standard operating procedures ("**SOPs**"), disruption in supply of building materials and financial constraints. A weaker economic outlook further dampened property demands. This resulted in the Malaysian Government announcing a series of economic stimulus and assistance packages to preserve the *rakyat*'s welfare, support businesses and strengthen the economy.

In 2021, the conditions in the local construction industry continued to remain challenging with the resurgence of COVID-19 cases across the country. While the construction industry was one of the economic sectors that was allowed to operate during the various phases of MCO, the more stringent SOPs had led to an overall decline in construction activities. As such, the local construction industry further declined by 5.08% in 2021 to RM50.89 billion. The construction industry in Malaysia rebounded in 2022, supported by robust non-residential buildings and specialised construction activities. Improvements in private investment and stronger domestic economic activities had also spurred the demand for industrial buildings. Besides that, the performance of the local construction industry was also supported by the acceleration of infrastructure projects such as the Rapid Transit System ("**RTS**") Link and the East Coast Rail Link ("**ECRL**"). During the year, the industry expanded by 5.02% to RM53.44 billion. In 2022, the share of the real estate construction market as well as the civil engineering and special trade work market in the local construction industry stood at 45.37% and 54.63% respectively.

Going forward, the local construction industry is forecast to expand at compound annual growth rate ("**CAGR**") of 4.09% from RM55.63 billion in 2023 to RM65.31 billion in 2027. As outlined in the revised Budget 2023 ("**Belanjawan MADANI**"), the allocation for development expenditure stands at RM99.00 billion (inclusive of RM2 million as contingency savings), the largest ever, is expected to drive growth in the local construction industry. Meanwhile, the Malaysian Government's focus on home ownership remains evident in Belanjawan MADANI. On-going initiatives include the development of New Program Perumahan Rakyat ("**PPR**") projects, with an allocation of RM367 million, and the Rumah Mesra Rakyat programme, which involves the construction of 4,250 housing units with an allocation of RM358 million. In addition, Syarikat Jaminan Kredit Perumahan is prepared to extend government guarantees of up to RM5 billion in loan value in 2023, specifically to assist borrowers without fixed incomes. Besides that, the Malaysian Government continues to offer stamp duty exemptions for first-time homeownership. This entails a complete exemption for homes valued at RM500,000 and below, and a 75% exemption for homes valued between RM500,000 and RM1 million, further incentivising home ownership.

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

2.1 Overview of the Real Estate Construction Market in Malaysia

The real estate construction market in Malaysia has been experiencing a slowdown in recent years, attributable to high property prices and home ownership issues. To combat the situation, the Malaysian Government had set various measures and initiatives to curb speculative activities and promote responsible financing practices over the years. The COVID-19 pandemic had further aggravated the situation, leading to the market further declining in 2021. The market rebounded in 2022 along with improved economic prospects in the country. The local real estate construction market expanded by 5.69% in 2022 to RM24.24 billion.

The Malaysian Government is committed in supporting the development of the local real estate construction market. The National Affordable Housing Council has targeted the construction of 500,000 affordable homes by 2025. Meanwhile, the Malaysian Government's focus on home ownership remains evident in Belanjawan MADANI. On-going initiatives include the development of New Program Perumahan Rakyat ("**PPR**") projects, with an allocation of RM367 million, and the Rumah Mesra Rakyat programme, which involves the construction of 4,250 housing units with an allocation of RM358 million. In addition, Syarikat Jaminan Kredit Perumahan is prepared to extend government guarantees of up to RM5 billion in loan value in 2023, specifically to assist borrowers without fixed incomes. Besides that, the Malaysian Government continues to offer stamp duty exemptions for first-time homeownership. This entails a complete exemption for homes valued at RM500,000 and below, and a 75% exemption for homes valued between RM500,000 and RM1 million, further incentivising home ownership. The Malaysian Government has also been spearheading efforts to develop additional infrastructure projects for the well-being of the rakyat under the revised Budget 2023. An allocation of RM1.2 billion has been designated for the urgent repair of 400 dilapidated clinics and 380 dilapidated schools. Furthermore, a women and children's block with a capacity of 476 beds will also be built at a cost of almost RM700 million. Preliminary work to upgrade 26 hospitals is also underway.

Going forward, while the local real estate construction market is expected to contract slightly in 2023 due to slowing economic activities, the market is expected to be supported by affordable housing schemes in the longer term. The size (revenue) of the real estate construction industry in the country is forecast to expand from RM23.91 billion in 2023 to RM26.48 billion in 2027. This represents a CAGR of 1.78% for the period from 2023 to 2027.

Real estate construction activities are correlated with the growth in the property market as higher demand for properties can lead to higher level of construction activities for real estate. The below section provides a snapshot of the performance of the real estate construction market in Malaysia.

The performance of the local real estate construction market can be evaluated by the volume and value of property transactions. In 2022, the Malaysian property market registered a total transaction volume of 389,107, reflecting a 29.49% increase in total transaction volume as compared to 300,497 in 2021. The value of transactions in Malaysia had also increased, registering a 23.61% growth from RM144.87 billion in 2021 to RM179.07 billion in 2022. The property market in Malaysia was boosted by various stimulus provided by the Malaysian Government as well as an increase in economic activities and improved consumer sentiment following the country's transition into the 'Transition to Endemic' phase.

In 2022, the residential sub-sector continued to dominate market activity in terms of volume, accounting for 62.50% of total transactions, followed by agriculture (21.08%), commercial (8.43%), development land and others (5.91%) and industrial (2.08%). In terms of value of transactions, residential sub-sector also dominated in 2022 by accounting for 52.65% of total transaction value, followed by commercial (18.21%), industrial (11.81%), agriculture (9.98%) as well as development land and others (7.35%).

Residential properties with prices of below RM300,001 per unit were the most popular type of property in 2022, accounting for 55.77% (135,616 transactions) of total transaction volume in the residential segment. This type of properties also represented 34.85% of the total transaction volume in the Malaysian property market for the year. Residential properties at this price range are expected to remain dominant in the near future particularly with the efforts from the Malaysian Government to push for more availability of affordable housing.

At the same time, there were a total of 32,809 commercial property transactions worth RM32.61 billion recorded in 2022. This represented a 46.33% increase in terms of transaction volume and a 16.72% increase in terms of transaction value as compared to 2021. Commercial properties with prices of below RM300,001 per unit accounted for 29.92% (9,815 transactions) of total transaction volume in the commercial segment in 2022. In particular, the shop sub-sector recorded 16,862 transactions worth RM14.20 billion in 2022, dominating transactions in the commercial segment with a share of 51.39% in terms of volume and 43.54% in terms of value. This was followed by the serviced apartment sub-sector with 6,821 transactions worth RM4.50 billion recorded, accounting for 20.79% of commercial property transaction volume and 13.80% of total value. At the same time, a total of 8,082 transactions worth RM21.16 billion was recorded in the industrial segment in 2022. This compares with a total of 5,595 transactions worth RM16.96 billion in 2020. Industrial properties with prices of below RM300,001 per unit accounted for 23.10% (1,867 transactions) of total transaction volume in the industrial segment in 2022.

2.2 Overview of the Civil Engineering and Specialised Trade Works Market in Malaysia

Civil engineering and specialised trade works rely greatly on engineering services during the construction process. The provisions of engineering services include, but are not limited to the list of services outlined below:

Figure 2: Types of Engineering Services

Engineering Services	Function
Civil Engineering	Designs of dams, tunnels, shafts, airports, harbours, highways, railways, water storage, treatment and reticulation, sewage treatment plants and sewage collection systems, irrigation and conservation of water drainage, pollution control and generally projects involving the harnessing of natural resources to the service of man.
Electrical Engineering	Design of equipment and systems for the generation, transmission, distribution, control and protection of electricity in the industrial, commercial and domestic fields, also for radio, television and telephone communications, lighting, public address, security monitoring and other building services. Also includes the design of electric and electronic instrumentation and systems for automation in industry and the measurement, recording and control of industrial processes.
Mechanical Engineering	Design and development of machinery, industrial process and power plant, transportation and handling of goods and materials, in bulk and in detail, by mechanical, pneumatic and hydraulic means, steam raising plant, prime movers and self-propelled plant, mining and milling equipment, industrial gas cleaning, waste treatment and disposal, industrial pneumatics and hydraulics, automation, building and site services pertaining to heating, ventilation, air conditioning, lifts, water, gas and sewerage, etc.
Structural Engineering	A specialised field of civil engineering encompassing the design of commercial and industrial buildings and other structures. Structural engineers often work in conjunction with architects in the planning and design of major development projects.
Others	Other areas of engineering which requires specialist knowledge and experience including mining engineering, chemical engineering, soils and foundations engineering.

Source: Protégé Associates

Traditionally, engineers assume the role of project managers, in particular for civil engineering developments due to the many requirements that need their technical knowledge. These vary across many areas including civil, electrical, mechanical and structural design. Leveraging on their technical know-how, engineers may also take up the role of project managers in building development.

In Malaysia, the civil engineering and specialised trade works market has been the driving force behind the growth in the overall construction industry over the past years. Due to the high economic multiplier effect on the local construction industry has on the country's economy, the Malaysian Government is committed in supporting the local infrastructure market. Under Belanjawan MADANI, the commitment of the Malaysian Government extends to resolving challenges related to road safety and traffic congestion. This commitment is reflected in the allocation of RM2.7 billion for the maintenance and upgrading of Federal roads, RM300 million for G1 to G4 contractors to carry out minor maintenance works, and RM1.5 billion for the upgrading and construction of inter-village roads and rural roads. Additionally, the grant for the Malaysian Road Records Information System has been increased to RM5.2 billion to facilitate upkeep of state roads, among other purposes. Other notable projects announced include the construction of new roads from Habu to Tanah Rata, Cameron Highlands at a cost of RM480 million, the upgrading of Jalan Tun Hamzah up to the intersection of Semabok Lebuhraya Alor Gajah-Melaka Tengah-Jasin Central Melaka District at a cost of RM300 million and the construction of Sungai Sepang road and bridge to connect Bukit Pelanduk, Port Dickson and Sungai Pelek, Sepang at a cost of RM160 million, among other initiatives.

The local civil engineering and specialised trade works market was valued at RM29.20 billion in 2022, which was a 4.47% increase from the RM27.95 billion in the previous year. Moving forward, the Malaysian Government and public corporations are expected to continue being the main contributors to growth in the local infrastructure market. The market is forecast to expand from RM31.72 billion in 2023 to RM38.83 billion in 2027, at a CAGR of 5.87% over the forecast period.

3.0 Competitive Landscape of the Construction Industry

The Malaysian Government regulates the construction industry in Malaysia. It is mandatory for all contractors whether local or foreign to register with the CIDB before they participate in any construction works in Malaysia. The industry is highly competitive and fragmented with different grades of contractors capable of bidding for varying projects according to their capabilities and levels of services. There are 3 main registration categories for registered contractors in Malaysia, namely the building construction category, the civil engineering construction category and the mechanical and electrical category. Contractors can register under one or more specialisation in each category depending on the intended construction activities that they are undertaking. As at 26 September 2023, there were 128,431 registered local contractors in Malaysia, each categorised by a grade ranging from G1 to G7.

Figure 3: Number of Local Contractors in the Malaysian Construction Industry as at 26 September 2023

Grade	Bidding Limit	Number of Contractors
G1	Not exceeding RM200,000	64,787
G2	Not exceeding RM500,000	22,184
G3	Not exceeding RM1,000,000	16,962
G4	Not exceeding RM3,000,000	5,468
G5	Not exceeding RM5,000,000	7,543
G6	Not exceeding RM10,000,000	1,962
G7	Unlimited	9,519

Source: CIDB

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

Figure 4: Local Contractors Registered under the CE21 Specialisation by Grade in Malaysia as at 26 September 2023

Grade	Number of Contractors	% of Total
G1	64,783	50.46
G2	22,174	17.27
G3	16,957	13.21
G4	5,461	4.25
G5	7,538	5.87
G6	1,961	1.53
G7	9,516	7.41

Source: CIDB

PLYTEC is a G7 contractor registered under the CE21 specialisation. The CE21 specialisation refers to general civil engineering works. Contractors that participate in the local civil engineering and specialised trade works market are typically registered under the CE21 specialisation with CIDB. Among the registered local contractors, 128,390 local contractors or 99.97% of total local contractors in Malaysia are registered under the CE21 specialisation.

Hence, the level of competition in the local civil engineering and specialised trade works market is high.

3.1 Industry Players Analysis

PLYTEC is involved in the Malaysian construction industry mainly for the provision of construction engineering solutions and services (which include construction method engineering solutions, digital design and engineering solutions and prefabricated construction solutions) as well as trading and distribution of building materials to enhance construction efficiency and productivity. For the purpose of this report, Protégé Associates has used the following criteria when selecting other industry players in Malaysia for comparison with PLYTEC:

- Registered as a G7 contractor with CIDB with the CE21 specialisation; and
- An industry player offering similar services to PLYTEC and participating in at least one of the following segments of the construction industry namely (1) construction method engineering solutions; (2) trading and distribution of building materials; (3) digital design and engineering solutions; and/or (4) prefabricated construction solutions.

PLYTEC has a revenue of RM158.09 million for its financial year ended 31 December 2022. In particular, the revenue contributed from the construction method engineering solutions segment stood at RM67.73 million, revenue contributed from the trading and distribution of building materials segment stood at RM81.66 million revenue contributed from the digital design and engineering solutions segment stood at RM6.82 million, and revenue contributed from the prefabricated construction solutions segment stood at RM1.89 million. Protégé Associates has also through the course of research cross-checked with stakeholders in the industry such as property developers and other construction companies when shortlisting industry players in Malaysia offering similar services to PLYTEC. Besides that, the use of the criteria for the inclusion of G7 contractor with specialisation in CE21 category enables the selection of its competing peers for the same type and value of construction jobs.

After taking into consideration the above criteria, Protégé Associates has selected the following industry players for comparison purpose. It needs to be highlighted that the list of industry players used for comparison purpose is not exhaustive. The list of industry players only serves as a reference for readers.

Figure 5: Comparison between PLYTEC and Selected Industry Players in the Construction Industry in Malaysia

Company Name	Latest Available Financial Year	Revenue (RM '000)	Gross Profit (RM ('000)	Profit After Tax (RM '000)	Gross Profit Margin[1] (%)	Profit After Tax Margin[2] (%)
PLYTEC	31-12- 2022	158,091.00	42,294.00	13,737.00	26.75	8.69
Construction Method Engineering Solutions						
Alform System Sdn Bhd	30-06- 2022	78,097.57	7,419.54	257.99	9.50	0.33
Doka Formwork Malaysia Sdn Bhd	31-12- 2022	76,999.66	34,793.19	9,305.53	45.19	12.09
EFCO (Malaysia) Sdn Bhd	31-03- 2022	23,291.02	n/a	862.75	n/a	3.70
Great Formwork Sdn Bhd	31-03- 2022	37,650.89	-12,042.61	-49,253.89	n/a	n/a
Huatraco Scaffold Sdn Bhd[(a)]	31-07-2022	30,313.68	5,387.85	1,401.78	17.77	4.62
Kumkang Kind (M) Sdn Bhd[(b)]	31-12- 2022	88,524.50	6,062.53	1,183.40	6.85	1.34
MFE Formwork Technology Sdn Bhd	31-12- 2022	519,129.91	100,258.47	42,008.29	19.31	8.09
Peri Formwork Malaysia Sdn Bhd	31-12- 2022	97,059.45	64,476.86	12,687.54	66.43	13.07
Serendah Steel Trading Sdn Bhd	31-12- 2022	85,258.44	14,319.71	942.76	16.80	1.11
Trading and Distribution of Building Materials						
Ann Yak Siong Hardware Sdn Bhd[(c)]	31-03-2022	885,346.00	149,206.00	86,150.00	16.85	9.73
Chuan Huat Resources Berhad[(d)]	30-06- 2022	608,992.62	n/a	6,831.56	n/a	1.12
Emum Capital Sdn Bhd	31-12-2022	516,967.19	n/a	4,725.92	n/a	0.91
Engtex Sdn Berhad[(e)]	31-12-2022	223,772.18	35,178.76	15,605.05	15.72	6.97
Hap Seng Trading (BM) Sdn Bhd[(f)]	31-12- 2022	310,215.21	12,818.91	2,224.39	4.13	0.72
Lion Posim Berhad[(g)]	31-12-2022	838,773.00	n/a	601.00	n/a	0.07
PP Chin Hin Sdn Bhd[(h)]	31-12-2022	719,895.94	42,174.73	4,376.13	5.86	0.61
Syn Tai Hung Trading Sdn Bhd[(i)]	31-12- 2022	263,037.17	14,498.61	10,828.04	5.51	4.12
Digital Design and Engineering Solutions						
BIMFINITY (M) Sdn Bhd	30-09- 2022	417.89	97.17	-266.60	23.25	-63.80
BIMTECH Solutions Sdn Bhd	31-12- 2022	2,588.10	1,161.73	367.67	44.89	14.21

Company Name	Latest Available Financial Year	Revenue (RM '000)	Gross Profit (RM ('000)	Profit After Tax (RM '000)	Gross Profit Margin[1] (%)	Profit After Tax Margin[2] (%)
HSS Engineers Berhad[(j)]	31-12-2022	186,041.74	60,733.72	15,133.84	32.65	8.13
Prefabricated Construction Solutions						
GPC Integrated Sdn Bhd	31-12-2022	2,864.45	2,822.39	-1,009.78	98.53	-35.25
Greenibs Consult Sdn Bhd	31-12-2021	553.67	496.78	28.42	89.72	5.13
PCG Global System Sdn Bhd	31-12-2022	18,497.07	2,560.66	249.03	13.84	1.35

Notes:
The above figures (which are based on the latest available audited financial information) only provide an indication and are not considered directly comparable as not all companies carry out activities which are completely similar to each other or in the same geographical area
(a) Huatraco Scafford Sdn Bhd is a subsidiary of Hiap Teck Venture Berhad, which is listed on the Main Market of Bursa Malaysia Securities Berhad
(b) Kumkang Kind (M) Sdn Bhd is a subsidiary of Kumkang Kind Co., Ltd which is listed on the Korea Stock Exchange
(c)Ann Yak Siong Hardware Sdn Bhd is a subsidiary of AYS Ventures Berhad, which is listed on the Main Market of Bursa Malaysia Securities Berhad
(d) Chuan Huat Resources Berhad is listed on the Main Market of Bursa Malaysia Securities Berhad
(e) Engtex Sdn Bhd is a subsidiary of Engtex Group Berhad, which is listed on the Main Market of Bursa Malaysia Securities Berhad
(f) Hap Seng Trading (BM) Sdn Bhd is a subsidiary of Hap Seng Consolidated Berhad, which is listed on the Main Market of Bursa Malaysia Securities Berhad
(g) Lion Posim Berhad is listed on the Main Market of Bursa Malaysia Securities Berhad
(h) PP Chin Hin Sdn Bhd is a subsidiary of Chin Hin Group Berhad, which is listed on the Main Market of Bursa Malaysia Securities Berhad
(i) Syn Tai Hung Trading Sdn Bhd is a subsidiary of Wah Seong Corporation Berhad, which is listed on the Main Market of Bursa Malaysia Securities Berhad
(j) HSS Engineers Berhad is listed on the Main Market of Bursa Malaysia Securities Berhad
[1] Gross Profit Margin = Gross Profit / Revenue
[2] Profit after Tax Margin = Profit after Tax / Revenue

Sources: PLYTEC, Suruhanjaya Syarikat Malaysia and Protégé Associates

3.2 PLYTEC's Market Share Analysis

PLYTEC's revenue of RM158.09 million for its financial year ended 31 December 2022 is equivalent to 0.54% share of the total size (revenue) of the civil engineering and specialised trade works market in Malaysia of RM29.20 billion in 2022.

4.0 Barriers to Entry

The construction industry has relatively low barriers to entry due to its wide and diversified entry points in which construction activities are rendered. However, industry players will face several notable challenges when penetrating into the top tiers of the construction industry including lack of established track record and reputation as well as encounter difficulties when competing with incumbent industry players. In particular, industry players providing engineering and project management services such as construction method engineering, digital design and engineering and prefabricated construction solutions may be met with hurdles due to the lack of industrial expertise and management as an experienced team is crucial in order to succeed when providing engineering and project management services, and the experience and expertise required of the team are diverse and time consuming to develop. Contractors will likely be required to work on tight timeframes with numerous parties such architects, quantity surveyors, engineers as well as raw material suppliers to perform the construction activities as scheduled. The personnel involved need to possess the required technical expertise in construction.

At the same time, high capital investment is required to enter the building materials trading/distribution industry largely due to the need for the provision of customer financing through standard business credit terms. High upfront capital is also needed for inventory procurement. Therefore, potential new entrants need to have a long investment horizon as this initial layout is not likely to be recovered in the short term.

5.0 Demand Conditions

One of the key drivers of the local construction industry is the various government initiatives implemented to support growth within the industry. In particular, one of the policy enablers under the 12th Malaysia Plan focuses on enhancing connectivity and transport infrastructure, which is expected to spur construction activities. Additionally, the largest ever development expenditure allocation announced in Belanjawan MADANI is also expected to drive construction activities in the country. The Malaysian Government has been spearheading efforts to develop additional infrastructure projects for the well-being of the rakyat under the Belanjawan MADANI. The commitment of the Malaysian Government extends to resolving challenges related to road safety and traffic congestion. An allocation of RM1.2 billion has been designated for the urgent repair of 400 dilapidated clinics and 380 dilapidated schools. Furthermore, a women and children's block with a capacity of 476 beds will also be built at a cost of almost RM700 million. Preliminary work to upgrade 26 hospitals is also underway.

The commitment of the Malaysian Government extends to resolving challenges related to road safety and traffic congestion. This commitment is reflected in the allocation of RM2.7 billion for the maintenance and upgrading of Federal roads, RM300 million for G1 to G4 contractors to carry out minor maintenance works, and RM1.5 billion for the upgrading and construction of inter-village roads and rural roads. Additionally, the grant for the Malaysian Road Records Information System has been increased to RM5.2 billion to facilitate upkeep of state roads, among other purposes. Other notable projects announced include the construction of new roads from Habu to Tanah Rata, Cameron Highlands at a cost of RM480 million, the upgrading of Jalan Tun Hamzah up to the intersection of Semabok Lebuhraya Alor Gajah-Melaka Tengah-Jasin Central Melaka District at a cost of RM300 million and the construction of Sungai Sepang road and bridge to connect Bukit Pelanduk, Port Dickson and Sungai Pelek, Sepang at a cost of RM160 million, among other initiatives.

The Malaysian Government also remains steadfast in its commitment towards promoting home ownership through the National Affordable Housing Council's ambitious goal of constructing 500,000 affordable homes by 2025. As part of the MADANI Economy policy framework, the Malaysian Government is actively advancing the National Housing Action Plan to address housing demands. This comprehensive strategy entails the provision of housing supply guided by specific metrics, such as the ratio of the median house price to median income. It also involves on-going development of public housing and a concerted effort to invigorate the rental market. Furthermore, in a bid to enhance the existing loan scheme facilitated by the Housing Credit Guarantee Corporation, the Malaysian Government is offering government guarantee of up to RM5 billion. This initiative ensures financial guarantees of up to 120% of the house price for properties valued at up to RM300,000. This coverage extends to all ownership costs through the loan, encompassing the principal financing amount, valuation fees, legal fees, insurance, renovation costs, and even furniture procurement.

The growing Malaysian population is also expected to support growth of the construction industry by creating continuous demand for housing. The population in Malaysia is estimated to be 33.00 million in 2022 and is expected to reach 41.50 million in 2040.

On the flip side, the persisting property overhang situation in Malaysia is also expected to dampen the growth of the industry. The combined overhang for residential, shop and industrial units stood at 35,346 units in 2022, a decrease from 44,605 units in 2021. This elevated overhang situation is expected to affect new property project launches thereby resulting in lower demand for construction services. Meanwhile, Bank Negara Malaysia ("**BNM**") has already executed four increases of 25 basis points each to the overnight policy rate (an indicator of interest rate movement) in 2022, and another 25 basis points in May 2023, elevating the rate from 1.75% at the start of 2022 to the current level of 3.00%. This trend is likely to persist in the near future due to upward inflationary pressure and ongoing interest rate hikes in the United States of America that drives a stronger United States dollar. Consequently, local borrowing costs are expected to experience upward pressure during the forecast period, potentially dampening demand for properties.

At the same time, technological advancements, the rise of e-commerce, and improved online tools have rendered remote working more appealing and widespread. Correspondingly, demand for office spaces could decline as well, as companies increasingly adopt remote working arrangements albeit this will take time to eventuate as companies gradually scale down their physical workspace.

6.0 Supply Conditions

From the supply side, both CIDB and the Master Builders Association Malaysia ("**MBAM**") have been working hard to increase the profile and growth of the local construction industry. In particular, CIDB had developed the CITP that outlines strategic goals and milestones to bring the local construction industry to the next level. MBAM on the other hand serves to promote, enhance, protect and safeguard the interest of the local construction via acting as a single voice for the local construction industry when engaging with policy makers and relevant government bodies – leading to an increase in bargaining power. The MBAM has been actively conducting dialogues with the Malaysian Government to find ways to resolve various issues faced by the local construction industry. The introduction of the Construction Industry Payment and Adjudication Act

2012 ("**CIPAA**") and the establishment of specialised construction courts in Malaysia have also helped to alleviate the prevalent and pervasive practice of delayed, underpayment and/or non-payment for works carried out under a construction contract in Malaysia.

On the flip side, the COVID-19 pandemic had wreaked havoc on the global supply chain, whereby many commodities are facing delays in their shipments. This coupled with the Russia-Ukraine war has led to a sharp increase in building material costs. In particular, Russia is a major producer of industrial metals such as aluminium, copper as well as steel. The war has thrown supply of these metals from the country into doubt, and has in turn pushed prices higher. Aluminium, copper and steel are among some of the crucial building materials used in the construction sector, and an increase in prices of these building materials have caused problems for contractors in terms of availability as well as cost (higher prices may lead to cash flow issues).

At the same time, the issue of labour shortage in the country continues to plague the local construction industry. Most locals have continued to shun construction jobs, viewing them as dangerous, dirty and difficult and expect higher wages in order to undertake them. This has led to the construction industry relying heavily on foreign labour. This challenge has been compounded by the frequent changes in policies on foreign workers, in particular those on levy rates and number of foreign workers allowed to work in Malaysia. In addition, the Minimum Wage Order 2022 which came into effect starting 1 May 2022 raises the minimum wage of all workers including both local and foreign to RM1,500. The increase in minimum wage is expected to lead to higher cost for construction companies and leading to lower margins.

At the same time, the lack of mass adoption of IBS by the local construction industry has made it hard for the IBS companies to reach economic viability. Also, the lack of standardisation of IBS within the country has led to a specific component used in one project not necessarily able to fit into another project, thus resulting in higher costs incurred for new mould and design. Besides that, design consultants may not be adequately trained or fully equipped to undertake IBS design related tasks. Furthermore, there is limited number of construction industry players that are ready to fully prepare themselves for an IBS-driven environment. However, to remedy the situation, the Malaysian Government has taken several initiatives to promote adoption of IBS within the country such as including IBS as part of the initiatives under the productivity strategic thrusts under the CITP and the CIDB providing levy exemptions for housing development projects with at least 50% IBS content. In addition, the constructions of public buildings are also required to meet the required IBS score, with the mandate being extended to the private developments. At the same time, there is a growing awareness on the importance of sustainable construction practice in Malaysia. The digitalisation of IBS (where buildings can be designed digitally and manufactured for sustainability) is already being offered in Malaysia while green cement (eco-friendly cement) has already been used for construction in the country. These encouraging developments signify the construction industry's advancing commitment to sustainable construction practices in Malaysia.

7.0 Prospect and Outlook of the Construction Industry in Malaysia

Factors boosting growth within the construction industry is likely to come from the government-led initiatives and spending particularly those relating to infrastructure and housing development. While the elevated property overhang situation in the country is expected to reduce growth in the property market, a key source of demand for construction activities, this is expected to be cushioned by ongoing efforts by the Malaysian Government in providing housing for all such as various affordable housing programs. Changing lifestyle trends are expected to prompt developers into reconsidering the type of projects they undertake in the future. As online platforms gradually takeover brick and mortar spaces and more companies adopt for work from home concepts, developers may opt to construct more residential buildings to cater for the growing population.

On the supply side, the industry is expected to be boosted by efforts from industry bodies such as CIDB and MBAM by providing necessary leadership in spearheading the development of the local construction industry as well as raising profile and pushing for the betterment of the construction industry in Malaysia. In addition, the introduction of the CIPAA has also served as a strengthened mechanism to address payment disputes and facilitate adjudication within the industry. However, the Malaysian construction industry is expected to be hampered by labour shortage and high dependency on foreign workers, as well as the lack of traction in the adoption of IBS construction.

Protégé Associates projects the size (revenue) of the construction industry in Malaysia to expand at a CAGR of 4.09% from RM55.63 billion in 2023 to RM65.31 billion in 2027. In particular, the civil engineering and specialised trade works market is expected to reach RM31.72 billion in 2023 and grow at a CAGR of 5.87% to reach RM38.83 billion in 2027.

9. RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING KEY RISK FACTORS WHICH MAY HAVE A MATERIAL ADVERSE IMPACT ON OUR BUSINESS OPERATIONS, FINANCIAL POSITION AND THE FUTURE PERFORMANCE OF OUR GROUP, IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE INVESTING IN OUR COMPANY.

9.1 RISKS AFFECTING OUR BUSINESS AND OPERATIONS

9.1.1 Our business is project based and we have not entered into long-term contracts with our customers

Our Group is principally involved in the provision of construction engineering solutions and services in the construction industry where projects are generally awarded on a project-to-project basis ranging between 6 to 18 months, depending on the nature, size and complexity of the project. As such, there is no assurance of the continuity of our order book. In the construction industry that our Group operates in, we are required to participate in tenders for all the projects we wish to secure as projects are generally awarded based on competitive tendering. Therefore, we are exposed to the risk of not being able to secure all of the projects we tender for. We also face the risk that our existing order book may be reduced due to termination of ongoing projects or reduction in our scope of work which reduces the contract value. Any significant decline in our order book could adversely affect our Group's financial performance and future growth. As at the LPD, our Group has outstanding order book made up of purchase orders of RM75.53 million to be fulfilled in FYE 2023 and FYE 2024. However, there can be no assurance that we will be able to continuously maintain or replenish the level of our order book in the future.

Additionally, we have not entered into any long-term contracts with our customers as our Group's sales are mainly derived from purchase orders whereby, our customers will purchase our products and/or services on a project-by-project basis or on an as and when needed basis. The lack of long-term contracts is largely due to the nature of our business and the needs of our customers. The lack of long-term contracts between our Group and our customers may lead to a fluctuation in our sales. Although we continuously seek to maintain and strengthen our existing business relationships as well as establish business relationships with new customers, any adverse economic conditions or factors adversely affecting our customers' industries may lead to a negative impact on our sales, thus affecting our financial performance.

9.1.2 Dependency on the availability of foreign workers

Our Group requires foreign workers to carry out the works in our warehouse in Puchong Land 1 and Puchong Land 2 as well as our fabrication workshop/warehouse on the Olak Lempit Land. The foreign workers employed by our Group are involved in storing, picking, sorting and packing the temporary works equipment and building materials that are kept at our premises. They also carry out cleaning, repair and refurbishment of the temporary works equipment which sold and/or distributed by us. As the aforementioned activities are labour-extensive, we have experienced shortage of foreign workers to carry out the works at our fabrication workshop/warehouse in the past which result in longer duration required for refurbishment activities.

As at the LPD, our Group has 97 foreign workers to carry out the works in our warehouse in Puchong Land 1 and Puchong Land 2 as well as our fabrication workshop/warehouse on the Olak Lempit Land (representing approximately 41.28% of our total workforce), all of which have valid working permits. For information purposes, should there be any foreign workers who are pending renewed working permits in the future, such employees will not be working and/or carrying out any work for our Group until such working permits are renewed.

The supply of foreign workers in Malaysia is subject to the labour and immigration policies and regulations imposed by the Government from time to time. Any changes in the labour and immigration policies and regulations and/or visa restrictions on foreign workers will lead to disruption to our business operations. Accordingly, we may face the risk of shortage of foreign workers to meet the manpower requirements needed for our production and business activities in the future due to such changes.

In addition, any changes in policies relating to the employment of foreign workers such as, further increase to the minimum wages and/or any other additional costs arising due to the initiatives of the Government in relation to employment of foreign workers as well as efforts made by the Government to attract both local and foreign workers in the future may also result in an increase in our costs and overheads.

9.1.3 Our business is exposed to interruptions or delays caused by outbreak of pandemic, sudden and unexpected equipment failures, fires as well as environmental factors (including natural disasters)

The outbreak of COVID-19 and resulting pandemic has led to the enforcement of various lockdown phases by the Government to curb the spread of the virus. During the first MCO, all non-essential businesses were required to close and suspend their operations. The Government then imposed several other lockdown phases whereby varying levels of SOPs were put in place. As our Group's business operations are related to the construction industry, our business operations were disrupted during the lockdown phases as the construction industry was not classified as an essential service/business by the Government. Further information on the disruptions on our business activities due to COVID-19 is available in Section 7.15 of this Prospectus.

The COVID-19 pandemic has also led to a disruption in global supply chains which may lead to a shortage of supply and/or delay in delivery by our suppliers. This may lead to a delay in delivery of products from us to our customers. Furthermore, where any of our employees tested positive or were suspected of being COVID-19 positive, our employees were required to undergo quarantine and we were required to suspend our operations in order to sanitise and disinfect our operational facilities prior to resuming operations.

There can be no assurance that there will not be another severe spike in COVID-19 cases or that another pandemic of a similar nature will not happen in the future. Should there be a severe spike in COVID-19 cases or an outbreak of another pandemic of a similar nature, local and global economic conditions may be negatively affected, thus leading to an adverse effect on our business, financial condition and future prospects.

In addition to outbreaks or pandemics of infectious diseases, our Group is exposed to sudden and unexpected equipment failures as well as natural disasters. Our Group utilises various machineries such as water blasters, mesh bending machines and cutting machines as well as technologies such as Autodesk Revit, Autodesk BIM360 and Tekla Structure Designer for our operations. In the event of any disruption or unplanned shutdown of our facilities and equipment due to factors such as power failure, breakdown of machinery, fires or accidents, the delivery of our products and services may be adversely affected. We are also exposed to natural disasters such as floods, which may lead to a shutdown of our facilities or damage to or loss of our stock of raw materials and products. This may lead to a negative impact on our business, financial condition and future prospects. In the last three financial years up to the LPD, we have not experienced incidences of equipment failures, fires or environmental factors which led to interruptions or delays in our operations.

9.1.4 Availability and fluctuations in building material prices

The purchases for our trading and distribution of building materials business segment include engineering wire mesh, plywood, floor tiles, cement and steel bars. We are dependent on the continuous supply of such materials which are sourced from a pool of local and overseas suppliers. We strategically maintain sufficient inventory level of our core building material products, save for engineering wire mesh, in order to ensure prompt delivery to our clients. For our engineering wire mesh and general building material products, we procure the necessary materials from our suppliers as and when our client issues a purchase order to us. Nevertheless, we are exposed to the risk of the building materials being unavailable.

A shortage of the aforementioned materials may be due to market forces that are beyond our control. Shortages in the local and global markets may require us to allocate more time to source for replacements and possibly at higher-than-normal costs, especially for the products that we do not keep inventory of. Failure to obtain replacements in a timely manner may lead to delay in supplying our clients with the necessary materials, thereby disrupting the project timeline.

Although we have not experienced any material disruptions in our supply chain during the Financial Years/Period Under Review, there is no assurance that our Group will be able to continuously secure adequate quantities of building materials in the event that there is a global and/or local shortage of building materials. Furthermore, a global and/or local shortage of raw materials may lead to an increase in the prices of raw materials, which may then lead to an increase in the prices of building materials. The increase in the prices of building materials due to the rising prices of raw materials and/or the inability of our Group to secure adequate building materials for our clients may adversely affect our business operations, financial performance as well as the future outlook of our Group.

9.1.5 Risk of impairment losses on trade receivables

In the event of late payment or failure to make payment by our customers, our financial performance could be affected adversely, where allowance for doubtful debts or write-off for uncollectible trade receivables may require to be provided for. The impairment losses on trade receivables recorded by us were RM0.36 million, RM1.04 million and RM0.41 million for FYE 2020, FYE 2021 and FYE 2022 respectively. However, there is no impairment losses on trade receivables recorded for FPE 2023.

9.1.6 Our continued success is dependent on our Executive Directors and Key Senior Management

We believe that the continued success and growth of our business is largely dependent upon the efforts of our Group Managing Director, Yang Kian Lock; our Chief Operating Officer, Ir. Louis Tay Chee Siong; and Head of Engineering, Ir. Han Liang Kwang who have been instrumental in the development of our business strategy and the growth of our business thus far. They have more than 25 years of experiences in the construction and engineering industry and are supported by our Key Senior Management. Our continued success will depend on, to a certain extent, our ability to retain the service of our Executive Directors and Key Senior Management. As such, the loss of any of our experienced Executive Directors and Key Senior Management without timely replacements may result in unfavourable impact on our Group's business operations and financial performance. As at the LPD, our Group has not experienced any past occurrence of the aforementioned risk.

While we have put in place human resource plans and strategies as part of our efforts to retain and attract new resources, there can be no assurance that these measures will be successful in retaining our Key Senior Management and attracting new talents. Should this occur, it could have a material and adverse effect on our business operations, financial results and future prospects.

9.1.7 Our CME Solutions as well as trading and distribution of building materials business segments are subject to the availability of financing for working capital and debt servicing obligations

Under our CME Solutions and trading and distribution of building materials business segments, we provide various temporary works equipment for sale and on rental basis as well as distribute a range of building materials. As such, we are required to maintain sufficient inventory level of our temporary works equipment and our core building material products, save for engineering wire mesh, in order to ensure prompt delivery to our clients. Additionally, we grant our customers a credit term that ranges from cash on delivery to 60 days from the date of invoice. Therefore, the nature of our business requires us to have financing for our working capital during the period between the purchase and storage of inventory to the sales/rental collection from our customers.

Our ability to obtain external financing is subject to various factors including but not limited to our financial condition, cash flows, future financial performance and the performance of the Malaysian economy. There can be no assurance that we will be able to secure external financing or whether any external financing offered to us will be on terms that are satisfactory to us. In the event that we are unable to secure external financing at rates that are competitive, we may be exposed to higher interest rates. This would affect our borrowings and in turn affect our cash flows, business operations, future expansion plans and financial performance.

9.1.8 We might be subject to inadequate insurance coverage on assets

Due to the nature of our business, we are subject to the risk of loss and damages to our inventory of building materials and temporary works equipment arising from theft and fire. The occurrence of these incidents could materially and adversely affect the financial performance of our Group. As such, our Group maintains insurance policies against, among others, risks of fire and burglary in relation to our inventory, our premises, namely Puchong Land 1, Puchong Land 2, PCFM's Johor Bahru office and the Olak Lempit Land. We are also insured against damages from fire and burglary to our furniture, fixtures and fittings, office and IT equipment at the abovementioned premises. In addition, we also review the level of our insurance coverage on a regular basis to determine the need for further coverage. Our Group has procured insurance policies to cover potential losses and liabilities, encompassing fire risk, burglary, money, public liability and all-risk contingencies. The total coverage secured by our Group stands at RM37.33 million.

For the Financial Years/Period Under Review, we have not made any material insurance claim. However, there is no assurance that our present level of coverage, though arrived at based on a reasonable assessment of our coverage needs, would be sufficient to cover all potential losses and indemnify us against all possible liabilities arising from our operations. Our business and financial performance may be adversely affected in the event that any claims for losses suffered by us exceed the coverage of our insurance policies.

9.1.9 We are subject to product liability claims

Our Group is involved in the trading and distribution of building materials such as steel bars, engineering wire mesh, floor tiles, cement, timber and plywood as well as temporary works equipment namely formwork, falsework and access solutions which are sourced from our suppliers. If the products sold and/or distributed by us are damaged or defective, this may lead to damages or injuries and we may be subject to product liability claims from our customers.

We are exposed to the risk of product defects and liability for perimeter fencing and K21 Mobile House that are sold and/or distributed by us. Product defects may adversely affect our Group's reputation and ability to retain customers while injury or damage to our customers as a result of product defects or malfunctions may lead to claims or legal proceedings against us, notwithstanding that we are not the manufacturers of such products. As at the LPD, we have not made any back-to-back claims to the suppliers of such products, nor have we been subject to any claims or legal proceedings in relation to product defects. Nonetheless, there can be no assurance that we will not be subject to product liability claims in the future. In the event of any incidences of product defects, our Group is not able to make claim against the suppliers of the products.

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9.2 RISKS AFFECTING THE INDUSTRY IN WHICH WE OPERATE

9.2.1 We are dependent on the construction industry

Our Group is primarily involved in the provision of construction engineering services as well as trading and distribution of building materials to the construction industry. As such, we are exposed to the risks related to the construction industry and the real estate construction market. Such risks include, but are not limited to, construction delays and cost overruns which may lead to an adverse effect on our business and financial performance. At the same time, the Malaysian real estate construction market has been experiencing a slowdown in recent years, attributable to high property prices and home ownership issues. The Malaysian real estate construction market has also experienced persisting property overhang situation, which may lead to lesser demand for construction services, thus affecting the demand for construction engineering services as well as trading and distribution of building materials.

There can be no assurance that the Malaysian construction industry will not be adversely affected by the risks inherent to the industry. While our Group will continue to adopt prudent management and operating procedures in order to adapt to any changes in the construction industry, there can be no assurance that we will be able to adapt effectively and in a timely manner. In the event that the Malaysian construction industry and real estate construction market is adversely affected, our Group's business operations and financial performance may be negatively affected.

9.2.2 We are subject to the political, social, economic and regulatory conditions in Malaysia

Like all other business entities, our Group is subject to adverse development in the political, social and economic conditions in Malaysia as well as adverse changes in the regulatory condition of the industry we operate in and this could unfavourably affect our operations and financial results.

Changes in political, social, economic and regulatory conditions could arise from among others, changes in political leadership, risks of war or civil unrest, changes in import tariffs and related duties regulatory structures and outbreak of diseases. Similarly, any global or regional economic downturn would also affect overall business and consumer confidence, sentiments as well as investments, which would subsequently affect the demand for our services. As a result, this may cause our customers to revise, defer, halt or abandon their development or projects. As at the LPD, we have not experienced any severe restrictions on the conduct of our business. However, there is no assurance that any adverse political, social, economic and regulatory changes which are beyond our control, will not have an adverse impact on our ability to conduct our business and our future financial performance or the performance of the construction industry in Malaysia.

9.2.3 We are subject to competition risk

We operate in a competitive landscape in the construction industry in Malaysia. Our Group is a G7 contractor registered with the CIDB under the CE21 specialisation. According to the IMR report, there are 128,390 local contractors in Malaysia that are registered under the same specialisation, with 9,516 local contractors holding the G7 registration as at 26 September 2023.

We compete with our competitors in terms of range of services and solutions, pricing, quality and timeliness of delivery, amongst others. Some of these industry players may have longer operating track record, financial resources as well as technical expertise to offer competitive products and solutions. In the event our competitors are able to offer products and services at prices that are more competitive than ours, we may be required to revise our pricing as part of securing new projects. In addition, we are also subject to competition from new entrants to the industry.

Although we strive to remain competitive in the construction industry, there can be no assurance that we will be able to compete successfully with existing players or new players in the construction industry. In the event that we are unable to compete successfully, we may face adverse effects on our business, financial performance and future prospects.

9.3 RISKS AFFECTING OUR SHARES

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

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

We and our Promoters have no obligation to cause our Shares to be marketable. The Issue Price was determined after taking into consideration various factors and these factors could cause our Share price to fluctuate which may adversely affect the market price of our Shares.

There can be no assurance that the Issue Price will correspond to the price at which our Shares will trade on the ACE Market upon our Listing and that the market price of our Shares will not decline below the Issue Price.

9.3.2 Capital market risks and share price volatility

The performance of capital market is very much dependent on external factors such as the performance of the regional and global stock market and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as 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 in capital market, thus adding risks to the market price of our listed Shares. Nevertheless, the profitability of our Group is not dependent on the performance of the capital market as the business activities of our Group have no direct correlation with the performance of securities listed in the capital market.

Our Shares could trade at prices lower than the Issue Price depending on various factors, including current economic, financial and fiscal condition in Malaysia, our operations and financial results and the price volatility in the markets for securities in similar or related industry in Malaysia or emerging markets. There is no assurance that any market for our Shares will not be disrupted by price volatility or other factors, which may have a material adverse effect on the market price of our Shares.

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

(i) variation in our results and operations;

(ii) success or failure in our management team in implementing business and growth strategies;

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

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

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

(vi) fluctuations in stock market prices and volumes; or

(vii) involvement in litigation.

In addition, many of the risks described herein could materially and adversely affect the market price of our Shares. Furthermore, if the trading volume of our Shares is low, price fluctuation may be exacerbated. Accordingly, there can be no assurance that our Shares will not trade lower than the Issue Price.

9.3.3 Our Promoters will be able to exert significant influence over our Company as they will continue to hold majority of our Shares after our IPO

As disclosed in Section 5.1.1 of this Prospectus, our Promoters will collectively hold in aggregate 74.00% of our enlarged issued share capital after our IPO. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group as well as having voting control over our Group and as such, will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and/or by the relevant guidelines or regulations. There can be no assurance that the interests of our Promoters/Specified Shareholders will be aligned with those of our other shareholders.

9.3.4 The sale or the possible sale of a substantial number of Shares in the public market following our IPO and Listing could adversely affect the price of our Shares

Following the completion of our IPO and Listing, 74.00% of our enlarged issued share capital, will be collectively held by Resilient Capital Holdings and Prestij Usaha.

It is possible that Resilient Capital Holdings and Prestij Usaha may dispose of some or all of their Shares after the Moratorium Period, pursuant to their own investment objectives. If they sell or are perceived as intending to sell, a substantial amount of our Shares, the market price of our Shares could be adversely affected.

9.3.5 Delay in or cancellation of our Listing

The occurrence of certain events, including the following, may cause a delay in or termination of our Listing:

(i) our Managing Underwriter and Joint Underwriters exercising their rights pursuant to the Underwriting Agreement to discharge themselves from its obligations under such agreement;

(ii) our inability to meet the minimum public spread requirement under the Listing Requirements of having at least 25.00% of the total number of our Shares for which our Listing is sought being in the hands of at least 200 public shareholders holding at least 100 Shares each at the point of our Listing; or

(iii) the revocation of the approvals from the relevant authorities for our Listing for whatever reason.

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

(i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and our Company shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or

(ii) our Listing is aborted, investors will not receive any of our IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest within 14 days.

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

(i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be redeemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or

(ii) our Listing is aborted other than pursuant to a stop order by the SC under Section 245(1) of the CMSA, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules to the extent that our IPO Shares form part of our share capital. Such cancellation can be implemented by the sanction of our shareholders by special resolution in a general meeting and supported by either (a) consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances or (b) a solvency statement from the directors.

9.3.6 Payment of dividends

Our ability to declare dividends to our shareholders will depend on, amongst others, our future financial performance, distributable reserves and cash flows. This, in turn, is dependent on our operating results, capital requirements and on our ability to implement our future plans, demand for and selling prices of our products, general economic conditions and other factors specific to our industry, many of which are beyond our control. As such, there is no assurance that we will be able to pay dividends to our shareholders.

We are an investment holding company and conduct substantially all of our operations through our subsidiaries. Accordingly, dividends and other distributions received from our subsidiaries are our principal source of income. The receipt of dividends from our subsidiaries may also be affected by the passage of new laws, adoption of new regulations and other events outside our control as well as our subsidiaries may not continue to meet the applicable legal and regulatory requirements for the payment of dividends in the future. In addition, changes in accounting standards may also affect the ability of our subsidiaries and consequently, our ability to pay dividends.

Further, our payment of dividends may adversely affect our ability to fund unexpected capital expenditure as well as our ability to make interest and principal repayments on any borrowings that we may have outstanding at the time. As a result, we may be required to borrow additional money or raise capital by issuing equity securities, which may not be on favourable terms. Further, if we incur new borrowings subsequent to our Listing, we may be subject to additional covenants restricting our ability to pay dividends.

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

Further details of our dividend policy are set out in Section 12.11 of this Prospectus.

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10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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

Save as disclosed below, there are no other existing and/or proposed material related party transactions which have been entered into or are to be entered into by our Group which involves the interests, whether direct or indirect, of our Directors, major shareholders, and/or persons connected with them, for the Financial Years/Period Under Review and up to the LPD:

No.	Transacting parties / Nature of relationship	Nature of transaction	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2023 (RM'000)	From 1 June 2023 up to the LPD[(1)] (RM'000)
(i)	SS and Impian CT / Yang Kian Lock, our Promoter, major shareholder and Director is also the director and substantial shareholder of Impian CT. Low Teck Heng, our Promoter and substantial shareholder. He was our Director from 1 June 2018 to 31 December 2021. He is also a director and substantial shareholder of Impian CT.	• Management fee payable by Impian CT to SS for the entire operation and management support services such as sales generation, banking facilities, human resources management, accounting and credit control and information technology services by SS but has ceased since 1 January 2021.	360 (Represents 14.37% of our Group's other income for the FYE 2020)	-	-	-	-
(ii)	PLYTEC Group and Hanyoong / Ir. Han Liang Kwang, our Director is also the director and substantial shareholder of Hanyoong	• Technical support services provided by Hanyoong in relation to BIM in relation to projects secured by BEST. • This transaction is recurrent in nature.	-	-	75 (Represents 0.06% of our Group's cost of sales for the FYE 2022)	31 (Represents 0.06% of our Group's cost of sales for the FPE 2023)	19
(iii)	PLYTEC Group and Hanyoong / Ir. Han Liang Kwang, our Director is also the director and substantial shareholder of Hanyoong	• Technical support services provided by Hanyoong in relation to design calculation of self-climbing platform for projects secured by PFWSI. • This transaction is recurrent in nature.	-	-	45 (Represents 0.04% of our Group's cost of sales for the FYE 2022)	19 (Represents 0.04% of our Group's cost of sales for the FPE 2023)	11

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

No.	Transacting parties / Nature of relationship	Nature of transaction	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2023 (RM'000)	From 1 June 2023 up to the LPD[(1)] (RM'000)
(iv)	PLYTEC Group and Hanyoong / Ir. Han Liang Kwang, our Director is also the director and substantial shareholder of Hanyoong	• Principal design consultancy services provided by Hanyoong to PISM in relation to the Olak Lempit Land.	-	-	164 (Represents 0.20% of our Group's NA for the FYE 2022)	66 (Represents 0.08% of our Group's NA for the FPE 2023)	66

Note:

(1) The percentage is not able to be ascertained as at the LPD as our Group's audited financial statements for 1 June 2023 up to the LPD is not available.

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

Save as disclosed below, there are no other subsisting agreements between our Group and its related parties:

No.	Transacting parties	Nature of transaction	Amount per annum (RM)	Tenure
(i)	Yang Kian Lock (our Promoter, major shareholder and Director) and PFWSI	Rental by PFWSI from Yang Kian Lock of 1 unit condominium for staffs' hostel located at B-02-08, La Vista Condominium, Jalan Tempua 6, Bandar Puchong Jaya, 47100 Puchong, Selangor Darul Ehsan(1)	24,000	1 year commencing from 1 March 2023 to 29 February 2024
(ii)	Hanyoong(2) and PFWSI	Technical support services provided by Hanyoong in relation to design calculation of self-climbing platform for projects secured by PFWSI(3)(5)	45,000	1 year commencing from 1 January 2023 to 31 December 2023
(iii)	Hanyoong(2) and BEST	Technical support services provided by Hanyoong in relation to BIM projects secured by BEST(4)(5)	75,000	1 year commencing from 1 January 2023 to 31 December 2023
(iv)	Hanyoong(2) and PISM	Principal design consultancy services provided by Hanyoong in relation to the development of the Olak Lempit Land	*Refer to note (6)*	The scope of work expected to be completed in September 2024

Notes:

(1) The tenancy agreement is based on terms which are commonly adopted by tenancy arrangements of a similar nature entered by parties dealing on arm's length basis. The rental rate of this accommodation is comparable to the current rental market. Therefore, our Directors are of the opinion that our Group's rental of accommodation from its related party were carried out on arm's length basis and based on terms and conditions which are not unfavourable to our Group. PFWSI and Yang Kian Lock had on 1 March 2023 entered into a tenancy agreement as detailed below:

		Details of salient terms
Contracting parties	:	*Yang Kian Lock (as landlord) and PFWSI (as tenant)*
Description	:	*Rental by tenant from the landlord of the premise bearing the postal address of B-02-08, La Vista Condominium, Jalan Tempua 6, Bandar Puchong Jaya, 47100 Puchong, Selangor Darul Ehsan ("**Demised Premise**") from 1 March 2023 to 29 February 2024 at a monthly rental of RM2,000.00.*
Option for renewal	:	*Option to renew tenancy for a further period of 1 year subject to tenant's written notice of at least 2 months prior to the expiry of tenancy.*
Termination	:	*The parties agreed that:* *(i) the landlord may terminate the tenancy agreement in the event (i) the rent remains unpaid 7 days after becoming payable, (ii) covenants were not performed or observed by the tenant; and (iii) the tenant shall become bankrupt; and* *(ii) either party may terminate the tenancy agreement by way of a 1 month written notice in the event the Demised Premise has been substantially destroyed by fire or in any way rendered unfit for use for a period of more than 30 days from the occurrence of such destruction.*

In the event the tenancy has been terminated by the tenant before the expiry of the tenancy (save for event (i) and (ii) as stated above), the landlord shall be entitled to forfeit the security deposit.

(2) Ir. Han Liang Kwang was appointed as a Director since 1 January 2022 and he is also a director and major shareholder of Hanyoong.

(3) The technical services in relation to design calculation of self-climbing platform is based on terms which are commonly adopted by consultancy firm of a similar nature. The fees paid are lower hence they are not on arm's length basis but are favourable to our Group. PFWSI had on 6 January 2023, through a letter of award, appointed Hanyoong to provide technical support services as detailed below:

Details of salient terms

Contracting parties	:	*Hanyoong (as service provider) and PFWSI (as client)*
Description	:	*To provide technical support services in relation to design calculation of self-climbing platform for projects secured by PFWSI for a period of 12 months commencing from January 2023 to December 2023, at a monthly rate of RM3,750.*
Renewal	:	*Nil. Should PFWSI intend to continue to appoint Hanyoong subsequent to the expiry of the appointment, PFWSI shall issue a new letter of award to Hanyoong.*
Termination	:	*Nil. Termination shall be by way of mutual agreement between the parties.*

(4) The technical services in relation to BIM projects are based on terms which are commonly adopted by consultancy firm of a similar nature. The fees paid are lower hence they are not on arm's length basis but are favourable to our Group. BEST had on 6 January 2023, through a letter of award, appointed Hanyoong to provide technical support services as detailed below:

Details of salient terms

Contracting parties	:	*Hanyoong (as service provider) and BEST (as client)*
Description	:	*To provide technical support services in relation to BIM projects secured by BEST for a period of 12 months commencing from January 2023 to December 2023, at a monthly rate of RM6,250.*
Renewal	:	*Nil. Should BEST intend to continue to appoint Hanyoong subsequent to the expiry of the appointment, BEST shall issue a new letter of award to Hanyoong.*
Termination	:	*Nil. Termination shall be by way of mutual agreement between the parties.*

(5) As the abovementioned technical services provided by Hanyoong are recurrent in nature and undertaken in connection with our Group's ordinary course of business and such technical services can only be carried out by a Registered Engineering Consultancy such as Hanyoong, and furthermore in view of our Group's past working experience and comfort level in dealing with Hanyoong, our Group anticipates that such transactions are likely to recur going forward. Before entering into such transactions, our Audit and Risk Management Committee will review all such transactions for purpose of mitigating any potential conflict of interest (if any). For more details on our policy and procedures adopted in terms of related party transactions, please refer to Section 10.5 of this Prospectus.

(6) The letter of award was signed on 1 November 2018 with remaining fee as at the LPD of RM131,440 to be billed progressively upon performance of works based on terms which are commonly adopted by consultancy firms of a similar nature. The transaction was carried out on arm's length basis and based on terms and conditions which are not unfavourable to our Group. The principal design consultancy services provided by Hanyoong are documented in a letter of award signed on 1 November 2018 and the salient terms of such letter are as set out below:

Details of salient terms

Contracting parties	:	*Hanyoong (as service provider) and PISM (as client)*
Description	:	*To provide principal design consultancy services in relation to the development of the Olak Lempit Land*
Termination	:	*Nil. Termination shall be by way of mutual agreement between the parties.*

Our Directors are of the opinion that, all the related party transactions were either carried out at arm's length basis or on normal commercial terms which are not unfavourable to our Group and comparable to those generally available to third parties.

Our Directors also confirm that there are no other related party transactions that have been entered by our Group that involves the interest, direct or indirect, of our Directors, major shareholders and/or persons connected to them but yet effected up to the date of this Prospectus.

After our Listing and in accordance with the Listing Requirements, our Company will be required to seek our shareholders' approval each time our Company enters into material related party transactions. However, if the related party transactions can be deemed as recurrent related party transactions, our Company may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such recurrent related party transactions during the validity period of the mandate.

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, among others, supervise and monitor any related party transactions and the terms thereof and report to our Board for further action, as set out in Section 10.5 of this Prospectus. When necessary, our Board will make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

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

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

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

There were no related party transactions entered into that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets to which our Company or any of our subsidiaries were a party for the Financial Years/Period Under Review and up to the LPD and for the subsequent financial period immediately preceding the date of this Prospectus.

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

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

There are no outstanding financial assistance and/or loans (including guarantees of any kind) made by us to or for the benefit of our related parties for the Financial Years/Period Under Review and up to the LPD.

10.4 PERSONAL GUARANTEES PROVIDED FOR THE BENEFIT OF OUR GROUP

As part of the terms of the banking and leasing facilities extended to our Group, as at the LPD, Yang Kian Lock, Low Teck Heng and Ir. Louis Tay Chee Siong have jointly and severally provided personal guarantees to the financial institutions extending these facilities ("**Financiers**"), further details of which are set out below:

No.	Financial Institution/ Details of facilities	Personal guarantees	Facilities amount (RM'000)	Outstanding amount as at LPD (RM'000)
(i)	Al Rajhi Bank: - Islamic financing facility granted to PFWSI	(i) Yang Kian Lock (ii) Low Teck Heng (iii) Ir. Louis Tay Chee Siong	44,781	20,307
(ii)	Al Rajhi Bank: Cashline facility-i granted to PFWSI	(i) Yang Kian Lock (ii) Ir. Louis Tay Chee Siong	5,000	2,239
(iii)	Al Rajhi Bank: - Facilities granted to PISM consisting of structured commodity financing-i, letter of credit-i, trade commodity financing-i, shipping guarantee-i and bank guarantee-i	(i) Yang Kian Lock (ii) Low Teck Heng (iii) Ir. Louis Tay Chee Siong	20,600	2,500
(iv)	AmBank (M) Berhad: - Facilities granted to SS consisting of overdraft, term loans and multi-trade financing facilities	(i) Yang Kian Lock (ii) Low Teck Heng	4,750	1,994
(v)	AmBank (M) Berhad: Hire purchase facilities granted to PFWSI	(i) Yang Kian Lock Ir. Louis Tay Chee Siong	7,000	1,423
(vi)	BMW Credit (Malaysia) Sdn Bhd: - Hire purchase facilities granted to PFWSI	Yang Kian Lock	784	79
(vii)	Hong Leong: - Facilities granted to SS consisting of term loan, overdraft, tradelines, letters of credit, trust receipt, banker's acceptance and bank guarantee	(i) Yang Kian Lock (ii) Low Teck Heng (iii) Ir. Louis Tay Chee Siong	13,650	12,145
(viii)	Hong Leong: - Facilities granted to PFWSI consisting of fixed term loan, overdraft, letter of credit, trust receipt, banker's acceptance and bank guarantee	(i) Yang Kian Lock (ii) Low Teck Heng (iii) Ir. Louis Tay Chee Siong	5,330	1,851

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

No.	Financial Institution/ Details of facilities	Personal guarantees	Facilities amount (RM'000)	Outstanding amount as at LPD (RM'000)
(ix)	Hong Leong: - Hire purchase facilities granted to SS	Yang Kian Lock	1,094	639
(x)	Hong Leong: - Hire purchase facility granted to BEST	(i) Yang Kian Lock (ii) Ir. Louis Tay Chee Siong	311	202
(xi)	Hong Leong: - Hire purchase facilities granted to PFWSI	(i) Yang Kian Lock (ii) Ir. Louis Tay Chee Siong	1,251	952
(xii)	HSBC Bank Malaysia Berhad: - Facilities granted to PFWSI consisting of overdraft and import lines	(i) Yang Kian Lock (ii) Low Teck Heng (iii) Ir. Louis Tay Chee Siong	6,500	3,249
(xiii)	HSBC Bank Malaysia Berhad: - Facilities granted to SS consisting of an import line	(i) Yang Kian Lock (ii) Low Teck Heng (iii) Ir. Louis Tay Chee Siong	1,500	1,276
(xiv)	HSBC Amanah Malaysia Berhad: - Facilities granted to PFWSI consisting of industrial hire purchase-i lines	(i) Yang Kian Lock (ii) Low Teck Heng (iii) Ir. Louis Tay Chee Siong	6,650	4,678
(xv)	MBB: - Hire purchase facilities granted to PFWSI	(i) Yang Kian Lock (ii) Low Teck Heng (iii) Ir. Louis Tay Chee Siong	10,000	4,525
(xvi)	OCBC Bank (Malaysia) Berhad: - Facilities granted to SS consisting of overdraft, term loan and tradelines	(i) Yang Kian Lock (ii) Low Teck Heng (iii) Ir. Louis Tay Chee Siong	20,281	2,811
(xvii)	Orix Credit Malaysia Sdn. Bhd.: - Hire purchase facilities granted to PFWSI	(i) Yang Kian Lock (ii) Low Teck Heng (iii) Ir. Louis Tay Chee Siong	8,591	5,456
(xviii)	PAC Lease Berhad: - Hire purchase facility granted to PFWSI	(i) Yang Kian Lock (ii) Ir. Louis Tay Chee Siong	1,771	923
(xix)	United Overseas Bank (Malaysia) Bhd: - Facilities granted to PFWSI consisting of fixed loan, overdraft, letter of credit, trust receipt, banker's acceptance, shipping guarantee, performance guarantee and financial guarantee	(i) Yang Kian Lock (ii) Low Teck Heng (iii) Ir. Louis Tay Chee Siong	8,220	2,408

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

No.	Financial Institution/ Details of facilities	Personal guarantees	Facilities amount (RM'000)	Outstanding amount as at LPD (RM'000)
(xx)	United Overseas Bank (Malaysia) Bhd: - Facility granted to PFWSI consisting of a fixed loan	(i) Yang Kian Lock (ii) Low Teck Heng (iii) Ir. Louis Tay Chee Siong	1,000	672
(xxi)	United Overseas Bank (Malaysia) Bhd: - Facilities granted to SS consisting of overdraft, letter of credit, trust receipt, banker's acceptance, shipping guarantee, invoice financing, performance guarantee, financial guarantee and a multi-option loan	(i) Yang Kian Lock (ii) Low Teck Heng (iii) Ir. Louis Tay Chee Siong	22,734	16,942

In conjunction with our Listing, our Group has applied to the Financiers for the release and/or discharge of these personal guarantees subject to our Group replacing them with a corporate guarantee from our Company.

As at the LPD, save for certain facilities granted by Hong Leong (relating to Items (vii), (viii) and (ix) above) and MBB (relating to Item (xv) above), our Group has received conditional consents from the Financiers to discharge the personal guarantees in respect of the abovementioned facilities which are subject, amongst others, to the following conditions:

(i) successful listing of our Company on the ACE Market;

(ii) substitution of the personal guarantees with corporate guarantees to be provided by our Company; and

(iii) receipt of written confirmation from certain Financiers evidencing the release of the personal guarantees provided in favour of such Financiers.

With regards to the facilities granted by Hong Leong and MBB, our Group has as at the LPD, received conditional consents from both Hong Leong and MBB for the discharge of the personal guarantees in relation to such facilities subject to, amongst others, the following conditions:

(i) successful listing of our Company on the ACE Market;

(ii) substitution of the personal guarantees with corporate guarantees to be provided by our Company; and

(iii) receipt of relevant documents evidencing that the other lending banks have also consented to the discharge of the personal guarantees.

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10.5 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

10.5.1 Audit and Risk Management Committee review

Our Audit and Risk Management Committee reviews related party transactions to ensure no conflicts of interest arise within our Company or our Group. The Audit and Risk Management Committee reviews the procedures set by our Company to monitor related party transactions to ensure the integrity of these transactions, procedures or course of conducts. In reviewing the related party transactions, the following, amongst other things will be considered:

(i) the rationale and the cost/benefit to our Company or our Group is first considered;

(ii) where possible, comparative quotes will be taken into consideration;

(iii) that the transactions are carried out on normal commercial terms which are not more favourable to the related parties than those generally available to the public dealing on arm's length and are not to the detriment of our Company or our Group; and

(iv) that the transactions are not detrimental to our Company's non-interested shareholders.

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

10.5.2 Our Group's policy on related party transactions

Related party transactions by their very nature, involve conflicts of interest between our Group and the related parties with whom our Group has entered into such transactions. As disclosed in this Prospectus, some of our Directors and/or major shareholders are also directors and in some cases, shareholders of the related parties of our Group, and with respect to these related party transactions, may individually and in aggregate have conflicts of interest. It is the policy of our Group that all related party transactions shall be reviewed by the Audit and Risk Management Committee to ensure that they are negotiated and agreed upon in the best interest of our Group, on arm's length basis and are based on normal commercial terms which are not more favourable to the related parties than those generally available to third parties dealing at arm's length and are not to the detriment of our Group.

In addition, we plan to adopt a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situations and we intend for the framework to be guided by the Listing Requirements and the MCCG upon our Listing. The procedures which may form part of the framework include, among others, the following:

(i) our Board shall ensure that majority of our Board members are independent directors and will undertake an annual assessment of our Independent Directors;

(ii) our Directors will be required to declare any direct or indirect interest that they may have in any business enterprise that is engaged in or proposed to be engaged in a transaction with our Group, whether or not they believe it is a material transaction. Upon such disclosure, the interested Director shall be required to abstain from deliberation and voting on any resolution related to the related party transaction; and

(iii) all existing or potential related party transactions would have to be disclosed by the interested party for management reporting. Our management will propose the transactions to our Audit and Risk Management Committee for evaluation and assessment who would in turn, make a recommendation to our Board.

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11. CONFLICT OF INTEREST

11.1 INTEREST IN SIMILAR BUSINESS OR CONFLICT OF INTEREST

As at the LPD, none of our Directors and/or substantial shareholders of our Group have any interest, whether direct or indirect, in other businesses or corporations which are carrying on a similar trade as that of our Group or which are the customers and/or suppliers of our Group save and except as disclosed below:

No.	Name of company	Principal activities	Nature of interest
(i)	Kimlun [via its wholly-owned subsidiaries, SPC Industries Sdn. Bhd. ("**SPC**"), KL Building Materials Sdn. Bhd. ("**KL Building**") and Kimlun Sdn. Bhd. ("**Kimlun SB**")]	SPC: • Ready mix concrete production and manufacturing of pre-cast concrete products KL Building: • Manufacturing and trading of all kinds of building and construction materials and act as transportation and service agent Kimlun SB: • Building and infrastructure contractors and transportation service agent	Anita Chew Cheng Im is our Independent Non-Executive Director. She is also an Independent Non-Executive Director of Kimlun
(ii)	Sim Kee Plywood & Paints Sdn. Bhd. ("**Sim Kee**")	• Hardware, timber and logging merchants	Chu Wai Lee is a Director of PFWSI and PISM. He is also a Director and major shareholder of Sim Kee
(iii)	Hanyoong	• Business of civil and structural, professional consultant and construction management services	Ir. Han Liang Kwang is our Non-Independent Executive Director. He is also a director and major shareholder of Hanyoong
(iv)	Titan Marine Sdn. Bhd. ("**Titan Marine**")	• Wholesale of metal and non-metal waste and scrap and materials for recycling • Export and import of a variety of goods without any particular specialization N.E.C • Engineering services	Goik Kenzu is our Independent Non-Executive Director. He is also a major shareholder of Titan Marine.

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

Our Board is of the view that the above interests do not give rise to a conflict of interest situation, on the following basis:

(i) Kimlun via its wholly-owned subsidiaries, SPC, KL Building and Kimlun SB ("Kimlun's Subsidiaries")

Kimlun's Subsidiaries are principally involved in the activities of ready-mix concrete production and manufacturing of pre-cast concrete products, in-house supply of sanitary wares and acting as building and infrastructure contractors.

The concrete products such as (i) reinforced pre-cast concrete box culverts; and (ii) precast tunnel lining segments, reinforced concrete pipe culverts, reinforced concrete manholes ("**Other Pre-cast Concrete Products**"), are used in the infrastructure sector or as part of building components and are supplied to construction companies in bulk while the sanitary wares are supplied in-house to another subsidiary of Kimlun. Although our Group also trades in pre-cast concrete box culverts, Other Pre-cast Concrete Products and sanitary wares, we do not view Kimlun's Subsidiaries as competitors to us or our Group as a competitor to Kimlun's Subsidiaries, as we trade general pre-cast concrete box culverts in smaller volumes and our target customers are end customers who are typically general contractors who purchase the pre-cast concrete box culverts from our Group in relatively small volumes. In addition, the Other Pre-cast Concrete Products are traded on back-to-back arrangements based on purchase orders received where the products are delivered directly from our supplier to our end customers' sites.

We also do not manufacture the pre-cast concrete box culverts products, Other Pre-cast Concrete Products and sanitary wares that our Group supplies, while SPC on the other hand specialises in manufacturing standard and customised precast concrete products for large scale infrastructure and building projects. Neither does our Group trade in or supply to third parties any of the pre-cast concrete box culverts products, Other Pre-cast Concrete Products and sanitary wares that are manufactured by SPC.

In respect of the sanitary wares supplied by Kimlun's Subsidiaries, we do not view Kimlun's Subsidiaries as competitors to us or our Group as a competitor to Kimlun's Subsidiaries as the sanitary wares supplied by Kimlun's Subsidiaries are only for in-house supply purposes to another subsidiary of Kimlun and in any event our Group only trades sanitary wares in small volumes, constituting only approximately 2.50% of our Group's revenue for the Financial Years/Period Under Review.

While Kimlun SB has purchased general building materials such as wire mesh, fencing system and polyethylene sheets from us (via SS and PFWSI) in the past and SPC has in FPE 2023 engaged PCFM for the preparation of precast production shop drawings in relation to certain precast products manufactured by SPC, the purchase prices of the building materials purchased by Kimlun SB and the professional fees charged by our Group to SPC for the services rendered in relation to the preparation of the precast production shop drawings were arrived at on an arm's length basis and on normal commercial terms based on the prevailing sale prices of our Group's building materials and the professional fees chargeable for such drawings, which are comparable to those offered to third parties. For the Financial Years/Period Under Review, the total sales to Kimlun SB and SPC represented only approximately 0.20% of our Group's revenue, while there were no sales transacted with KL Building.

Further, Anita Chew Cheng Im is only an Independent Non-Executive Director of Kimlun, the holding company of Kimlun's Subsidiaries and is not a director of Kimlun's Subsidiaries. Thus, she does not hold any direct decision-making powers in respect of Kimlun's Subsidiaries or influence their day to day business activities or business direction.

(ii) Sim Kee

Sim Kee is principally involved in the business of hardware, timber and logging merchants. Although there is a common product traded by Sim Kee and our Group, namely plywood, we do not view Sim Kee as a competitor of our Group. This is because plywood is a very generic and common product in the construction industry and Sim Kee's target customers are retail end customers purchasing plywood in relatively small volumes in a retail outlet setting for a variety of applications, including but not limited to use as construction materials such as roofing, flooring, furniture making and do-it-yourself projects, while our Group mainly supplies plywood used in construction activities as building materials to construction companies which purchase in bulk for large-scale construction projects. As such, the use and target market for the plywood supplied by us to third parties is therefore quite distinguishable from Sim Kee and we operate at a very different segment of the market in relation to trading in plywood. Sim Kee is also not a supplier or customer of our Group.

(iii) Hanyoong

Hanyoong holds a certificate of registration as an engineering consultancy practice with BEM pursuant to the REA and is principally involved in the business of civil and structural, professional consultant and construction management services.

Section 7A(3) of the REA prescribes various requirements for BEM to register a sole proprietorship, partnership or body corporate as an engineering consultancy practice, including requirements of having individuals who are a professional engineer with a practising certificate issued by BEM either as the sole proprietor, partners or shareholders and board of directors (in the case of a body corporate). For a body corporate in particular to be registered under the REA, the day-to-day affairs of the body corporate must be under the control and management of a professional engineer holding a practising certificate and the REA and its related regulations prescribe requirements relating to composition of the board of directors, shareholdings and minimum paid-up capital of a company registered as an engineering consultancy practice.

Hanyoong provides engineering consultancy services to our Group, including endorsement and submission of engineering plans for the works and projects undertaken by us, in its capacity as a Registered Engineering Consultancy. We are required to appoint a professional engineer or Registered Engineering Consultancy to assist us in carrying out the works and projects undertaken by us.

We only engage Hanyoong to provide professional services in connection with our own services and projects and Hanyoong is one of the five firms of professional engineers or Registered Engineering Consultancy that we engage in carrying out our engineering services business activities.

(iv) Titan Marine

Titan Marine is principally involved in the business of wholesale of metal and non-metal waste and scrap and materials for recycling, export and import of a variety of goods without any particular specialization and the provision of engineering services.

We do not view Titan Marine as a competitor of our Group as our Group is principally involved in the trading and distribution of core and general building materials for use in the construction industry and the provision of construction engineering solutions and services including CME Solutions, DDE Solutions and PC Solutions relating to the construction industry while Titan Marine's trading and wholesale activities relates to the wholesale, export and import of metal and non-metal wastes, scraps and materials for recycling of ships, vessels, boats, yachts, barges and other marine equipment. The engineering services provided by Titan Marine thus relates to ship breaking and recycling solutions.

Our Group and Titan Marine operate within distinct industries, namely the construction industry and the marine and shipping industry respectively and thus serve different customer bases.

Titan Marine is also not a supplier or customer of our Group.

11.2 MONITORING AND OVERSIGHT OF CONFLICT OF INTEREST

Upon our Listing, our Board as well as our Audit and Risk Management Committee will supervise any conflict of interest or potential conflict of interest situations and all Directors, substantial shareholders and/or Key Senior Management will disclose such conflict of interest situations, if any, to our Audit and Risk Management Committee for resolution as and when they arise.

In order to mitigate any possible conflict of interest situation, our Directors, substantial shareholders and/or Key Senior Management will declare to our Board and our Audit and Risk Management Committee of 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 Audit and Risk Management Committee will then evaluate if such involvement by our Directors, substantial shareholders and/or Key Senior Management gives rise to a potential conflict of interest situation with our Group's business. When a determination has been made that there is a conflict of interest of a Director, substantial shareholder and/or Key Senior Management, our Audit and Risk Management Committee will:

(i) immediately inform our Board of the conflict of interest situation; and

(ii) make recommendations to our Board to direct the conflicted Director, substantial shareholder and/or Key Senior Management to:

  (a) withdraw from all his/her 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 and/or substantial shareholder is an Executive Director). After his/her withdrawal, he/she will remain in the said executive position to perform his/her executive role in matters that will not give rise to conflict of interest situation; and

  (b) abstain from all Board deliberation and involvements in matters where he/she has a conflict of interest situation. The conflicted Director(s) shall also abstain from any Board discussions relating to the recommendation of our Audit and Risk Management Committee and the conflicted Director(s) shall not vote or in any way attempt to influence the discussion of or voting on, the matter at issue. The conflicted Director(s) may however, at the request of our Audit and Risk Management Committee, be present at our meeting for the purposes of answering any questions. The conflicted Director(s) shall also abstain from voting in respect of his/her direct/indirect shareholdings in our Company, if any, on the resolutions pertaining to the said transactions to be tabled at the general meeting to be convened.

  In circumstances where a Director is deemed to have a significant, ongoing and irreconcilable conflict of interest with our Group and where such conflict of interest significantly impedes the Director's ability to carry out his/her fiduciary duties and responsibilities to our Group, our Nomination Committee may determine if the resignation of the conflicted Director from our Board will be appropriate and necessary.

(iii) to identify the person(s) connected to the conflicted Director, substantial shareholder and/or Key Senior Management (if any) and review any business dealings with such person(s) to establish whether a conflict of interest situation arises. Thereafter, the conflicted Director, substantial shareholder and/or Key Senior Management shall undertake to ensure that persons connected to him/her shall abstain from voting in respect of their direct/indirect shareholdings in our Company, if any, on the resolutions pertaining to the said transactions to be tabled at the general meeting to be convened. The Audit and Risk Management Committee shall also continue to monitor such business dealings to ensure that they are conducted on arms' length basis and based on terms that are favourable to our Group.

11.3 DECLARATION BY EXPERTS

11.3.1 Declaration by KAF IB

KAF IB confirms that there is no existing or potential conflict of interest in relation to it acting in its capacity as the Principal Adviser, Sponsor, Managing Underwriter, Joint Underwriter and Joint Placement Agent for our Listing.

11.3.2 Declaration by Kenanga IB

Kenanga IB confirms that there is no existing or potential conflict of interest in relation to it acting in its capacity as the Joint Underwriter and Joint Placement Agent for our Listing.

11.3.3 Declaration by MKP

MKP confirms that there is no existing or potential conflict of interest in its capacity as the Legal Advisers in respect of our Listing.

11.3.4 Declaration by Crowe

Crowe confirms that there is no existing or potential conflict of interest in relation to it acting in its capacity as the Auditors and Reporting Accountants for our Listing.

11.3.5 Declaration by Protégé

Protégé confirms that there is no existing or potential conflict of interest in relation to it acting in its capacity as the Independent Market Researcher for our Listing.

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12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

The following table sets out a summary of the consolidated statements of profit or loss and other comprehensive income, consolidated statements of financial position and consolidated statements of cash flows of our Group for the Financial Years/Period Under Review. The consolidated financial statements should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Accountants' Report as set out in Sections 12.3 and 14 of this Prospectus respectively.

12.1.1 Consolidated statements of profit or loss and other comprehensive income of our Group

	Audited			Unaudited	Audited
	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2022**	**FPE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	113,792	112,712	158,091	53,891	62,581
Cost of sales	(86,339)	(79,908)	(115,797)	(39,556)	(48,340)
GP	**27,453**	**32,804**	**42,294**	**14,335**	**14,241**
Other income	2,506	1,047	1,567	516	507
	29,959	33,851	43,861	14,851	14,748
Selling and distribution expenses	(1,230)	(764)	(1,434)	(525)	(518)
Administrative expenses	(12,348)	(12,104)	(18,073)	(6,824)	(8,267)
Other expenses	(2,156)	(2,086)	(1,998)	(636)	(840)
Finance costs	(3,604)	(3,023)	(3,201)	(1,425)	(1,707)
Net impairment losses on financial assets	(357)	(1,038)	(408)	-	-
PBT	**10,264**	**14,836**	**18,747**	**5,441**	**3,416**
Income tax expense	(3,090)	(3,998)	(5,010)	(1,252)	(574)
PAT/Total comprehensive income for the financial years/period	**7,174**	**10,838**	**13,737**	**4,189**	**2,842**
PAT/Total comprehensive income for the financial years/period attributable to:					
Owners of our Company	7,174	10,814	13,688	4,174	2,790
Non-controlling interest	-	24	49	15	52
	7,174	**10,838**	**13,737**	**4,189**	**2,842**
EBIT(1)	13,430	17,571	21,637	6,719	4,966
EBITDA(1)	21,622	25,574	29,312	9,701	8,892
GP margin (%)(2)	24.13	29.10	26.75	26.60	22.76
PBT margin (%)(3)	9.02	13.16	11.86	10.10	5.46
PAT margin (%)(4)	6.30	9.62	8.69	7.77	4.54
Effective tax rate (%)	30.11	26.95	26.72	23.01	16.80
No. of Shares ('000)(5)	606,061	606,061	606,061	606,061	606,061
Basic and diluted EPS (sen)(6)	1.18	1.78	2.26	0.69	0.46

Notes:

(1) EBIT and EBITDA are calculated as follows:

	Audited			*Unaudited*	*Audited*
	FYE 2020	***FYE 2021***	***FYE 2022***	***FPE 2022***	***FPE 2023***
	RM'000	***RM'000***	***RM'000***	***RM'000***	***RM'000***
PAT	*7,174*	*10,838*	*13,737*	*4,189*	*2,842*
Less: Interest income	*(438)*	*(288)*	*(311)*	*(147)*	*(157)*
Add: Finance costs	*3,604*	*3,023*	*3,201*	*1,425*	*1,707*
Income tax expense	*3,090*	*3,998*	*5,010*	*1,252*	*574*
EBIT	***13,430***	***17,571***	***21,637***	***6,719***	***4,966***
Add: Depreciation	*8,192*	*8,003*	*7,675*	*2,982*	*3,926*
EBITDA	***21,622***	***25,574***	***29,312***	***9,701***	***8,892***

(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) The enlarged issued share capital of 606,060,600 Shares after our IPO.
(6) Basic and diluted EPS are calculated based on the PAT attributable to owners of our Company divided by the enlarged issued share capital of 606,060,600 Shares after our IPO. There are no dilutive instruments as at the end of the respective financial years/period.

12.1.2 Consolidated statements of financial position of our Group

	Audited			
	As at 31 December			**As at 31 May**
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
ASSETS				
Non-current assets				
PPE	70,733	69,696	72,535	90,456
Investment properties	282	1,336	1,842	2,204
ROU	2,577	2,561	3,130	3,084
Other investments	955	789	608	608
Goodwill	1,956	1,956	1,956	1,956
Total non-current assets	**76,503**	**76,338**	**80,071**	**98,308**
Current assets				
Inventories	7,331	9,102	5,856	6,122
Trade receivables	49,288	51,582	58,931	63,799
Other receivables, deposits and prepayments	7,097	3,623	9,988	9,285
Current tax assets	499	9	40	965
Fixed deposits with licensed banks	17,869	18,820	19,840	20,287
Cash and bank balances	1,242	1,783	3,483	2,255
Total current assets	**83,326**	**84,919**	**98,138**	**102,713**
TOTAL ASSETS	**159,829**	**161,257**	**178,209**	**201,021**

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	Audited			
	As at 31 December			As at 31 May
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
EQUITY AND LIABILITIES				
EQUITY				
Share capital	50,000	50,000	50,000	50,000
Merger deficit	(38,490)	(38,490)	(38,490)	(38,490)
Retained profits	50,025	60,793	71,981	74,771
Equity attributable to owners of the Company / NA	**61,535**	**72,303**	**83,491**	**86,281**
Non-controlling interest	-	72	369	421
TOTAL EQUITY	**61,535**	**72,375**	**83,860**	**86,702**
LIABILITIES				
Non-current liabilities				
Lease liabilities	-	-	324	295
Hire purchase payables	2,401	4,436	4,091	9,619
Term loans	16,147	14,388	11,783	10,752
Deferred tax liabilities	338	1,008	1,865	1,865
Total non-current liabilities	**18,886**	**19,832**	**18,063**	**22,531**
Current liabilities				
Trade payables	11,604	8,331	15,874	14,572
Other payables and accruals	15,659	11,944	13,161	16,881
Amount owing to a director	3	3	-	-
Lease liabilities	-	-	67	69
Hire purchase payables	6,096	5,727	5,550	7,252
Short-term borrowings	38,406	37,817	34,894	46,607
Term loans	2,673	2,864	2,876	2,879
Bank overdrafts	4,825	1,891	3,109	3,014
Current tax liabilities	142	473	755	514
Total current liabilities	**79,408**	**69,050**	**76,286**	**91,788**
TOTAL LIABILITIES	**98,294**	**88,882**	**94,349**	**114,319**
TOTAL EQUITY AND LIABILITIES	**159,829**	**161,257**	**178,209**	**201,021**
Number of Shares in issue ('000)	606,061	606,061	606,061	606,061
NA (RM'000)	61,535	72,303	83,491	86,281
NA per Share (sen)	10.15	11.93	13.78	14.24

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12.1.3 Consolidated statements of cash flows of our Group

	Audited			Unaudited	Audited
	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
PBT	10,264	14,836	18,747	5,441	3,416
Adjustments for:					
Bad debts written off	-	69	-	-	1
Depreciation of PPE	8,152	7,987	7,570	2,950	3,873
Depreciation of ROU	40	16	92	27	46
Depreciation of investment properties	-	-	13	5	7
Fair value (gain)/loss on other investments	(256)	190	323	-	-
Impairment losses on trade receivables	357	1,038	408	-	-
Impairment losses on other investments	12	5	8	-	-
Interest expense on lease liabilities	-	-	14	3	7
(Gain)/Loss on disposal of PPE	(216)	71	(1)	(1)	(74)
Other interest expense	3,585	3,024	3,148	1,406	1,687
PPE written off	414	82	28	-	56
Unrealised (gain)/loss on foreign exchange	(34)	34	-	-	-
Dividend income	(15)	(16)	(9)	(8)	-
Gain on disposal of other investments	-	(2)	-	-	-
Interest income	(438)	(288)	(311)	(147)	(157)
Operating profit before working capital changes	**21,865**	**27,046**	**30,030**	**9,676**	**8,862**
Changes in working capital:					
Decrease/(Increase) in inventories	5,541	3,224	8,384	114	(122)
Decrease in contract assets	1,739	-	-	-	-
Decrease/(Increase) in trade and other receivables	19,045	(873)	(14,122)	4,773	(4,166)
Decrease in amount owing by related parties	24	-	-	-	-
(Decrease)/Increase in trade and other payables	(16,254)	(7,022)	8,761	905	2,417
(Decrease)/Increase in amount owing to a director	(192)	-	(3)	3	-
Decrease in amount owing to related parties	(307)	-	-	-	-
Cash from operations	**31,461**	**22,375**	**33,050**	**15,471**	**6,991**
Interest paid	(188)	(323)	(261)	(82)	(131)
Income tax paid	(2,868)	(3,355)	(3,911)	(1,710)	(1,740)
Income tax refunded	-	850	9	-	-
Net cash from operating activities	**28,405**	**19,547**	**28,887**	**13,679**	**5,120**
CASH FLOWS FOR INVESTING ACTIVITIES					
Acquisition of subsidiary	(221)	-	-	-	-
Addition to ROU	-	-	(221)	(221)	-
Dividend received	15	16	9	8	-
Increase in pledged fixed deposits with licensed banks	(464)	(663)	(709)	(300)	(290)

12. FINANCIAL INFORMATION *(Cont'd)*

	Audited			Unaudited	Audited
	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Proceeds from disposal of other investments	-	8	-	-	-
Proceeds from disposal of PPE	305	764	12	12	96
Proceed from issuance of shares to non-controlling interest	-	-	248	248	-
Purchase of investment properties	(191)	(1,054)	(519)	(396)	(369)
Purchase of other investments	-	(35)	-	-	-
Purchase of PPE	(8,504)	(6,073)	(9,720)	(3,833)	(12,030)
Acquisition of quoted shares	-	-	(150)	(150)	-
Net cash for investing activities	**(9,060)**	**(7,037)**	**(11,050)**	**(4,632)**	**(12,593)**
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Drawdown of bankers' acceptances	80,413	59,095	81,534	33,278	49,805
Drawdown of hire purchase	1,267	3,184	-	-	371
Drawdown of revolving credits	12,845	20,581	26,504	10,331	17,705
Drawdown of term loans	1,000	1,800	164	164	164
Dividend paid	-	-	(2,500)	(1,500)	-
Interest paid	(3,397)	(2,701)	(2,901)	(1,327)	(1,563)
Repayment of bankers' acceptances	(86,749)	(59,914)	(86,094)	(39,628)	(41,414)
Repayment of hire purchase	(8,172)	(8,307)	(6,389)	(2,815)	(3,125)
Repayment of lease liabilities	-	-	(49)	(11)	(28)
Repayment of revolving credits	(15,496)	(20,351)	(24,867)	(8,625)	(14,383)
Repayment of term loans	(1,067)	(2,422)	(2,757)	(1,074)	(1,192)
Net cash (for)/from financing activities	**(19,356)**	**(9,035)**	**(17,355)**	**(11,207)**	**6,340**
Net (decrease)/increase in cash and cash equivalents	(11)	3,475	482	(2,160)	(1,133)
Cash and cash equivalents at beginning of the financial years/period	(3,572)	(3,583)	(108)	(108)	374
Cash and cash equivalents at end of the financial years/period[(1)]	**(3,583)**	**(108)**	**374**	**(2,268)**	**(759)**

Note:

(1) Cash and cash equivalents included in the statements of cash flows comprise the following:

	FYE 2020	*FYE 2021*	*FYE 2022*	*FPE 2022*	*FPE 2023*
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Fixed deposits with licensed banks	*17,869*	*18,820*	*19,840*	*19,268*	*20,287*
Cash and bank balances	*1,242*	*1,783*	*3,483*	*862*	*2,255*
Bank overdrafts	*(4,825)*	*(1,891)*	*(3,109)*	*(3,130)*	*(3,014)*
	14,286	***18,712***	***20,214***	***17,000***	***19,528***
Less: Fixed deposits pledged to licensed banks	*(17,869)*	*(18,820)*	*(19,840)*	*(19,268)*	*(20,287)*
	(3,583)	***(108)***	***374***	***(2,268)***	***(759)***

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12.2 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness as at 31 August 2023 and after adjusting for the effects of the IPO including the utilisation of proceeds from the Public Issue. The pro forma financial information below does not represent our actual capitalisation and indebtedness as at 31 August 2023 and is provided for illustrative purposes only.

		I	II
	As at 31 August 2023	**After IPO**	**After I and utilisation of proceeds**
	Unaudited	**Unaudited**	**Unaudited**
	RM'000	**RM'000**	**RM'000**
Indebtedness			
Current			
Secured and guaranteed			
Term loans	2,893	2,893	782
Bank overdrafts	8,140	8,140	8,140
Bankers' acceptances	31,391	31,391	31,391
Revolving credits	14,995	14,995	14,995
Hire purchase payables	9,337	9,337	8,872
Unsecured and unguaranteed			
Lease liabilities	70	70	70
	66,826	**66,826**	**64,250**
Non-current			
Secured and guaranteed			
Term loans	10,022	10,022	4,442
Hire purchase payables	12,638	12,638	11,794
Unsecured and unguaranteed			
Lease liabilities	277	277	277
	22,937	22,937	16,513
Total indebtedness	**89,763**	**89,763**	**80,763**
Capitalisation			
Equity attributable to owners of the Company / NA	91,251	(1)128,373	(1)124,373
Non-controlling interest	455	455	455
Total capitalisation	**91,706**	**128,828**	**124,828**
Total capitalisation and indebtedness	**181,469**	**218,591**	**205,591**
Gearing ratio(2) (times)*	0.98	0.70	0.65

Notes:

(1) *For the purposes of presenting our Group's NA, the pro forma capitalisation and indebtedness are illustrated after the effects of the transactions below:*
   - (I) *After our IPO; and*
   - (II) *Estimated listing expenses of RM4.00 million. Upon completion of our IPO, estimated listing expenses of RM1.20 million directly attributable to the Public Issue will be set-off against share capital and the remaining estimated listing expenses of RM2.80 million will be charged out to the statement profit or loss and other comprehensive income.*

(2) *Calculated based on the total indebtedness divided by NA.*

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

The following management's discussion and analysis of our financial condition and results of operations for the Financial Years/Period Under Review should be read in conjunction with the accompanying notes, assumptions and bases set out in the Accountants' Report as set out in Section 14 of this Prospectus.

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

12.3.1 Overview of our operations

Our Group, via our subsidiaries, is principally involved in the provision of construction engineering solutions and services which include CME Solutions, DDE Solutions and PC Solutions that are aimed at increasing the efficiency and safety in construction activities via the adoption of industrialisation practices, supported by digitalisation of construction processes. We are also involved in the trading and distribution of core and general building materials.

Our Group's operations are divided into the following business segments:

(i) CME Solutions

Our CME Solutions focus on the provision of new and refurbished temporary works equipment for sale and rental together with the provision of solutions that support the forming and safe erection of concrete structures. Our solutions include supply of temporary works equipment with engineering design and technical support which enables the use and safe erection of temporary works during construction, on-site monitoring and coordination of work as well as training on the safe use and procedural control practices.

(ii) Trading and distribution of building materials

We also trade and distribute building materials for construction projects. Categorised into core and general products, the former includes engineering wire mesh, perimeter fencing, plywood and K21 Mobile House while general products consist of among others, floor tiles, sanitary ware, cement, steel bars and Pecaform.

(iii) DDE Solutions

Our DDE Solutions involve the provision of digital designs and engineering solutions. Our offering of BIM, a process to create digital representation of structures, buildings and services using a 3D model, can be applied in various stages of the construction lifecycle. It promotes close collaboration and coordination between project professionals. Our services also include virtual design and construction, BIM field verification, OSHCIM professional service and building condition assessment.

(iv) PC Solutions

It is a series of services and accessories that enable the use of prefabricated components in construction. Our offering in this segment includes the planning, designing, production planning and coordination throughout the manufacturing process of prefabricated components. It also extends to cover lifting and connection accessories that facilitates the transporting, lifting and connecting of prefabricated components from plant to construction site.

Further breakdown of our Group's business segments for the Financial Years/Period Under Review are summarised as follows:

Main business segment	Subsidiary companies	Sub-segment and products / equipment / service provided
CME Solutions	PFWSI	(i) Falsework solutions • Heavy Duty Modular Shoring, Crab Lock Modular Shoring, Cross Lock Shoring and top/base beam (ii) Formwork solutions • Green Formwork, Deck Formwork, Aluminium Formwork and accessories (iii) Access solutions and equipment • Self-climbing platform, Aluminium Kwikstage, Wonder Access Tower, Wonder Steps
Trading and distribution of building materials	SS	Trading and distribution of core and general building materials for construction projects (i) Core products • Engineering wire mesh, perimeter fencing, plywood and K21 Mobile House (ii) General products • Floor tiles, sanitary wares, cement, steel bars and Pecaform
DDE Solutions	BEST	(i) BIM service (ii) Virtual design and construction (iii) BIM field verification (iv) OSHCIM professional service (v) Building condition assessment
PC Solutions	PCFM	(i) Planning and designing (ii) Production detailing, production planning and coordination of services (iii) Trading of lifting and connection accessories for precast concrete construction

For clarity, PFCSI started to venture into the provision of perimeter fencing products in February 2010. PFCSI ceased its operations in January 2019. Our Group plans to use PFCSI to venture into a business that is complementary to our principal activities in future. However, there is no immediate business plan drawn for that as at the LPD.

Please refer to Section 7 of this Prospectus for detailed business overview of our Group. We set out below the analysis of our past financial performance and the commentaries thereof, during the Financial Years/Period Under Review.

12.3.2 Review of results of operations

The components of results of operations of our Group are as follows:

(i) Revenue

Our revenue is mainly derived from the CME Solutions and trading and distribution of building materials, which the breakdown is set out in Section 12.3.2(i)(a) below.

The revenue recognition for our products/equipment and services are as follows:

- **Sale of products/equipment**

  Sale of CME Solutions' equipment and trading and distribution of building materials – Revenue is recognised at the point of the delivery of the products/equipment and upon the acceptance by the customers.

- **Rental income**

  Rental of CME Solutions' equipment – Rental income is accounted for on a straight-line method over the lease term.

- **Rendering of services**

  DDE Solutions and PC Solutions' services – Revenue from providing services is recognised over time in the period in which the services are rendered.

Our revenue for the Financial Years/Period Under Review were mainly derived from CME Solutions segment and trading and distribution of building materials segment, cumulatively representing 98.71%, 95.93%, 94.49% and 93.74% of our Group's total revenue in FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively, with the remaining revenue contributed by DDE Solutions and PC Solutions segments. We generated most of our revenue from Malaysia where only 0.96%, 0.48%, 1.04% and 2.93% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively, contributed from Cambodia, Myanmar, Singapore and Thailand.

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12. FINANCIAL INFORMATION *(Cont'd)*

Our revenue for the Financial Years/Period Under Review was derived from the following:

(a) Revenue by business segments

	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
CME Solutions										
• *Sales*	*23,766*	*20.89*	*33,694*	*29.89*	*46,562*	*29.45*	*14,424*	*26.77*	*5,755*	*9.20*
• *Rental*	*20,122*	*17.68*	*16,932*	*15.03*	*21,163*	*13.39*	*8,671*	*16.09*	*15,384*	*24.58*
	43,888	38.57	50,626	44.92	67,725	42.84	23,095	42.86	21,139	33.78
Trading and distribution of building materials	68,436	60.14	57,492	51.01	81,655	51.65	27,553	51.13	37,523	59.96
DDE Solutions	1,468	1.29	2,991	2.65	6,817	4.31	2,470	4.58	2,844	4.54
PC Solutions	-	-	1,603	1.42	1,894	1.20	773	1.43	1,075	1.72
Total	**113,792**	**100.00**	**112,712**	**100.00**	**158,091**	**100.00**	**53,891**	**100.00**	**62,581**	**100.00**

(b) Revenue by geographical location

	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Malaysia	112,695	99.04	112,172	99.52	156,439	98.96	53,819	99.87	60,747	97.07
Overseas[(1)]	1,097	0.96	540	0.48	1,652	1.04	72	0.13	1,834	2.93
Total	**113,792**	**100.00**	**112,712**	**100.00**	**158,091**	**100.00**	**53,891**	**100.00**	**62,581**	**100.00**

Note:
(1) Overseas comprise Cambodia, Myanmar, Singapore and Thailand.

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Financial commentaries on revenue

Comparison between FYE 2020 and FYE 2021

In the FYE 2021, our Group's total revenue slightly decreased by RM1.08 million or 0.95% to RM112.71 million (FYE 2020: RM113.79 million), as a result of the following:

- CME Solutions

  Increase in revenue from CME Solutions segment by RM6.74 million or 15.36% to RM50.63 million (FYE 2020: RM43.89 million) mainly due to the net effect of the following:

  (i) an increase in the revenue from the sales of CME Solutions' equipment, particularly the sales of self-climbing platform and Aluminium Formwork increased by RM9.90 million or 56.96% to RM27.28 million (FYE 2020: RM17.38 million), as the construction activities picked up in FYE 2021; and

  (ii) a decrease in the revenue from the rental of CME Solutions' equipment, particularly the rental of Heavy Duty Modular Shoring and Crab Lock Modular Shoring decreased by RM2.74 million or 37.53% to RM4.56 million (FYE 2020: RM7.30 million) due to lower demand for both falsework equipment in FYE 2021.

- Trading and distribution of building materials

  Decrease in revenue from trading and distribution of building materials segment by RM10.95 million or 16.00% to RM57.49 million (FYE 2020: RM68.44 million) mainly attributed by the scaling down of trading and distribution of building material's business in Melaka and Johor Bahru and eventually the cessation of warehouse operation in Johor Bahru Melaka in April 2021 and August 2021 respectively. As a result, in FYE 2021, the revenue contribution from our Melaka and Johor Bahru warehouses had recorded substantial decrease of RM12.56 million or 66.46% to RM6.34 million (FYE 2020: RM18.90 million).

- DDE Solutions

  Higher revenue contribution from DDE Solutions segment by RM1.52 million or 103.40% to RM2.99 million (FYE 2020: RM1.47 million) due to new BIM projects secured by BEST for few semiconductor manufacturing factories located in Kulim and Penang.

- PC Solutions

  Recorded the first revenue contribution from PC Solutions segment of RM1.60 million as PCFM has just commenced its operation at the beginning of FYE 2021.

On geographical basis, more than 99.00% of our Group revenue was derived in Malaysia for both FYE 2020 and FYE 2021. In FYE 2021, the RM0.54 million overseas revenue are generated from trading and distribution of building materials and DDE Solutions segments (RM0.40 million and RM0.14 million overseas revenue contribution respectively).

Comparison between FYE 2021 and FYE 2022

In the FYE 2022, our Group's total revenue had increased significantly by RM45.38 million or 40.26% to RM158.09 million (FYE 2021: RM112.71 million), as a result of the economic recovery post COVID-19.

- CME Solutions

  Increase in revenue from CME Solutions segment by RM17.10 million or 33.77% to RM67.73 million (FYE 2021: RM50.63 million) due to the following:

  (i) an increase in the revenue from sales of CME Solutions' equipment, particularly the sales of Green Formwork increased significantly by RM6.93 million or 396.00% to RM8.68 million (FYE 2021: RM1.75 million) as we secured and delivered few projects locally and a project in Thailand. Additionally, the sales revenue of self-climbing platform had also increased by RM3.60 million or 14.93% to RM27.72 million (FYE 2021: RM24.12 million) due to increasing demand of self-climbing platform for high-rise building construction.

  (ii) an increase in the revenue from the rental of CME Solutions' equipment, particularly the rental of Heavy Duty Modular Shoring increased by RM4.68 million or 285.37% to RM6.32 million (FYE 2021: RM1.64 million), offset with reduction in rental revenue of Green Formwork by RM3.76 million or 50.61% to RM3.67 million (FYE 2021: RM7.43 million) as the customers opted to purchase rather than rent the Green Formwork.

- Trading and distribution of building materials

  Increase in revenue from trading and distribution of building materials segment by RM24.17 million or 42.04% to RM81.66 million (FYE 2021: RM57.49 million) mainly contributed by sales of products (namely Plywood, K21 Mobile House, steel bars, sanitary wares and concrete spun piles) with cumulative RM20.52 million or 134.03% of the increase due to the construction activities started picking up in the second half of 2022 following the recovery of the economy from COVID-19 pandemic.

- DDE Solutions

  Higher revenue contribution from DDE Solutions segment by RM3.83 million or 128.09% to RM6.82 million (FYE 2021: RM2.99 million) was driven by additional projects secured in FYE 2022 and the progressive billing of semiconductor factories' projects secured in FYE 2021.

- PC Solutions

  Increase in revenue from PC Solutions segment by RM0.29 million or 18.13% to RM1.89 million (FYE 2021: RM1.60 million) due to PCFM secured new orders from customers in FYE 2022.

On geographical basis, more than 98.00% of our Group revenue was derived in Malaysia for both FYE 2021 and FYE 2022. In FYE 2022, RM1.65 million overseas revenue are generated from CME Solutions, PC Solutions and DDE Solutions segments (RM1.58 million, RM0.07 million and less than RM0.01 million overseas revenue contribution respectively).

Comparison between FPE 2022 and FPE 2023

In the FPE 2023, our Group's total revenue had increased by RM8.69 million or 16.13% to RM62.58 million (FPE 2022: RM53.89 million), as a result of the revenue contribution from the following business segments:

- CME Solutions

  Decrease in revenue from CME Solutions segment by RM1.96 million or 8.48% to RM21.14 million (FPE 2022: RM23.10 million) mainly due to the following:

  (i) a decrease in the revenue from the sales of CME Solutions' equipment, particularly sales of self-climbing platform which had recorded substantial decrease in revenue of RM8.01 million or 89.20% to RM0.97 million (FPE 2022: RM8.98 million), due to lower demand of self-climbing platform for high-rise building construction as compared to FPE 2022.

  (ii) partially offset by the increase in rental revenue of CME Solutions' equipment of RM6.71 million or 77.39% to RM15.38 million (FPE 2022: RM8.67 million). The rental revenue increase was mainly contributed by rental of formwork equipment (i.e. Green Formwork and Aluminium Formwork) and falsework equipment (i.e. Crab Lock Modular Shoring and Heavy Duty Modular Shoring) which had contributed to increase of RM5.50 million and RM2.57 million, respectively. This increase in rental revenue across the abovementioned equipment was driven by customers' preferences to rent rather than outright purchase the temporary work equipment for their use in the construction activities.

- Trading and distribution of building materials

  Increase in revenue from trading and distribution of building materials segment by RM9.97 million or 36.19% to RM37.52 million (FPE 2022: RM27.55 million) mainly contributed by sales of our core products (namely engineering wire mesh, plywood and fencing products) and general products with cumulative increases of RM4.21 million and RM5.38 million respectively. The increases in both core and general products revenue are mainly attributable to higher sales volume in FPE 2023 compared to FPE 2022.

- DDE Solutions

  Increase in revenue from DDE Solutions segment by RM0.37 million or 14.98% to RM2.84 million (FPE 2022: RM2.47 million) was driven by additional BIM services projects secured in the first quarter of 2023 and only commenced in April 2023.

- PC Solutions

  Increase in revenue from PC Solutions segment by RM0.31 million or 40.26% to RM1.08 million (FPE 2022: RM0.77 million) due to the sales of lifting and connection accessories and provision of precast modelling services to a few new customers in FPE 2023.

On geographical basis, more than 97.00% of our Group revenue was derived in Malaysia for both FPE 2022 and FPE 2023. In FPE 2022, the RM0.07 million overseas revenue are solely generated from PC Solutions segments. In FPE 2023, the RM1.83 million overseas revenue are solely generated from CME Solutions segment.

(ii) Cost of sales

Our cost of sales comprises purchase of building materials and temporary works equipment, workmanship and materials, depreciation of equipment, leasing expenses of temporary works equipment and other overhead, detailed as follows:

- Purchase of building materials

  Purchase for trading and distribution of building materials segment mainly consist of building material used in construction sector such as engineering wire mesh, perimeter fencing, plywood, K21 Mobile House, steel bars and other building materials which are sourced from local and foreign suppliers.

- Purchase of temporary works equipment

  Purchase of temporary works equipment for CME Solutions mainly consist of formwork, falsework and self-climbing platform, which are sourced from local and foreign suppliers.

- Workmanship and materials

  Workmanship comprises wages, statutory contributions and allowances for construction site and warehouse workers which are employed directly by our Group and from sub-contractors. Materials mainly consist of accessories for the refurbishment of formwork and access equipment and factory consumables.

- Depreciation of equipment

  Depreciation of equipment consist of depreciation of temporary works equipment, machineries, store equipment for the refurbishment of the temporary works equipment as well as renovation of warehouse.

- Leasing expenses of temporary works equipment

  Leasing expense of temporary works equipment mainly consist of rental of CME Solutions such as falsework and formwork equipment and self-climbing platform for projects.

- Other overhead

  Other overhead mainly consists of technical support fees, endorsement fees for professional engineer, upkeep expenses, software subscription fees and consultancy fees.

Our cost of sales ranges from RM39.56 million to RM115.80 million, which represented about 70.90% to 77.24% of our Group's revenue for the Financial Years/Period Under Review. Our cost for purchase of temporary works equipment and building materials constituted the largest portion out of total cost of sales, comprising over 75.00% of our total cost of sales during the Financial Years/Period Under Review.

(a) Cost of sales by cost component

	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Purchase of building materials	61,121	70.79	50,871	63.66	72,606	62.70	24,347	61.55	33,663	69.64
Purchase of temporary works equipment	12,297	14.24	15,531	19.44	23,215	20.05	7,905	19.99	3,745	7.75
Workmanship and materials	3,372	3.91	4,893	6.12	6,838	5.91	2,342	5.92	3,577	7.40
Depreciation of equipment	6,466	7.49	6,398	8.01	6,041	5.21	2,349	5.94	3,143	6.50
Leasing expenses of temporary works equipment	1,585	1.84	203	0.25	3,415	2.95	1,132	2.86	3,106	6.42
Other overhead[(1)]	1,498	1.73	2,012	2.52	3,682	3.18	1,481	3.74	1,106	2.29
Total	**86,339**	**100.00**	**79,908**	**100.00**	**115,797**	**100.00**	**39,556**	**100.00**	**48,340**	**100.00**

Note:

(1) Other overhead mainly comprises technical support fees, endorsement fees for professional engineer, upkeep expenses, software subscription fees and consultancy fees.

(b) <u>Cost of sales by business segments</u>

	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
CME Solutions										
• *Sales*	*14,599*	*16.91*	*18,585*	*23.26*	*27,655*	*23.88*	*9,301*	*23.51*	*4,412*	*9.13*
• *Rental*	*9,586*	*11.10*	*8,090*	*10.12*	*11,572*	*10.00*	*4,354*	*11.01*	*8,817*	*18.24*
	24,185	28.01	26,675	33.38	39,227	33.88	13,655	34.52	13,229	27.37
Trading and distribution of building materials	61,732	71.50	51,765	64.78	73,855	63.78	24,980	63.15	33,791	69.90
DDE Solutions	422	0.49	690	0.86	1,715	1.48	572	1.45	727	1.50
PC Solutions	-	-	778	0.98	1,000	0.86	349	0.88	593	1.23
Total	**86,339**	**100.00**	**79,908**	**100.00**	**115,797**	**100.00**	**39,556**	**100.00**	**48,340**	**100.00**

Financial commentaries on cost of sales

<u>Comparison between FYE 2020 and FYE 2021</u>

For the FYE 2021, our total cost of sales decreased by approximately RM6.43 million or 7.45% to RM79.91 million (FYE 2020: RM86.34 million) due to net effect of the cost of sales incurred by the following business segments:

- <u>CME Solutions</u>

  Increase in cost of sales from CME Solutions segment by RM2.49 million or 10.29% to RM26.68 million (FYE 2020: RM24.19 million) mainly due to the net effect of the following:

(i) an increase in cost of sales for sales sub-segment of CME Solutions by RM3.99 million or 27.33% to RM18.59 million (FYE 2020: RM14.60 million) mainly driven by the following:

- an increase in the purchase of temporary works equipment by RM3.23 million or 26.26% to RM15.53 million (FYE 2020: RM12.30 million), in tandem with the increase in revenue generated from the sales of self-climbing platform and Aluminium Formwork, whereby sales of both temporary works equipment had cumulatively increased by RM9.90 million or 56.96% compared against sales of both equipment in FYE 2020;

- with the additional sales volume generated, the workmanship cost which are attributable to sales sub-segment of CME Solutions had also increased by RM0.51 million or 45.54% to RM1.63 million (FYE 2020: RM1.12 million) due to increase in refurbishment works for temporary works equipment, particularly arising from higher sales of refurbished self-climbing platform; and

- there is also a slight increase of other overhead cost namely technical support fees attributable to sales sub-segment of CME Solutions by RM0.05 million or 50.00% to RM0.15 million (FYE 2020: RM0.10 million) in tandem with increase in sales of temporary works equipment particularly for self-climbing platform.

(ii) partially offset by a decrease in cost of sales for rental sub-segment of CME Solutions by RM1.50 million or 15.64% to RM8.09 million (FYE 2020: RM9.59 million) mainly due to the following:

- a decrease in leasing expenses of temporary works equipment by RM1.39 million or 87.42% to RM0.20 million (FYE 2020: RM1.59 million) as a result of a completion of a construction project and reduction in the leasing of temporary works equipment; and

- additionally, there is also a decrease in depreciation charges by RM0.07 million or 1.08% to RM6.40 million (FYE 2020: RM6.47 million) mainly due to decrease in depreciation of temporary works equipment (namely Aluminium Formwork) by RM0.27 million as there was transfer of Aluminium Formwork to inventories which subsequently sold as refurbished equipment. The decrease was partially offset with increase of RM0.22 million attributable to depreciation of renovation of temporary stockyard on Olak Lempit Land Phase 1A.

• <u>Trading and distribution of building materials</u>

Decrease in cost of sales for trading and distribution of building materials segment by RM9.96 million or 16.13% to RM51.77 million (FYE 2020: RM61.73 million) was mainly due to the net effect of the following:

- a decrease in purchase of building materials by RM10.25 million or 16.77% to RM50.87 million (FYE 2020: RM61.12 million), in tandem with the decline in revenue generated from trading and distribution of building materials segment due to the scaling down of SS's business in Melaka and Johor Bahru as well as cessation of warehouse operation in Melaka; and

- partially offset by an increase in other overhead cost namely technical support fee by RM0.23 million or 255.56% to RM0.32 million (FYE 2020: RM0.09 million) arising from additional technical and drawing fees incidental to sales of engineering wire mesh.

• DDE Solutions

Increase in DDE Solutions' cost of sales by RM0.27 million or 64.29% to RM0.69 million (FYE 2020: RM0.42 million) mainly due to increase of other overhead cost namely higher consultancy fees incurred for new BIM projects secured by BEST.

• PC Solutions

Increase in cost of sales for PC Solutions by RM0.78 million or 100.00% compared to nil in FYE 2020 mainly due to cost incurred by PCFM namely purchase of lifting connection and accessories which were subsequently resold for its commencement of operation in FYE 2021.

Comparison between FYE 2021 and FYE 2022

For the FYE 2022, our total cost of sales increased by approximately RM35.89 million or 44.91% to RM115.80 million (FYE 2021: RM79.91 million) due to net effect of the cost of sales incurred by the following business segments:

• CME Solutions

Increase in cost of sales from CME Solutions segment by RM12.55 million or 47.04% to RM39.23 million (FYE 2021: RM26.68 million) mainly due to the net effect of the following:

(i) an increase in cost of sales for sales sub-segment of CME Solutions by RM9.07 million or 48.79% to RM27.66 million (FYE 2021: RM18.59 million) mainly driven by the following:

- an increase in the purchase of temporary works equipment by RM7.69 million or 49.52% to RM23.22 million (FYE 2021: RM15.53 million) in tandem with the increase in the sales of self-climbing platform as our Group secured more projects; and

- an increase in workmanship cost attributable to sales sub-segment of CME Solutions by RM0.95 million or 58.28% to RM2.58 million (FYE 2021: RM1.63 million) due to the higher wages in relation to the implementation of minimum wages in May 2022.

(ii) an increase in cost of sales for rental sub-segment of CME Solutions by RM3.48 million or 43.02% to RM11.57 million (FYE 2021: RM8.09 million) mainly driven by the following:

- an increase in the leasing expenses of temporary works equipment by RM3.22 million or 1,610.00% to RM3.42 million (FYE 2021: RM0.20 million) pursuant to the increasing demands for CME Solutions' equipment, particularly Heavy Duty Modular Shoring and Aluminium Formwork, as all existing equipment owned by our Group had been fully rented out;

- an increase in workmanship and materials cost attributable to rental sub-segment of CME Solutions by RM0.65 million or 44.83% to RM2.10 million (FYE 2021: RM1.45 million) due to the higher wages in relation to the implementation of minimum wages in May 2022 and increase in material consumption for refurbishment works that was driven by the growth of revenue in self-climbing platform and Aluminium Formwork; and

- partially offset by a decrease in depreciation charges of rental temporary works equipment by RM0.41 million or 6.45% to RM5.95 million (FYE 2021: RM6.36 million) as certain temporary works equipment (namely Green Formwork, self-climbing platform, Aluminium Formwork and Crab Lock Modular Shoring) were fully depreciated in FYE 2022 and offset with increase in depreciation of plant and machinery by RM0.07 million.

• Trading and distribution of building materials

Cost of sales for trading and distribution of building materials segment increased by RM22.09 million or 42.67% to RM73.86 million (FYE 2021: RM51.77 million) was mainly due to the following:

- an increase in purchase of building materials by RM21.74 million or 42.74% to RM72.61 million (FYE 2021: RM50.87 million) mainly due to bulk purchase from projects when the construction activities started picking up in the second half of 2022; and

- an increase in other overhead cost attributable to trading and distribution of building materials segment by RM0.50 million or 131.58% to RM0.88 million (FYE 2021: RM0.38 million) as the Group incurred higher forwarding charges arising from increase in purchase of building materials in FYE 2022.

• DDE Solutions

Increase in cost of sales for DDE Solutions by RM1.03 million or 149.28% to RM1.72 million (FYE 2021: RM0.69 million) was mainly due to the increase in the other overhead cost attributable to DDE Solutions segment namely software subscription fees and consultancy fees.

• PC Solutions

Increase in cost of sales for PC Solutions by RM0.22 million or 28.21% to RM1.00 million (FYE 2021: RM0.78 million) mainly due to increase in purchase of lifting connection and accessories for fulfilment of new orders from PCFM's customers in FYE 2022.

Comparison between FPE 2022 and FPE 2023

For the FPE 2023, our total cost of sales increased by approximately RM8.78 million or 22.19% to RM48.34 million (FPE 2022: RM39.56 million) mainly due to the net effect of the cost of sales incurred by the following business segments:

- CME Solutions

  Decrease in cost of sales from CME Solutions segment by RM0.43 million or 3.15% to RM13.23 million (FPE 2022: RM13.66 million) mainly due to the net effect of the following:

  (i) a decrease in the cost of sales for sales sub-segment of CME Solutions by RM4.89 million or 52.58% to RM4.41 million (FPE 2022: RM9.30 million) mainly driven by the following:

    - a decrease in purchase of temporary works equipment by RM4.16 million or 52.59% to RM3.75 million (FPE 2022: RM7.91 million), as a result of lower revenue recorded for sales of temporary works equipment in FPE 2023 compared to FPE 2022;

  (ii) offset by an increase in the cost of sales for rental sub-segment of CME Solutions by RM4.47 million or 102.76% to RM8.82 million (FPE 2022: RM4.35 million) mainly driven by the following:

    - an increase in leasing expenses of temporary works equipment by RM1.98 million or 175.22% to RM3.11 million (FPE 2022: RM1.13 million) mainly due to additional leasing expense of certain temporary works equipment sourced from third parties to cater for surge in rental demand of such equipment which are unable to be fulfilled by our Group's existing owned temporary works equipment;

    - an increase in depreciation charges of rental temporary works equipment by RM0.77 million or 33.05% to RM3.10 million (FPE 2022: RM2.33 million) mainly due to the acquisition of temporary works equipment in FPE 2023; and

    - an increase in workmanship and materials cost attributable to rental sub-segment of CME Solutions by RM1.68 million or 195.35% to RM2.54 million (FPE 2022: RM0.86 million) due to increase in refurbishment works of our Group's temporary works equipment in line with increase in rental revenue of such rental assets.

- Trading and distribution of building materials

  Cost of sales for trading and distribution of building materials segment increased by RM8.81 million or 35.27% to RM33.79 million (FPE 2022: RM24.98 million) mainly due to the net effect of the following:

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- an increase in purchase of building materials by RM9.31 million or 38.23% to RM33.66 million (FPE 2022: RM24.35 million), as our Group purchased more building materials for sales purpose, in line with the increase in revenue contributed by trading and distribution of building materials segment in FPE 2023 compared to FPE 2022.

- partially offset by decrease in other overhead cost attributable to trading and distribution of building materials segment by RM0.55 million or 96.49% to RM0.02 million (FPE 2022: RM0.57 million) as the forwarding charges are reclassified from other overhead cost line item to purchase of building materials line item in FPE 2023.

• DDE Solutions

Marginal increase in cost of sales for DDE Solutions segment by RM0.16 million or 28.07% to RM0.73 million (FPE 2022: RM0.57 million) mainly due to the increase in the other overhead cost attributable to DDE Solutions segment namely consultancy fees arising from additional BIM projects secured in the first quarter of 2023 and only commenced in April 2023.

• PC Solutions

Cost of sales for PC Solutions segment slightly increased by RM0.24 million or 68.57% to RM0.59 million (FPE 2022: RM0.35 million) mainly due to additional other overhead cost attributable to PC Solutions segment namely consultancy fees arising from provision of precast modelling services to new customers in FPE 2023.

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(iii) GP and GP margin

Our GP and GP margin by business segment for the Financial Years/Period Under Review are as follows:

GP by business segments

	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
CME Solutions										
• *Sales*	*9,167*	*33.39*	*15,109*	*46.06*	*18,907*	*44.70*	*5,123*	*35.74*	*1,343*	*9.43*
• *Rental*	*10,536*	*38.38*	*8,842*	*26.95*	*9,591*	*22.68*	*4,317*	*30.11*	*6,567*	*46.11*
	19,703	71.77	23,951	73.01	28,498	67.38	9,440	65.85	7,910	55.54
Trading and distribution of building materials	6,704	24.42	5,727	17.46	7,800	18.44	2,573	17.95	3,732	26.21
DDE Solutions	1,046	3.81	2,301	7.01	5,102	12.06	1,898	13.24	2,117	14.87
PC Solutions	-	-	825	2.52	894	2.12	424	2.96	482	3.38
Total	**27,453**	**100.00**	**32,804**	**100.00**	**42,294**	**100.00**	**14,335**	**100.00**	**14,241**	**100.00**

GP margin by business segments

	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	%	**%**	**%**	**%**	**%**
CME Solutions					
• *Sales*	*38.57*	*44.84*	*40.61*	*35.52*	*23.34*
• *Rental*	*52.36*	*52.22*	*45.32*	*49.79*	*42.69*
	44.89	47.31	42.08	40.87	37.42
Trading and distribution of building materials	9.80	9.96	9.55	9.34	9.95
DDE Solutions	71.25	76.93	74.84	76.84	74.44
PC Solutions	-	51.47	47.20	54.85	44.84
Overall GP margin	**24.13**	**29.10**	**26.75**	**26.60**	**22.76**

As detailed above, the CME Solutions is the main GP contributor during the Financial Years/Period Under Review. Our overall GP margin were in the range of 22.76% to 29.10% for the Financial Years/Period Under Review.

Financial commentaries on GP and GP margin

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, the overall GP increased by RM5.35 million or 19.49% to RM32.80 million (FYE 2020: RM27.45 million) mainly due to net effect of the following:

- an increase in the GP recorded for the CME Solutions segment by RM4.25 million or 21.57% to RM23.95 million (FYE 2020: RM19.70 million) mainly due to the higher GP contribution from the sales of CME Solutions' equipment, particularly self-climbing platform and Aluminium Formwork as the construction activities picked up in FYE 2021;

- a marginal decrease of GP contribution from trading and distribution of building materials segment by RM0.97 million or 14.48% to RM5.73 million (FYE 2020: RM6.70 million) due to our Group's scaling down of trading and distribution of building materials segment in Melaka and Johor Bahru as well as cessation of warehouse operation in Melaka in August 2021;

- an increase in GP contributed by DDE Solutions segment by RM1.25 million or 119.05% to RM2.30 million (FYE 2020: RM1.05 million), aligned with the increase in revenue from this segment as there are new BIM projects secured by BEST for a few manufacturing factories located in Penang; and

- our Group recorded the first GP from PC Solutions segment of RM0.83 million (FYE 2020: Nil) as PCFM has just commenced its operation at the beginning of FYE 2021.

Our Group's overall GP margin for FYE 2021 increased by 4.97% to 29.10% (FYE 2020: 24.13%), with higher GP margin recorded across all business segments as follows:

- the GP margin of CME Solutions segment recorded an increase of 2.42% to 47.31% (FYE 2020: 44.89%) contributed by improved GP margin for the sales of CME Solutions' equipment due to the following:

  (i) Green Formwork – A few customers opted to purchase refurbished Green Formwork in FYE 2021, which generated higher GP margin due to lower carrying amount (after its transfer from PPE to inventories);

  (ii) Crab Lock Modular Shoring – In FYE 2021, one of our customers chose to purchase the Crab Lock Modular Shoring equipment after renting it for about 20 months due to project delay caused by shortfall of workers. The higher selling price for this arrangement contributed to an increase in GP margin; and

(iii) Aluminium Formwork – Sales of Aluminium Formwork increased from RM0.03 million in FYE 2020 to RM3.16 million in FYE 2021 as we secured and delivered a project. We achieved higher GP margin in this project as the customer opted to purchase refurbished Aluminium Formwork, notwithstanding the generally lower product margin for sales of new Aluminium Formwork (as compared to other types of formwork equipment).

- the GP margin for trading and distribution of building materials segment improved marginally by 0.16% to 9.96% (FYE 2020: 9.80%) due to slight increase in product margin contribution from higher selling price of core products namely engineering wire mesh, perimeter fencing, plywood, and K21 Mobile House;

- the GP margin by DDE Solutions segment increased by 5.68% to 76.93% (FYE 2020: 71.25%) as the percentage increase in cost of sales is not commensurate with the percentage increase in its revenue, as the segment delivered more projects in FYE 2021 while maintaining an effective cost control measure, resulting in a larger proportion of the segment's revenue being retained as gross profit;

- contributed by the first GP margin recorded by PC Solutions segment of 51.47% (FYE 2020: Nil) pursuant to the commencement of PCFM's operation at the beginning of FYE 2021; and

- the GP margin for two segments (CME Solutions and trading and distribution of building materials) that are involved in purchase of parts and components made of steel remains largely unaffected by significant increase of steel price in FYE 2021, as the sales of the steel products are mainly on back-to-back arrangements with the customers which are based on latest steel prices.

Comparison between FYE 2021 and FYE 2022

For the FYE 2022, the overall GP increased by RM9.49 million or 28.93% to RM42.29 million (FYE 2021: RM32.80 million) mainly due to the following:

- the CME Solutions segment recorded higher GP by RM4.55 million or 19.00% to RM28.50 million (FYE 2021: RM23.95 million) pursuant to the significant increase in the sales of Green Formwork as well as higher sales revenue of self-climbing platform driven by the increasing demand of self-climbing platform for high-rise building construction;

- an increase of GP contributed by trading and distribution of building materials segment by RM2.07 million or 36.13% to RM7.80 million (FYE 2021: RM5.73 million) mainly due to construction activities started picking up in the second half of 2022;

- the GP recorded for DDE Solutions segment had increased by RM2.80 million or 121.74% to RM5.10 million (FYE 2021: RM2.30 million) with more BIM services projects secured by BEST while maintaining the segment's GP margin of more than 70.00%; and

- the PC Solutions segment recorded a slight increase in GP contribution of RM0.06 million or 7.23% to RM0.89 million (FYE 2021: RM0.83 million) in tandem with PCFM secured new projects in FYE 2022.

Our Group's overall GP margin for FYE 2022 had slightly decreased by 2.35% to 26.75% (FYE 2021: 29.10%) due to the following:

- the GP margin of CME Solutions segment recorded a decrease of 5.23% to 42.08% (FYE 2021: 47.31%) mainly due to the following:

  (i) higher leasing expenses due to the Group leasing from third parties and higher workmanship and material cost for refurbishment works (arising from implementation of minimum wages and increased material consumption for refurbishment works) due to the increasing demand for the rental of CME Solutions' equipment, particularly Heavy Duty Modular Shoring and Aluminium Formwork, as all the existing equipment owned by our Group had been fully rented out; and

  (ii) Self-climbing platform – our Group recorded an increase in revenue for sales of self-climbing platform. However, compared to FYE 2021, sales of self-climbing platform in FYE 2022 are mainly sales of newly purchased self-climbing platform which yields lower GP margin compared to higher proportion for sales of refurbished self-climbing platform recorded in FYE 2021.

- the GP margin for trading and distribution of building materials segment slightly decreased by 0.41% to 9.55% (FYE 2021: 9.96%) mainly due to lower product margin contribution from lower selling price of core products namely engineering wire mesh, perimeter fencing, and K21 Mobile House which had reduced the segment's overall GP margin;

- the GP margin by DDE Solutions segment slightly decreased by 2.09% to 74.84% (FYE 2021: 76.93%) mainly attributed to the increase in software subscription fees and consultancy fees paid for delivering the secured BIM projects in both financial years; and

- the GP margin by PC Solutions segment decreased by 4.27% to 47.20% (FYE 2021: 51.47%) as the cost of sales for the segment, mainly product cost for lifting and connection accessories had increased meanwhile revenue had decreased arising from lower selling price in FYE 2022.

<u>Comparison between FPE 2022 and FPE 2023</u>

For the FPE 2023, the overall GP slightly decreased by RM0.10 million or 0.70% to RM14.24 million (FPE 2022: RM14.34 million) mainly due to net effect of the following:

- a decrease in GP contributed by CME Solutions segment by RM1.53 million or 16.21% to RM7.91 million (FPE 2022: RM9.44 million) in line with the overall reduction of CME Solutions segments' revenue in FPE 2023, particularly decrease in GP contribution from sales revenue of CME Solutions' segment by RM3.78 million or 73.83% to RM1.34 million (FPE 2022: RM5.12 million).

  However, the segment's GP reduction is slightly cushioned with an increase in GP contribution from rental revenue which recorded a substantial increase of RM2.25 million or 52.08% to RM6.57 million (FPE 2022: RM4.32 million), in proportion with the increase in revenue generated from the rental of temporary works equipment for FPE 2023;

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- GP recorded by trading and distribution of building materials segment had increased by RM1.16 million or 45.14% to RM3.73 million (FPE 2022: RM2.57 million) mainly attributed by increase in sales volume of both core and general products;

- an increase in GP contribution of DDE Solutions segment by RM0.22 million or 11.58% to RM2.12 million (FPE 2022: RM1.90 million) attributed by additional BIM services projects secured in FPE 2023; and

- a marginal increase of GP contribution from PC Solutions segment by RM0.06 million or 14.29% to RM0.48 million (FPE 2022: RM0.42 million) mainly contributed by new customers in FPE 2023.

Our Group's overall GP margin for FPE 2023 had decreased by 3.84% to 22.76% (FPE 2022: 26.60%) due to net effect of the GP margin contribution across all business segments as follows:

- the GP margin of CME Solutions segment had decreased by 3.45% to 37.42% (FPE 2022: 40.87%) due to different GP margins recorded by the sales and rental sub-segments of the CME Solutions, respectively, as follows:

  (i) GP margin from sales of temporary works equipment decreased by 12.18% as its GP margin was driven by sales of lower margin temporary work equipment i.e. Aluminium Formwork, and substantial reduction in sales revenue of self-climbing platform (which has better product margin compared to other types of temporary works equipment); and

  (ii) GP margin from rental of temporary works equipment decreased by 7.10% mainly attributed to increase in leasing expense of temporary works equipment to cater for increasing rental demand of such equipment.

- the GP margin for trading and distribution of building materials segment recorded a marginal increase of 0.61% to 9.95% (FPE 2022: 9.34%) attributed by higher margin from sales of core products i.e. engineering wire mesh and K21 Mobile House;

- the GP margin of DDE Solutions segment had decreased by 2.40% to 74.44% (FPE 2022: 76.84%) resulted from higher consultancy fees (as certain element of the projects require outsourcing) as well as software renewal and subscription fees; and

- PC Solutions segment had also recorded a decrease in GP margin by 10.01% to 44.84% (FPE 2022: 54.85%) mainly due to the third-party consultancy fee incurred for precast modelling services.

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(iv) Other income

Other income mainly comprises interest income, late payment charges, rental income, gain on disposal of PPE, gain on foreign exchange, fair value gain on other investments, wages subsidies programme, dividend income and miscellaneous income.

	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Interest income	438	17.48	288	27.51	311	19.85	147	28.49	157	30.97
Fair value gain on other investments[(1)]	257	10.26	-	-	-	-	-	-	-	-
Realised gain on foreign exchange	185	7.38	122	11.65	276	17.61	182	35.27	10	1.97
Rental income	55	2.19	13	1.24	16	1.02	5	0.97	7	1.38
Miscellaneous income[(2)]	426	17.00	127	12.13	177	11.30	79	15.31	1	0.20
Dividend income	15	0.60	16	1.53	9	0.57	8	1.55	-	-
Late payment charges[(3)]	577	23.02	280	26.74	777	49.59	94	18.22	258	50.89
Wages subsidies programme[(4)]	302	12.05	174	16.62	-	-	-	-	-	-
Gain on disposal of PPE	217	8.66	27	2.58	1	0.06	1	0.19	74	14.59
Unrealised gain on foreign exchange	34	1.36	-	-	-	-	-	-	-	-
Total	**2,506**	**100.00**	**1,047**	**100.00**	**1,567**	**100.00**	**516**	**100.00**	**507**	**100.00**

Notes:

(1) Fair value gain on investments in quoted shares.
(2) Mainly insurance claim, reversal of bad debts written off and management income.
(3) Late payment charges is an additional charges received from the customers for long overdue outstanding.
*(4) Wages Subsidies Programme granted by Pertubuhan Keselamatan Sosial ("**PERKESO**").*

Financial commentaries on other income

Comparison between FYE 2020 and FYE 2021

Other income decreased by RM1.46 million or 58.17% to RM1.05 million (FYE 2020: RM2.51 million) mainly due to decrease in receipt of late payment charges by RM0.30 million due to its one-off in nature, with RM0.28 million received from 10 existing customers from trading and distribution of building materials segment, as well as the decrease in the miscellaneous income by RM0.30 million pursuant to the cessation of the management fee from Impian CT in FYE 2021. The other income also decreased due to there is no fair value gain on other investments as the share price of the quoted shares dropped in FYE 2021 as well as decrease in interest income received due to decline in effective interest rates for fixed deposits with licensed banks ranging from 1.30% to 3.00% in FYE 2020 to 1.30% to 1.75% in FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our Group recorded higher other income amount by RM0.52 million or 49.52% to RM1.57 million (FYE 2021: RM1.05 million) mainly due to increase in one-off late payment charges by RM0.50 million collectively received from a total of 11 existing customers of CME Solutions and trading and distribution of building materials segments, as well as the realised gain on foreign exchange increased by RM0.16 million or 133.33% to RM0.28 million (FYE 2021: RM0.12 million) from the trade transactions mainly as a result of MYR currency appreciation against CNY in FYE 2022. The slight increase in interest income received arose from increase in effective interest rates for fixed deposits with licensed banks.

Comparison between FPE 2022 and FPE 2023

In FPE 2023, the other income had marginally decreased by RM0.01 million or 1.92% to RM0.51 million (FPE 2022: RM0.52) due to decrease in realised gain on foreign exchange by RM0.17 million arising from foreign currency transaction with our Group's overseas customers and suppliers. The decrease was partially offset by the increase in one-off late payment charges of RM0.17 million received from 5 existing customers of CME Solutions and trading and distribution of building materials segment.

(v) Selling and distribution expenses

Selling and distribution expenses consist of travelling and flight charges, accommodation, petrol, toll and parking, cash contribution/sponsorship as well as entertainment expenses.

The breakdown of our selling and distribution expenses for the Financial Years/Period Under Review is as follows:

	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Accommodation	28	2.28	18	2.36	48	3.35	9	1.71	17	3.28
Cash contribution/sponsorship	97	7.89	35	4.58	48	3.35	39	7.43	27	5.21
Entertainment	327	26.59	207	27.09	413	28.80	167	31.81	186	35.91
Petrol, toll and parking	644	52.36	475	62.17	754	52.58	289	55.05	200	38.61
Travelling and flight charges	134	10.88	29	3.80	171	11.92	21	4.00	88	16.99
Total	**1,230**	**100.00**	**764**	**100.00**	**1,434**	**100.00**	**525**	**100.00**	**518**	**100.00**

Financial commentaries on selling and distribution expenses

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, the selling and distribution expenses decreased by RM0.47 million or 38.21% to RM0.76 million (FYE 2020: RM1.23 million) mainly due to decrease of entertainment expenses, petrol, toll and parking as well as travelling and flight charges by RM0.12 million, RM0.16 million and RM0.10 million, respectively pursuant to the practice of social distancing and travel restriction due to the COVID-19.

Comparison between FYE 2021 and FYE 2022

For the FYE 2022, the selling and distribution expenses increased by RM0.67 million or 88.16% to RM1.43 million (FYE 2021: RM0.76 million) mainly attributable to the increase in petrol, toll and parking and entertainment expenses by RM0.27 million and RM0.20 million respectively, in line with the increase in business activities due to the easing of the travel restriction and social distancing practice in FYE 2022.

Comparison between FPE 2022 and FPE 2023

For the FPE 2023, the selling and distribution expenses marginally decreased by RM0.01 million or 1.89% to RM0.52 million (FPE 2022: RM0.53 million) due to increase in travelling and flight charges of RM0.07 million and partially offset with decrease of petrol, toll and parking expenses by RM0.09 million.

(vi) Administrative expenses, other expenses and net impairment losses on financial assets

Administrative expenses mainly consist of overheads incurred to maintain our operation such as staff cost, directors' remuneration, directors' fees, rental expenses for office and hostel, upkeep expenses, advertisement expenses, utilities, insurance and road tax as well as other operating expenses.

Other expenses mainly comprise depreciation of PPE and ROU and other indirect operating expenses such as bad debts written off, loss on foreign exchange, fair value loss on other investments, impairment losses on other investments, service tax expenses, loss on disposal of PPE and PPE written off.

Net impairment losses on financial assets is provided on trade receivables, being an assessment on the expected credit losses made on the trade receivables in accordance with Malaysian Financial Reporting Standards (MFRS) 9.

12. FINANCIAL INFORMATION *(Cont'd)*

The breakdown of our administrative expenses for the Financial Years/Period Under Review is as follows:

	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Administrative expenses:										
Staff cost	7,651	61.96	7,125	58.86	10,885	60.23	4,288	62.84	5,264	63.67
Directors' remuneration	1,476	11.95	1,638	13.53	2,296	12.70	658	9.64	760	9.19
Upkeep expenses[(1)]	1,013	8.20	1,077	8.90	1,780	9.85	690	10.11	913	11.04
Other operating expenses[(2)]	985	7.98	1,058	8.74	1,612	8.92	649	9.51	567	6.86
Insurance and road tax	537	4.35	604	4.99	463	2.56	156	2.28	248	3.00
Rental expenses	315	2.55	220	1.82	149	0.82	94	1.38	64	0.78
Utilities	322	2.61	365	3.02	547	3.03	165	2.42	270	3.27
Advertisement expenses	49	0.40	17	0.14	116	0.64	79	1.16	31	0.38
Directors' fees	-	-	-	-	225	1.25	45	0.66	150	1.81
	12,348	**100.00**	**12,104**	**100.00**	**18,073**	**100.00**	**6,824**	**100.00**	**8,267**	**100.00**
Other expenses:										
Depreciation of PPE and ROU	1,726	80.06	1,606	76.99	1,634	81.78	633	99.53	783	93.21
PPE written off	414	19.20	82	3.93	28	1.40	-	-	56	6.67
Impairment losses on other investments	12	0.56	5	0.24	8	0.40	-	-	-	-
Service tax expense	4	0.18	-	-	-	-	-	-	-	-
Fair value loss on other investments[(3)]	-	-	190	9.11	324	16.22	-	-	-	-
Loss on disposal of PPE	-	-	98	4.70	-	-	-	-	-	-
Bad debts written off	-	-	69	3.31	-	-	-	-	1	0.12
Unrealised loss on foreign exchange	-	-	34	1.63	-	-	-	-	-	-
Realised loss on foreign exchange	-	-	2	0.09	4	0.20	3	0.47	-	-
	2,156	**100.00**	**2,086**	**100.00**	**1,998**	**100.00**	**636**	**100.00**	**840**	**100.00**

12. FINANCIAL INFORMATION *(Cont'd)*

	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Net impairment losses on financial assets:										
Impairment losses on trade receivables	357	100.00	1,038	100.00	408	100.00	-	-	-	-
	357	**100.00**	**1,038**	**100.00**	**408**	**100.00**	**-**	**-**	**-**	**-**

Notes:

(1) Includes upkeep of office equipment, computer, motor vehicles, warehouse and office building.
(2) Includes professional fee, audit fee, quit rent and assessments, bank charges, legal fee, license fee and stamp duty.
(3) Fair value loss on investments in quoted shares.

Financial commentaries on administrative expenses, other expenses and net impairment losses on financial assets

Comparison between FYE 2020 and FYE 2021

Administrative expenses

For the FYE 2021, our Group recorded a slight decrease in administrative expenses by RM0.25 million or 2.02% to RM12.10 million (FYE 2020: RM12.35 million). The decrease in administrative expenses was mainly due to the net effects of the following:

- a decrease in staff cost by RM0.52 million or 6.80% to RM7.13 million (FYE 2020: RM7.65 million) due to the cessation of the warehouse operations in Melaka and Johor Bahru;
- an increase in the directors' remuneration by RM0.16 million or 10.81% to RM1.64 million (FYE 2020: RM1.48 million) due to the gradual easing of cost control measures implemented in FYE 2020; and
- an increase in insurance and road tax expenses by RM0.06 million or 11.11% to RM0.60 million (FYE 2020: RM0.54 million) mainly due to one-off keyman insurance expense of RM0.14 million incurred resulted from early termination of the policy as part of cost rationalisation strategy.

Other expenses

The other expenses had slightly decreased by RM0.07 million or 3.24% to RM2.09 million (FYE 2020: RM2.16 million) mainly attributable to the following:

- lower depreciation charge of PPE and ROU by RM0.12 million or 6.94% to RM1.61 million (FYE 2020: RM1.73 million) as some of the PPE had fully depreciated during the FYE 2020;
- lower PPE written off by RM0.33 million or 80.49% to RM0.08 million (FYE 2020: RM0.41 million) due to termination of rental agreement of Melaka warehouse and the renovation cost incurred for the said warehouse are not recovered in FYE 2020;
- recognition of fair value loss on other investments (quoted shares) of RM0.19 million (FYE 2020: Nil) as the share price of the said quoted shares had dropped; and
- recognition of loss on disposal of PPE of RM0.10 million (FYE 2020: Nil).

Net impairment losses on financial assets

The net impairment losses on financial assets increased by RM0.68 million or 188.89% to RM1.04 million (FYE 2020: RM0.36 million) due to long outstanding debt from customers.

Comparison between FYE 2021 and FYE 2022

Administrative expenses

For the FYE 2022, our Group recorded an increase of RM5.97 million or 49.34% to RM18.07 million (FYE 2021: RM12.10 million). The increase in administrative expenses was mainly due to the following:

- an increase in staff cost by RM3.76 million or 52.73% to RM10.89 million (FYE 2021: RM7.13 million) due to the salary adjustment and increase in number of staff in FYE 2022;
- an increase in upkeep expenses by RM0.70 million or 64.81% to RM1.78 million (FYE 2021: RM1.08 million) due to the additional costs incurred in upgrading the workshop in Olak Lempit Land, repair and maintenance of motor vehicles and acquisition of computer hardware and software; and

- an increase in the other operating expenses by RM0.55 million or 51.89% to RM1.61 million (FYE 2021: RM1.06 million) mainly due to increase in professional fee and application fee.

Other expenses

The other expenses had marginally decreased by RM0.09 million or 4.31% to RM2.00 million (FYE 2021: RM2.09 million) mainly due to the net effect of the following:

- one-off fair value loss on other investments (quoted shares) of RM0.32 million in FYE 2022; and

- one-off expenses incurred in FYE 2021 such as PPE written off, loss on disposal of PPE and bad debts written off of a total of RM0.25 million.

Net impairment losses on financial assets

The net impairment losses on financial assets decreased by RM0.63 million or 60.58% to RM0.41 million (FYE 2021: RM1.04 million) due to long outstanding debt from a customer.

Comparison between FPE 2022 and FPE 2023

Administrative expenses

For the FPE 2023, our Group recorded an increase of RM1.45 million or 21.26% to RM8.27 million (FPE 2022: RM6.82 million). The increase in administrative expenses was mainly due to the following:

- an increase in staff cost by RM0.97 million or 22.61% to RM5.26 million (FPE 2022: RM4.29 million) attributed by higher payroll in FPE 2023 due to increase in headcounts and the salary increment which commenced from July 2022;

- an increase in directors' remuneration and directors' fees by cumulatively RM0.21 million or 30.00% to RM0.91 million (FPE 2022: RM0.70 million) arising from additional new Directors appointed in second half of FYE 2022 as well as revision of Director's remuneration for FYE 2023; and

- an increase in upkeep expenses by RM0.22 million or 31.88% to RM0.91 million (FPE 2022: RM0.69 million) mainly due to higher costs incurred for repair and maintenance of motor vehicles and warehouse as compared to FPE 2022.

12. FINANCIAL INFORMATION *(Cont'd)*

Other expenses

The other expenses had increased by RM0.20 million or 31.25% to RM0.84 million (FPE 2022: RM0.64 million) mainly due to the following:

- higher depreciation charge of PPE and ROU by RM0.15 million or 23.81% to RM0.78 million (FPE 2022: RM0.63 million) attributable to additional depreciation charges of temporary works equipment newly acquired in FPE 2023; and

- one-off expenses of RM0.06 million for PPE written off in FPE 2023.

Net impairment losses on financial assets

For FPE 2023, our Group does not incur any impairment loss on trade receivables.

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(vii) Finance costs

Finance costs comprise mainly the interest expenses on our banking facilities, namely term loans, bank overdrafts, bankers' acceptances, revolving credits and hire purchase.

The breakdown of our finance costs for the Financial Years/Period Under Review is as follows:

	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Bank overdraft interest and commitment fees	207	5.74	323	10.68	300	9.37	98	6.88	144	8.44
Bankers' acceptances interest	1,414	39.23	1,106	36.59	1,192	37.24	585	41.05	668	39.13
Term loan interest	912	25.31	775	25.64	773	24.15	357	25.05	307	17.98
Revolving credits interest	344	9.55	140	4.63	364	11.37	128	8.98	263	15.41
Hire purchase interest	727	20.17	679	22.46	558	17.43	254	17.83	318	18.63
Interest expense on lease liabilities	-	-	-	-	14	0.44	3	0.21	7	0.41
Total	**3,604**	**100.00**	**3,023**	**100.00**	**3,201**	**100.00**	**1,425**	**100.00**	**1,707**	**100.00**

Financial commentaries on finance costs

<u>Comparison between FYE 2020 and FYE 2021</u>

Our Group had recorded a decrease in finance costs by RM0.58 million or 16.11% to RM3.02 million (FYE 2020: RM3.60 million), mainly due to the following:

- a decrease in bankers' acceptances and revolving credits interest by RM0.50 million or 28.57% to RM1.25 million (FYE 2020: RM1.75 million) due to lower utilisation of the bankers' acceptances and revolving credits facilities in tandem with decrease in sales for trading and distribution of building materials and CME Solutions segment, coupled with low BLR of 1.75% which had been maintained by Bank Negara Malaysia for the whole FYE 2021;

- a decrease in term loan interest by RM0.13 million or 14.29% to RM0.78 million (FYE 2020: RM0.91 million) due to the low BLR of 1.75% which had been maintained by Bank Negara Malaysia for the whole FYE 2021; and

- partially offset with the increase of bank overdraft interest and commitment fees by RM0.11 million or 52.38% to RM0.32 million (FYE 2020: RM0.21 million), as we had utilised more bank overdraft facility compared to the FYE 2020.

Comparison between FYE 2021 and FYE 2022

Our Group had recorded an increase of RM0.18 million or 5.96% to RM3.20 million (FYE 2021: RM3.02 million) in finance costs, mainly due to net effect of the following:

- higher revolving credit interest by RM0.22 million or 157.14% to RM0.36 million (FYE 2021: RM0.14 million), as our Group utilised higher amount of revolving credits for working capital and additional interest resulted from three consecutive hike in BLR by a total of 75 basis points to 2.50% as announced by Bank Negara Malaysia in FYE 2022; and

- partially offset with the decrease in hire purchase interest by RM0.12 million or 17.65% to RM0.56 million (FYE 2021: RM0.68 million) as some of the hire purchase was fully settled during FYE 2022.

Comparison between FPE 2022 and FPE 2023

Our Group had recorded an increase of RM0.28 million or 19.58% to RM1.71 million (FPE 2022: RM1.43 million) in finance costs, mainly due to the following:

- an increase in short-term borrowings (bankers' acceptances and revolving credits) interest expense, cumulatively by RM0.22 million or 30.99% to RM0.93 million (FPE 2022: RM0.71 million), as our Group utilised both facilities for working capital purposes as well additional interest arising from 25 basis points hike in BLR to 3.00% as announced by Bank Negara Malaysia in FPE 2023; and

- an increase in hire purchase interest of RM0.07 million or 28.00% to RM0.32 million (FPE 2022: RM0.25 million) as our Group utilised additional hire purchase for acquisition of temporary works equipment and motor vehicles.

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12. FINANCIAL INFORMATION *(Cont'd)*

(viii) Income tax expense

Our Group's income tax expense and effective tax rate for the Financial Years/Period Under Review is as follows:

	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Reconciliation of income tax expense					
PBT	10,264	14,836	18,747	5,441	3,416
Income tax at the statutory tax rate of 24%	2,463	3,561	4,499	1,306	820
Non-deductible expenses	508	666	1,083	158	212
Non-taxable income	(114)	(69)	(73)	(56)	(18)
Deferred tax assets not recognised during the financial years/period	136	-	-	-	-
Utilisation of deferred tax assets previously not recognised	-	(102)	(294)	(156)	(75)
Under/(Over)provision of current tax in the previous financial years/period	97	(58)	(205)	-	(365)
Income tax expense	**3,090**	**3,998**	**5,010**	**1,252**	**574**
Statutory tax rate (%)	24.00	24.00	24.00	24.00	24.00
Effective tax rate (%)	30.11	26.95	26.72	23.01	16.80

For the Financial Years/Period Under Review, we do not have any outstanding or provision for withholding tax.

Financial commentaries on income tax expense

Our Group's effective tax rate was 30.11%, 26.95%, 26.72% and 16.80% for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

Our effective tax rate for the FYE 2020 was 30.11%, which was higher than the statutory tax rate of 24.00%, mainly due to RM0.51 million non-deductible expenses such as entertainment expenses, professional and legal fees and underprovision of current tax expenses of RM0.10 million by our Group in FYE 2019, which was partly offset with the utilisation of deferred tax assets previously not recognised of RM0.14 million.

12. FINANCIAL INFORMATION *(Cont'd)*

Our effective tax rate for the FYE 2021 was 26.95%, which was higher than the statutory tax rate of 24.00%, mainly due to RM0.67 million non-deductible expenses such as entertainment expenses, professional and legal fees, compound and penalty which was offset with the utilisation of deferred tax assets previously not recognised of RM0.10 million.

Our effective tax rate for the FYE 2022 was 26.72%, which was slightly higher than the statutory tax rate of 24.00%, mainly due to RM1.08 million non-deductible expenses such as entertainment expenses, professional and legal fees, fair value losses on other investments, impairment losses on trade receivables and compound and penalty which was offset with the utilisation of deferred tax assets previously not recognised of RM0.29 million and overprovision of current tax expense of RM0.21 million by our Group in FYE 2021.

Our effective tax rate for the FPE 2023 was 16.80%, which was lower than the statutory tax rate of 24.00%, mainly due to utilisation of deferred tax previously not recognised of RM0.08 million and overprovision of current tax of RM0.37 million by our Group in FYE 2022.

There were no tax penalties imposed by the Inland Revenue Board on our Group during the Financial Years/Period under Review in relation to provision of taxes.

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(ix) PBT, PBT margin, PAT and PAT margin

Our PBT, PBT margin, PAT and PAT margin for the Financial Years/Period Under Review is as follows:

	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
PBT (RM'000)	10,264	14,836	18,747	5,441	3,416
PBT margin (%)	9.02	13.16	11.86	10.10	5.46
PAT (RM'000)	7,174	10,838	13,737	4,189	2,842
PAT margin (%)	6.30	9.62	8.69	7.77	4.54

Financial commentaries on PBT, PBT margin, PAT and PAT margin

Comparison between FYE 2020 and FYE 2021

In line with the higher GP, our Group's PBT increased by RM4.58 million or 44.64% to RM14.84 million (FYE 2020: RM10.26 million) and correspondingly our Group's PAT recorded an increase of RM3.67 million or 51.19% to RM10.84 million (FYE 2020: RM7.17 million).

Correspondingly, our Group's PBT margin improved from 9.02% in FYE 2020 to 13.16% in FYE 2021. Similarly, the PAT margin had also improved from 6.30% in FYE 2020 to 9.62% in FYE 2021.

Comparison between FYE 2021 and FYE 2022

In line with the higher revenue and GP, our Group's PBT increased by RM3.91 million or 26.35% to RM18.75 million (FYE 2021: RM14.84 million) and correspondingly, our Group's PAT also increased by RM2.90 million or 26.75% to RM13.74 million (FYE 2021: RM10.84 million).

Despite higher PBT and PAT recorded for FYE 2022, our Group recorded a lower PBT margin of 11.86% (FYE 2021: 13.16%) and PAT margin of 8.69% (FYE 2021: 9.62%) mainly due to lower GP margin recorded coupled with higher administrative expenses incurred due to the increase in the headcounts in FYE 2022.

Comparison between FPE 2022 and FPE 2023

Our Group's PBT had also decreased by RM2.02 million or 37.13% to RM3.42 million (FPE 2022: RM5.44 million) mainly due to the increase in staff cost, directors' remuneration, finance cost and additional depreciation charges (as our Group acquired new temporary work equipment in FPE 2023). Correspondingly our Group's PAT recorded a decrease of RM1.35 million or 32.22% to RM2.84 million (FPE 2022: RM4.19 million).

Aligned with the decrease in both the PBT and PAT for FPE 2023, our Group recorded a lower PBT margin of 5.46% (FPE 2022: 10.10%) and PAT margin of 4.54% (FPE 2022: 7.77%). The drop in both margins was mainly due the lower GP margin resulted from the revenue increase being driven by lower margin equipment and business segment and additional leasing expenses of certain temporary works equipment sourced from third parties to cater for surge in rental demand.

12.3.3 Review of financial position

Summary of consolidated statements of financial position

	As at 31 December			As at 31 May
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Current assets	83,326	84,919	98,138	102,713
Non-current assets	76,503	76,338	80,071	98,308
Total assets	**159,829**	**161,257**	**178,209**	**201,021**
Current liabilities	79,408	69,050	76,286	91,788
Non-current liabilities	18,886	19,832	18,063	22,531
Total liabilities	**98,294**	**88,882**	**94,349**	**114,319**
Borrowings	62,051	56,960	52,662	63,252
Hire purchase payables	8,497	10,163	9,641	16,871
Lease liabilities	-	-	391	364
Total borrowings	**70,548**	**67,123**	**62,694**	**80,487**
Equity attributable to owners of the Company **/ NA**	61,535	72,303	83,491	86,281
Non-controlling interest	-	72	369	421
Total equity	**61,535**	**72,375**	**83,860**	**86,702**

Financial commentaries on financial position

Comparison between FYE 2020 and FYE 2021

The total assets have increased by RM1.43 million or 0.89% to RM161.26 million (FYE 2020: RM159.83 million), after accounting mainly for the following:

- an increase in investment properties of RM1.06 million due to the acquisition of new investment properties in FYE 2021;
- an increase in inventories of RM1.77 million mainly due to the increase in order secured during the second half of FYE 2021;
- an increase in trade receivables of RM2.29 million due to higher sales and billings recorded in the last quarter of FYE 2021;
- an increase in fixed deposits with licensed bank by RM0.95 million due to increase in placements of fixed deposits with licensed banks; and
- partially offset with decrease in other receivables, deposits and prepayments of RM3.48 million as lesser prepayments were made to suppliers for the purchase of temporary works equipment and building materials and the surrender of insurance premium in FYE 2021.

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The total liabilities have decreased by RM9.41 million or 9.57% to RM88.88 million (FYE 2020: RM98.29 million) after accounting mainly for the following:

- a decrease in term loan balances by RM1.57 million due to repayment of the principal of RM2.42 million and was partially offset with the drawdown of term loans amounting to RM1.80 million;

- a decrease in bank overdrafts of RM2.94 million as our Group utilised lesser bank overdrafts facility for working capital and business operations purposes;

- a decrease in trade payables of RM3.27 million due to lower purchase made in the last quarter of FYE 2021; and

- a decrease in other payables and accruals of RM3.72 million mainly due to reversal of the down payment received from the sale of CME Solutions' equipment upon delivery.

Comparison between FYE 2021 and FYE 2022

The total assets have increased by RM16.95 million or 10.51% to RM178.21 million (FYE 2021: RM161.26 million), after accounting mainly for the following:

- an increase in trade receivables of RM7.35 million due to higher sales and billings recorded in the fourth quarter of FYE 2022;

- an increase in other receivables, deposits and prepayments of RM6.37 million mainly due to prepayments made to the suppliers for the purchase and rental of temporary works equipment;

- an increase in PPE of RM2.84 million mainly due to purchase of formwork and falsework equipment which was partially offset with depreciation charges during FYE 2022;

- an increase in fixed deposits with licensed banks of RM1.02 million mainly due to increase in placements of fixed deposits with licensed banks;

- an increase in cash and bank balances of RM1.70 million mainly due to collection of trade receivables from customers at the end of FYE 2022; and

- partially offset by decrease in inventories of RM3.24 million mainly due to higher sales of temporary works equipment namely self-climbing platform in the final quarter of FYE 2022.

The total liabilities have increased by RM5.47 million or 6.15% to RM94.35 million (FYE 2021: RM88.88 million) after accounting mainly for the following:

- a decrease in term loans balance by RM2.59 million due to repayment of principal and interest of the term loans of RM2.76 million and RM0.77 million respectively, which was partially offset with the drawdown of RM0.17 million of the term loans;

- an increase in bank overdrafts by RM1.22 million as our Group utilised more bank overdrafts facility for working capital and business operations purposes;

- an increase in trade payables of RM7.54 million due to significant purchases made in the fourth quarter of FYE 2022;

- an increase in other payables and accruals of RM1.22 million mainly due to downpayments received from the customers for sales and rental of CME Solutions' equipment; and

- a decrease in short-term borrowings by RM2.93 million due to lower utilisation of bankers' acceptances and revolving credits' facilities.

<u>Comparison between FYE 2022 and FPE 2023</u>

The total assets have increased by RM22.81 million or 12.80% to RM201.02 million (FYE 2022: RM178.21 million), after accounting mainly for the following:

- an increase in PPE of RM17.92 million mainly due to acquisition of temporary works equipment which was partially offset with depreciation charges during FPE 2023. The acquisition of the temporary works equipment made in FPE 2023 was mainly to cater for surge in demand for rental of such equipment; and

- an increase in trade receivables of RM4.87 million due to new projects secured for rental of temporary works equipment for CME Solutions segment and higher sales for trading and distribution of building materials segment during FPE 2023.

The total liabilities have increased by RM19.97 million or 21.17% to RM114.32 million (FYE 2021: RM94.35) million after accounting mainly for the following:

- an increase in short-term borrowings by RM11.72 million due to cumulative drawdown of RM67.52 million of both bankers' acceptances and revolving credits facilities, which was only partially offset with the repayment of RM55.80 million;

- an increase in other payables and accruals by RM3.72 million which was attributed to downpayments received from the sales and rental of CME Solutions' equipment; and

- an increase in hire purchase payables by RM7.23 million mainly due to our Group part-finance the acquisition of temporary works equipment in FPE 2023.

12.3.4 Changes to accounting policies and estimates

Save as disclosed in the Accountants' Report as set out in Section 14 of this Prospectus, there were no other changes to our accounting policies and estimates during the Financial Years/Period Under Review.

12.3.5 Significant events subsequent to FPE 2023

Save for the interruptions in our business due to COVID-19 and recent development as disclosed in Section 12.10 of this Prospectus, there were no significant events subsequent to our Group's audited consolidated financial statements for FPE 2023.

12.3.6 Exceptional and extraordinary items and audit qualifications

There were no exceptional or extraordinary items during the Financial Years/Period Under Review. In addition, our audited financial statements for the Financial Years/Period Under Review were not subject to any audit qualifications.

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12.4 KEY FINANCIAL RATIOS

The key financial ratios of our Group for the Financial Years/Period Under Review are as follows:

	FYE 2020	FYE 2021	FYE 2022	FPE 2023
Trade receivables turnover (days)[(1)]	181	163	128	148
Trade payables turnover (days)[(2)]	86	55	46	61
Inventories turnover (days)[(3)]	40	44	28	24
Current ratio (times)[(4)]	1.05	1.23	1.29	1.12
Gearing ratio (times)[(5)]	1.15	0.93	0.75	0.93
Net gearing ratio (times)[(6)]	0.84	0.64	0.47	0.67

Notes:

(1) Computed based on the average opening and closing trade receivables divided by the revenue for the financial years/period multiplied by 365 days for each financial year or by 151 days for FPE 2023.

(2) Computed based on the average opening and closing trade payables divided by the cost of sales for the financial years/period multiplied by 365 days for each financial year or by 151 days for FPE 2023.

(3) Computed based on the average opening and closing inventories divided by the cost of sales for the financial years/period multiplied by 365 days for each financial year or by 151 days for FPE 2023.

(4) Computed based on current assets over current liabilities as at the respective financial years/period end.

(5) Computed based on the total interest-bearing debt over equity attributable to owners of the Company as at the respective financial years/period end.

(6) Computed based on net borrowings (total borrowings less cash and cash equivalents) over equity attributable to owners of the Company as at the respective financial years/period end.

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12.4.1 Trade receivables turnover period

Our trade receivables turnover period (in days) for the Financial Years/Period Under Review is stated as below:

	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000
Revenue	113,792	112,712	158,091	62,581
Opening trade receivables	63,604	49,288	51,582	58,931
Closing trade receivables	49,288	51,582	58,931	63,799
Average trade receivables[(1)]	56,446	50,435	55,256	61,365
Average trade receivables turnover period (days)[(2)]	181	163	128	148

Notes:

(1) Average trade receivables was derived based on the average sum of the opening balances and closing balances of trade receivables of the respective financial years/period.

(2) Computed based on average trade receivables of the respective financial years/period over the revenue of the respective financial years/period, multiplied by 365 days or by 151 days for FPE 2023.

The credit period granted to the customers range from cash on delivery to 60 days from the date of invoice. Other credit terms may be granted to the customers on a case-by-case basis after taking into consideration various factors such as the business relationship with the customers, customer categories, the customers' payment history, creditworthiness and transaction volume while new customers are subject to the credit verification and assessment process. No extension in credit terms was granted to any of our Group's customers during the Financial Years/Period Under Review.

The trade receivables turnover period for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 were 181 days, 163 days, 128 days and 148 days respectively, which are beyond the general credit terms range.

The trade receivables turnover period slightly improved from 181 days in FYE 2020 to 163 days in FYE 2021 mainly due to prompt collection from majority of the customers.

In FYE 2022, the receivables turnover period significantly improved from 163 days to 128 days as the customers made prompt payment in tandem with economic and construction sector recovery and improved collections in FYE 2022 as compared to FYE 2021.

12. FINANCIAL INFORMATION *(Cont'd)*

In FPE 2023, the receivables turnover period increased from 128 days to 148 days mainly due to higher billings made during the month of April and May 2023 amounting to approximately RM24.83 million, which were not due for repayment yet.

The ageing analysis of our trade receivables as at 31 May 2023 and the subsequent collections and balance of trade receivables is as follows:

	Trade receivables as at 31 May 2023		Amount collected subsequent from 1 June 2023 up to the LPD		Trade receivables net of subsequent collection	
	RM'000	Percentage of trade receivables (%)	RM'000	Percentage collected (%)	RM'000	Percentage of trade receivables net of subsequent collection (%)
	(a)	(a) / total of (a)	(b)	(b) / total of (a)	(c) = (a) - (b)	(c) / total of (c)
Neither past due nor impaired	24,050	37.78	7,537	11.84	16,513	51.57
Past due but not impaired:						
1 to 30 days	11,538	18.13	5,500	8.64	6,038	18.86
31 to 60 days	9,597	15.08	5,288	8.31	4,309	13.46
61 to 90 days	5,483	8.61	3,801	5.97	1,682	5.25
More than 90 days	12,983	20.40	9,506	14.94	3,477	10.86
Subtotal	39,601	62.22	24,095	37.86	15,506	48.43
Total	**63,651**	**100.00**	**31,632**	**49.70**	**32,019**	**100.00**

As at 31 May 2023, the total trade receivables stood at RM63.65 million (exclusive of retention sum), of which RM39.60 million or 62.22% exceeded the normal credit period.

As at the LPD, our Group has collected RM31.63 million or 49.70% of the total trade receivables outstanding as at 31 May 2023. Our Group is in the midst of collecting the outstanding RM32.02 million or 50.30% of the total trade receivables still outstanding as at the LPD.

There was general impairment provided for overdue amounts of RM0.55 million and individual impairment of RM0.26 million as at 31 May 2023.

Our Group's management is of the opinion that the remaining amount of RM32.02 million is collectable and no further impairment of trade receivables is required after taking into consideration the relationship with these customers as well as the management's constant efforts to recover the outstanding amount including follow-up calls and issuance of letters of reminders.

12. FINANCIAL INFORMATION *(Cont'd)*

A receivable is credit impaired when the receivable is in significant financial difficulties. Our Group considers a receivable to be in default when the receivable is unlikely to repay its debt in full or is more than 365 days past due. For the RM3.48 million outstanding more than 90 days, our Group has received post-dated cheques for the outstanding of RM0.73 million, which represents 20.98% of the outstanding receivables more than 90 days.

Our Group has established policies on credit control involving comprehensive credit evaluations, setting up appropriate credit limits, ensuring the sales are made to customers with good credit history and regular review of customers' outstanding balances and payment trends. Our Group assesses expected credit loss on trade receivables using simplified approach based on provision matrix. In accordance with MFRS 9, an impairment analysis is performed at each reporting date for expected credit loss on trade receivables with reference to historical credit loss during the period on a collective basis as well as individual basis for certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default.

Please refer to note 38.1(b)(iii) in the Accountants' Report set out in Section 14 of this Prospectus for the assessment of impairment losses.

We first applied MFRS 9 in FYE 2019. Our allowances for impairment losses on trade receivables as at the end of each respective Financial Years/Period Under Review are as follows:

	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment losses:				
At 1 January	3,024	3,381	4,062	817
Addition during the financial year/period	357	1,038	408	-
Written off during the financial year/period	-	(357)	(3,653)	-
At 31 December/31 May	**3,381**	**4,062**	**817**	**817**

There was no movement in allowance for impairment losses for FPE 2023. Our Group is not aware of any circumstances that would require the writing off of bad debts, or the allowance for impairment losses on receivables in the financial statements during FPE 2023.

12.4.2 Trade payables turnover period

Our trade payables turnover period (in days) for the Financial Years/Period Under Review is stated as below:

	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000
Cost of goods sold	73,418	66,402	95,820	37,408
Opening trade payables	23,189	11,604	8,331	15,874
Closing trade payables	11,604	8,331	15,874	14,572
Average trade payables[(1)]	17,397	9,968	12,103	15,223
Average trade payables turnover period (days)[(2)]	86	55	46	61

Notes:

(1) Average trade payables was derived based on the average sum of the opening balances and closing balances of trade payables of the respective financial years/period.

(2) Computed based on average trade payables of the respective financial years/period over the cost of goods sold of the respective financial years/period, multiplied by 365 days or by 151 days for FPE 2023.

Our Group deal with the suppliers on credit terms. Generally, the suppliers grant our Group credit terms that range from 30 days to 90 days.

For the FYE 2021, the trade payables turnover period decreased to 55 days and within the normal credit term granted. This was mainly due to decrease in purchases in the last quarter of FYE 2021 compared to the corresponding quarter in FYE 2020 and coupled with our Group's prompt payment to the suppliers.

For the FYE 2022, the trade payables turnover period decreased to 46 days and within the normal credit term granted, as our Group continues to make prompt payment as and when the payables are due to ensure good payment record with the suppliers.

In FPE 2023, the trade payables turnover period increased to 61 days and within the normal credit terms granted, mainly due to the increase in purchases in April and May 2023.

It is our Group's business strategy to make prompt payments to our suppliers and establish a good payment record to strengthen our business relationship with the suppliers, in order to ensure ongoing continuity of the supplies at a favourable terms and pricing.

12. FINANCIAL INFORMATION *(Cont'd)*

The ageing analysis of our trade payables as at 31 May 2023 and the subsequent payment and balance of trade payables is as follows:

	Trade payables as at 31 May 2023		Amount paid subsequent from 1 June 2023 up to the LPD		Trade payables net of subsequent payment	
	RM'000	Percentage of trade payables (%)	RM'000	Percentage of trade payables (%)	RM'000	Percentage of trade payables net of subsequent payment (%)
	(a)	(a) / total of (a)	(b)	(b) / total of (a)	(c) = (a) - (b)	(c) / total of (c)
Neither past due nor impaired	9,640	66.15	9,115	62.55	525	66.97
Past due but not impaired:						
1 to 30 days	2,392	16.42	2,392	16.42	-	-
31 to 60 days	2,082	14.29	2,071	14.21	11	1.40
61 to 90 days	222	1.52	178	1.22	44	5.61
More than 90 days	236	1.62	32	0.22	204	26.02
Subtotal	4,932	33.85	4,673	32.07	259	33.03
Total	**14,572**	**100.00**	**13,788**	**94.62**	**784**	**100.00**

Our Group's total trade payables as at 31 May 2023 was RM14.57 million. As at the LPD, RM13.79 million or 94.62% of the total trade payables outstanding as at 31 May 2023 have been paid. The remaining RM0.78 million or 5.38% of the total trade payables are still outstanding as at the LPD and these are mainly still not yet due.

There was no matter in dispute with respect to trade payables as well as no legal action initiated by any of our suppliers and/or subcontractors to demand for payment for the Financial Years/Period Under Review.

12.4.3 Inventories turnover

Our inventories turnover period (in days) for the Financial Years/Period Under Review is stated as below:

	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000
Inventories recognised as cost of sales	78,828	68,703	98,748	38,097
Opening inventories	9,822	7,331	9,102	5,856
Closing inventories	7,331	9,102	5,856	6,122
Average inventories*(1)*	8,577	8,217	7,479	5,989
Average inventories turnover period (days)*(2)*	40	44	28	24

Notes:

(1) Average inventories was derived based on the average sum of the opening balances and closing balances of inventories of the respective financial years/period.

(2) Computed based on average inventory of the respective financial years/period over the cost of sales of the respective financial years/period, multiplied by 365 days or by 151 days for FPE 2023.

Our inventories comprise the following:

	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000
Finished goods*(1)*	5,586	5,926	5,856	6,122
Goods-in-transit*(2)*	1,745	3,176	-	-
Total inventories	**7,331**	**9,102**	**5,856**	**6,122**

Notes:

(1) Finished goods consist of building materials, temporary works equipment as well as lifting and connection accessories for precast concrete construction which have yet to sell or distribute to the customers.

(2) Goods-in-transit refers to trading goods that have been shipped by the suppliers but have yet to reach our warehouse.

Our inventories are measured at the lower of cost and net realisable value. 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. Due to the nature of our business, it is our practise to maintain adequate level of inventories to ensure availability of temporary works equipment, building materials as well as lifting and connection accessories for precast concrete construction to meet our customers' demand and delivery lead time requirements.

Our Group applied two distinct approaches for estimating adequate level of inventories for CME Solutions' stocks and trading and distribution of building materials' stocks. For CME Solutions, we maintain a level of inventory for temporary works equipment that aligned with the segment's business strategies of matching the requirement of potential projects. As such, we closely monitor the potential projects for bidding and seek to stock-up the required temporary works equipment to ensure the availability and immediate fulfilment should the bid is successful.

Whereas, for trading and distribution of building materials, the inventory is maintained at an optimum level of within 1 to 1.5 months of average inventories turnover period, ensuring that there is sufficient inventory to meet customer demand without experiencing stockouts or excess, while maintaining the minimum level of inventory, which is the least quantity of inventory kept to fulfil the back-to-back order with the customers promptly without delays and to avoid unnecessary holding cost.

Our Group estimates and plan the inventory level by analysing the historical sales trend to forecast future demand, lead time for replenishing the inventories, tracking of inventories turnover and review of customers' requirement by understanding the customers' frequency and volume of orders.

For FYE 2021, our inventories turnover period slightly increased to 44 days due to higher goods-in-transit which have yet to be delivered at the final quarter of FYE 2021.

In FYE 2022, the inventories turnover period improved to 28 days from 44 days in FYE 2021, as there are lesser inventories, especially building materials held by our Group resulted from higher sales contributed by trading and distribution of building materials segment in the third quarter of 2022.

In FPE 2023, the inventories turnover period improved to 24 days from 28 days in FYE 2022, as there are lesser inventories of building materials held by our Group resulted from higher sales contributed by trading and distribution of building materials segment in FPE 2023.

We assess whether inventories should be impaired by identifying damaged, obsolete and slow-moving inventories during periodic stock count. Damaged inventories will be written off while obsolete and slow-moving inventories will be written down to their net realisable value. We have not incurred any other write off and write down in the inventories during the Financial Years/Period Under Review.

12.4.4 Current ratio

Our current ratio throughout the Financial Years/Period Under Review is stated as below:

	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current assets	83,326	84,919	98,138	102,713
Current liabilities	79,408	69,050	76,286	91,788
Net current assets	**3,918**	**15,869**	**21,852**	**10,925**
Current ratio (times)	1.05	1.23	1.29	1.12

The current ratio was relatively stable between 1.05 times to 1.29 times. Our Group is capable of meeting short-term obligations as the current assets such as trade receivables and inventories, which can be readily converted into cash, together with cash at bank are sufficient to meet the current liabilities.

As at 31 December 2021, the current ratio was 1.23 times, which was higher than 1.05 times as at 31 December 2020. This was notably due to lower bank overdraft balance of RM1.89 million as at 31 December 2021 compared to RM4.83 million as at 31 December 2020. There was also higher trade receivables of RM51.58 million as at 31 December 2021 compared to RM49.29 million as at 31 December 2020 mainly due the increase in billings in the last quarter of FYE 2021 compared to the preceding period.

As at 31 December 2022, the current ratio was 1.29 times, which was slightly higher than 1.23 times as at 31 December 2021. This was mainly attributable to the increase in current assets from RM84.92 million as at 31 December 2021 to RM98.14 million as at 31 December 2022, representing an increase of RM13.22 million or 15.57%, compared against lower increase in current liabilities from RM69.05 million as at 31 December 2021 to RM76.29 million as at 31 December 2022, representing an increase of RM7.24 million or 10.49%. The increase in current assets was mainly due to an increase in trade receivables of RM7.35 million due to higher sales and billings recorded in the fourth quarter of FYE 2022 as well as an increase in other receivables, deposits and prepayments of RM6.37 million mainly due to prepayments made to the suppliers for the purchase and rental of temporary works equipment.

For FPE 2023, the current ratio decreased from 1.29 times as at 31 December 2022 to 1.12 times as at 31 May 2023, mainly due to an increase short-term borrowings balance by RM11.72 million which was used to support its working capital as well as the increase in hire purchase payables by RM7.23 million arising from part-finance for acquisition of temporary works equipment.

12.4.5 Gearing ratio

Our gearing ratio throughout the Financial Years/Period Under Review is stated as below:

	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total borrowings	70,548	67,123	62,694	80,487
Equity attributable to owners of the Company	61,535	72,303	83,491	86,281
Cash and cash equivalents comprising of:	19,111	20,603	23,323	22,542
Cash and bank balances	*1,242*	*1,783*	*3,483*	*2,255*
Fixed deposits with licensed banks	*17,869*	*18,820*	*19,840*	*20,287*
Net borrowings	51,437	46,520	39,371	57,945
Gearing ratio (times)	1.15	0.93	0.75	0.93
Net gearing ratio (times)	0.84	0.64	0.47	0.67

As at 31 December 2021, the gearing ratio further improved to 0.93 times, which was lower compared to 1.15 times as at 31 December 2020. This is mainly due to increase in retained earnings by RM10.76 million attributed from the higher PAT recorded in FYE 2021.

As at 31 December 2022, the gearing ratio had reduced to 0.75 times, which was lower compared to 0.93 times as at 31 December 2021. This is mainly due to the reduction of total borrowings of RM4.43 million or 6.60% to RM62.69 million as compared to RM67.12 million as at 31 December 2021, mainly attributed by lower short term borrowings' balances by RM2.92 million. Further, our Group recorded an increase in retained profits of RM11.19 million in FYE 2022.

As at 31 May 2023, the gearing ratio had increased to 0.93 times compared to 0.75 times as at 31 December 2022. This is mainly due to increase of total borrowings balance to RM80.49 million as compared to RM62.69 million as at 31 December 2022, mainly attributed by higher balances of short-term borrowings and hire purchase payables by RM11.72 million and RM7.23 million respectively.

As supplier of temporary works equipment under CME Solutions and building materials under trading and distribution of building materials segments, our Group offers an extensive range of products/equipment to be sold to customers. The nature of the business requires our Group to keep sufficient level of inventory to provide timely delivery to the customers.

Therefore, our Group use a significant amount of financing to bridge the gap between the purchase of inventories and collection of the sales proceeds from our customers. Our Group relies on internally generated funds as well as short-term borrowing facilities namely bankers' acceptances and revolving credits to support its working capital. As a result, the gearing ratio of our Group ranges between 0.75 times to 1.15 times for Financial Years/Period Under Review.

The short-term borrowings make up 57.91% of the total borrowings as at 31 May 2023, comprise bankers' acceptances and revolving credits used for working capital purpose.

Further, the current assets of our Group are sufficient to meet the current liabilities, which includes the short-term borrowings, as disclosed in Section 12.4.4 of this Prospectus.

The gearing level is manageable as our Group's EBIT is sufficient to cover the debt servicing obligations. For reference the total finance costs and interest coverage ratios for the Financial Years/Period Under Review are as follows:

	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
EBIT	13,430	17,571	21,637	4,966
Finance costs	3,604	3,023	3,201	1,707
Interest coverage ratio (times)[(1)]	3.73	5.81	6.76	2.91

Note:

(1) Computed based on EBIT divided by finance costs.

12.5 SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL PERFORMANCE

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

(i) Fluctuations in the prices of goods for trading and distribution

Materials cost for our trading and distribution activities comprises building materials and temporary works equipment are the main component of our cost of sales, representing more than 80% of our cost of sales for the Financial Years/Period Under Review. The building materials and temporary works equipment mainly comprise parts and components made of steel which are subject to fluctuations according to the global commodity prices. Hence, any fluctuations in the steel price would affect our cost of sales and in turn, our financial performance.

Nevertheless, we constantly monitor the movement of the commodity prices and ensure our suppliers regularly keep us informed of the demand and supply condition as well as price trends in order for us to plan ahead of procurement decision and pricing strategy, so that we could pass on any increase in our cost of sales to customers.

Please refer to Section 9.1.2 of this Prospectus for further details.

(ii) Ability to secure new projects to ensure continuity of our order book

Our business and financial performance are dependent on our ability to secure new projects to ensure the continuity of our order book and in turn, the sustainability of our business. We are required to participate in tenders for all the projects we wish to secure as projects are generally awarded based on competitive tendering. As at the LPD, we have outstanding order book made up of purchase orders of RM75.53 million to be fulfilled in FYE 2023 and FYE 2024.

Our order book is based on purchase orders and typically non-recurring. Our order book is also subject to variation orders for additional works and/or reduction of works or unexpected project termination, delays or postponement which would reduce the value of our order book and subsequently affect our future financial performance.

Please refer to Section 9.1.4 of this Prospectus for further details.

(iii) Availability of financing for working capital and debt service obligation for our CME Solutions and trading and distribution of building materials business segments

Under our CME Solutions and trading and distribution of building materials business segments, we provide various temporary works equipment for sale and rental as well as trade and distribute a range of building materials. We are required to maintain sufficient level of inventory to provide timely delivery to our customers. As such, our working capital is subject to the availability of financing.

If we are unable to secure adequate facilities at competitive rates, interest costs will be higher and borrowings will be less feasible to undertake, which will negatively impact our cash flows, business operations, future expansion plans and financial performance.

Please refer to Section 9.1.9 of this Prospectus for further details.

(iv) Competition

Notwithstanding our competitive strengths as set out in Section 7.3 of the Prospectus, we continue to face competition from existing and prospective competitors which may be capable of offering similar products/equipment and services at lower cost.

Whilst we strive to build and maintain our competitive advantages, there can be no assurance that any changes in the competitive environment would not have any material and adverse impact on our business and financial performance.

(v) Impact of COVID-19 outbreak and MCO on business, results of operations and/or financial performance of our Group

As our business was deemed as essential services as prescribed by MITI, we were allowed to operate subject to complying the relevant SOP and guidelines issued by MITI during the various MCO periods. Save and except for the period of MCO 1.0 which took effect from 18 March 2020 until 3 May 2020 and the enhanced MCO in Selangor which took effect on 3 July 2021 until 16 July 2021 in which we temporarily closed our operations, we conducted our business operations as normal according to the established SOP and guidelines.

However, our customers mainly comprise construction contractors and property developers, which mainly operate and involve in the new building construction and property development industries, encountered certain extent of disruptions or delays in their projects due to the stringent measures arising from the COVID-19 pandemic. As such, we experienced slowdown in new orders and rescheduled of delivery of our products/equipment by the customers which in turn affected the demand for our building materials and temporary works equipment during the FYE 2020.

There can be no assurance that the COVID-19 pandemic, MCO and/or any social and economic restrictive measures to be imposed by the Government may be prolonged or may worsen in the future which may consequently result in interruptions to our Group's business and operations and thus have a material adverse impact on our results of operations and financial performance. Please refer to Section 7.15.1 of this Prospectus for further details on the impact of COVID-19 pandemic on our operations.

(vi) Impact of government, economic, fiscal and monetary policies

There were no government, economic, fiscal or monetary policies or factors which had materially affected our operations during the Financial Years/Period 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 materially affect our operations are set out in Section 9.2.2 of this Prospectus.

(vii) Impact of inflation

There was no material impact of inflation on our financial results for the Financial Years/Period Under Review. Nevertheless, there can be no assurance that future inflation would not have a material impact on our business and performance. Any significant increase of cost of sales in the future may adversely affect our operations and performance in the event where we are unable to pass on higher costs to our customers through an increase in selling prices.

(viii) Impact of foreign exchange rates, interest rates and/or commodity prices on our Group's operations

(a) Impact of foreign exchange rate

Impact of foreign exchange rate to our Group as at 31 May 2023 is as follows:

	CNY	**USD**	**Total**
	RM'000	**RM'000**	**RM'000**
Financial Asset			
Cash and bank balance	21	121	142
Financial Liability			
Trade payables	(673)	(197)	(870)
Net currency exposure	**(652)**	**(76)**	**(728)**

Based on the table above:

(i) our foreign currency cash and bank balance represent only 0.73% of our total cash and bank balances, fixed deposits with licensed banks and net of bank overdrafts of RM19.53 million as at 31 May 2023; and

(ii) our foreign currency trade payables represent only 5.97% of our total trade payables of RM14.57 million as at 31 May 2023.

A sensitivity analysis performed on our Group's foreign currency financial assets and liabilities as at 31 May 2023 indicates that our PAT for FPE 2023 would cumulatively increase or decrease by approximately RM0.07 million, as a result of a 10% strengthening or weakening of RM against USD and CNY.

Please refer to note 38.1(a)(i) in the Accountants' Report set out in Section 14 of this Prospectus for sensitivity analysis on our PAT to changes in foreign exchange rate.

(b) Impact of interest rates

Our exposure to changes in interest rate risk relates primarily to our bank borrowings.

A sensitivity analysis performed on our Group based on the outstanding floating rate of our bank borrowings as at 31 May 2023 indicates that our PAT for FPE 2023 would increase or decrease by approximately RM0.16 million, as a result of increase or decrease in interest rates by 100 basis points on these borrowings.

Our financial results for the Financial Years/Period Under Review were not materially affected by fluctuations in interest rates. Please refer to note 38.1(a)(ii) in the Accountants' Report set out in Section 14 of this Prospectus for sensitivity analysis on our PAT to changes in interest rates.

(c) Impact of commodity price

During the Financial Years/Period Under Review, there was no material impact from the commodity price fluctuations that had significantly affected our Group as we generally pass on to our customers the increases in commodity prices.

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12.6 LIQUIDITY AND CAPITAL RESOURCES

12.6.1 Working capital

Our operations are funded through a combination of internal and external sources of funds. Our internal sources of funds are shareholders' equity and cash generated from operations while our external sources of funds are facilities granted by financial institutions. Our principal uses of cash have been the payment of the costs to our suppliers, operating expenses, working capital and capital expenditures.

As at 31 May 2023 (based on the latest audited consolidated statements of financial position), we have:

(i) cash and bank balances of RM2.26 million;

(ii) fixed deposits with licensed banks of RM20.29 million;

(iii) credit facilities utilised, namely bankers' acceptances, revolving credits and bank overdrafts of RM34.11 million, RM12.50 million and RM3.01 million respectively;

(iv) hire purchase payables of RM16.87 million; and

(v) term loans payable of RM13.63 million.

As at 31 May 2023, our Group has cash and bank balances and fixed deposits with licensed banks of RM22.54 million, available trade credit facilities of RM89.15 million, of which RM39.53 million has yet to be utilised and working capital of RM10.92 million, being the difference between current assets of RM102.71 million and current liabilities of RM91.79 million.

Our Directors are of the opinion that, after taking into consideration our cash and cash equivalents, expected cash flow to be generated from our operations, amount that is available under our existing financing facilities, impact of COVID-19 as detailed in Section 7.15.1 of this Prospectus as well as proceeds expected to be raised from our Public Issue, we will have adequate working capital to meet our present and foreseeable requirements for a period of 12 months from the date of this Prospectus.

12.6.2 Review of cash flows

The following table sets out the summary of the consolidated statements of cash flows for Financial Years/Period Under Review, which have been extracted from the Accountants' Report set out in Section 14 of this Prospectus and should be read in conjunction thereto:

	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	28,405	19,547	28,887	13,679	5,120
Net cash for investing activities	(9,060)	(7,037)	(11,050)	(4,632)	(12,593)
Net cash (for)/from financing activities	(19,356)	(9,035)	(17,355)	(11,207)	6,340
Net (decrease)/increase in cash and cash equivalents	**(11)**	**3,475**	**482**	(2,160)	**(1,133)**
Cash and cash equivalents as at 1 January	(3,572)	(3,583)	(108)	(108)	374
Cash and cash equivalents as at 31 December/31 May	**(3,583)**	**(108)**	**374**	**(2,268)**	**(759)**

Represented by:					
Fixed deposit with licensed banks	17,869	18,820	19,840	19,268	20,287
Cash and bank balances	1,242	1,783	3,483	862	2,255
Bank overdrafts	(4,825)	(1,891)	(3,109)	(3,130)	(3,014)
	14,286	**18,712**	**20,214**	**17,000**	**19,528**
Less: Fixed deposits pledged to licensed banks	(17,869)	(18,820)	(19,840)	(19,268)	(20,287)
	(3,583)	**(108)**	**374**	**(2,268)**	**(759)**

Financial commentaries on cash flows

FYE 2020

Net cash from operating activities

Our Group recorded an operating profit before working capital changes of RM21.87 million. After adjusting for the following items, our net cash from operating activities was RM28.41 million:

- a decrease in trade and other receivables of RM19.05 million due to higher collection from customers in FYE 2020;
- a decrease in inventories of RM5.54 million mainly due to more delivery of products/equipment are made in the fourth quarter of FYE 2020;
- a decrease in trade and other payables of RM16.25 million mainly due to lower purchases of temporary works equipment and building materials in tandem with lower sales recorded during the final quarter of FYE 2020; and
- income tax payment of RM2.87 million.

Net cash for investing activities

Our Group's net cash for investing activities amounted to RM9.06 million in FYE 2020. This was mainly due to capital expenditure comprising the purchase of PPE of additional temporary works equipment (namely Heavy Duty Modular Shoring and self-climbing platform) for rental purposes of RM8.50 million and our Group pledged fixed deposits of RM0.90 million with licensed banks in FYE 2020.

Net cash for financing activities

Our Group's net cash for financing activities amounted to RM19.36 million in FYE 2020. This was mainly due to the following:

- net repayment of bankers' acceptances and revolving credits facilities of RM6.34 million and RM2.65 million respectively;
- net repayment of hire purchase of RM6.90 million; and
- RM3.40 million interest paid in FYE 2020.

FYE 2021

Net cash from operating activities

Our Group recorded an operating profit before working capital changes of RM27.05 million. After adjusting for the following items, our net cash from operating activities was RM19.55 million:

- a decrease of inventories of RM3.22 million mainly due to higher sales of building materials and temporary works equipment in the last quarter of FYE 2021;

- a decrease in trade and other payables of RM7.02 million due to lower purchases made during the last quarter of FYE 2021 in line with the lower sales and order recorded for trading and distribution of building materials segment; and

- income tax payment of RM3.36 million.

We recorded a decrease in net cash from operating activities by RM8.85 million or 31.16% from RM28.45 million in FYE 2020 to RM19.55 million in FYE 2021 despite only a slight decrease in revenue generated in FYE 2021 compared to FYE 2020. This was mainly due to higher cash outflow arising from prompt payment made to our suppliers which resulted in the overall improvement of our trade payables turnover period from 86 days in FYE 2020 to 55 days in FYE 2021.

Net cash for investing activities

Our Group's net cash for investing activities amounted to RM7.04 million in FYE 2021. This was mainly due to the payment of RM6.07 million made for acquisition of additional self-climbing platform to meet its demand for high rise building construction as well as payment for acquisition of investment properties of RM1.05 million.

Net cash for financing activities

Our Group's net cash for financing activities amounted to RM9.04 million in FYE 2021. This was mainly due to the following:

- net repayment of hire purchase of RM5.13 million; and

- RM2.70 million interest paid in FYE 2021.

We recorded a substantial decrease in net cash for financing activities by RM10.32 million or 51.45% from RM19.34 million in FYE 2020 to RM9.04 million in FYE 2021. There had been lower net cash used for financing activities in FYE 2021 as compared to FYE 2020 mainly due to:

- lower net repayment of short-term borrowings (comprise of bankers' acceptance and revolving credits facilities) of RM8.99 million in FYE 2021 as compared to RM0.59 million in FYE 2021; and

- lower net repayment of hire purchase of RM5.13 million in FYE 2021 as compared RM6.90 million in FYE 2021.

FYE 2022

Net cash from operating activities

Our Group recorded an operating profit before working capital changes of RM30.03 million. After adjusting for the following items, our net cash from operating activities was RM28.89 million:

- an increase in trade and other payables of RM8.76 million as our Group purchased more building materials in tandem with higher sales volume recorded in FYE 2022;

- a decrease in inventories of RM8.38 million mainly due to higher sales recorded;

- partially offset with increase in trade and other receivables by RM14.12 million mainly due to higher billings recorded in the fourth quarter of FYE 2022; and

- income tax payment of RM3.91 million.

Net cash for investing activities

Our Group's net cash for investing activities amounted to RM11.05 million in FYE 2022. This was mainly due to the capital expenditure of RM9.72 million comprising purchase of Aluminium Formwork and Deck Formwork to cater for the increasing demand of temporary works equipment's rental market and increase of RM0.71 million in fixed deposits with licensed banks.

Net cash for financing activities

Our Group's net cash for financing activities amounted to RM17.36 million in FYE 2022. This was mainly due to the following:

- net repayment of bankers' acceptances of RM4.56 million;

- net repayment of hire purchase of RM6.39 million;

- net drawdown of revolving credits of RM1.64 million;

- RM2.50 million dividend paid in FYE 2022; and

- RM2.90 million interest paid in FYE 2022.

<u>FPE 2023</u>

Net cash from operating activities

Our Group recorded an operating profit before working capital changes of RM8.90 million. After adjusting for the following items, our net cash from operating activities was RM5.12 million:

- an increase in trade and other receivables of RM4.17 million as there were new projects secured for rental of temporary works equipment during the FPE 2023;

- partially offset with an increase in trade and other payables by RM2.42 million, mainly due to downpayment received from the sales and rental of CME Solutions' equipment; and

- income tax payment of RM1.74 million.

Net cash for investing activities

Our Group's net cash used for investing activities amounted to RM12.59 million in FPE 2023. This was mainly due to the cash outflow of RM12.03 million for acquisition of temporary works equipment to cater for the increasing demand of such equipment's rental market as well as progress billing for investment properties of RM0.37 million.

Net cash from financing activities

Our Group's net cash from financing activities amounted to RM6.34 million in FPE 2023. This was mainly due to the following:

- net drawdown of bankers' acceptances of RM8.39 million;

- net drawdown of revolving credits of RM3.32 million;
- net repayment of hire purchase payables of RM2.75 million;
- net repayment of term loans of RM1.03 million; and
- RM1.56 million interest paid in FPE 2023.

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12.6.3 Borrowings

As at 31 May 2023, our Group's total outstanding borrowings was RM80.49 million, which are interest-bearing and denominated in RM. Our borrowings details are set out below:

	As at 31 December			As at 31 May
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short-term (due within 12 months)				
Bankers' acceptances	31,096	30,277	25,717	34,108
Revolving credits	7,310	7,540	9,177	12,499
Bank overdrafts	4,825	1,891	3,109	3,014
Term loans	2,673	2,864	2,876	2,879
Hire purchase payables	6,096	5,727	5,550	7,252
Lease liabilities	-	-	67	69
Total borrowings (current)	**52,000**	**48,299**	**46,496**	**59,821**
Long-term (due after 12 months)				
Term loans	16,147	14,388	11,783	10,752
Hire purchase payables	2,401	4,436	4,091	9,619
Lease liabilities	-	-	324	295
Total borrowings (non-current)	**18,548**	**18,824**	**16,198**	**20,666**
Total borrowings	**70,548**	**67,123**	**62,694**	**80,487**
Gearing (times)	**1.15**	**0.93**	**0.75**	**0.93**

The utilisation of the borrowings are as follows:

(i) bankers' acceptances and bank overdrafts were used as working capital in relation to trading and distribution of building materials and CME Solutions segments;

(ii) revolving credits were used as working capital for CME Solutions segment;

(iii) hire purchase payables are mainly for the acquisition of temporary works equipment, motor vehicles and machineries; and

(iv) term loans were used for acquisition of land among others Olak Lempit Land site and renovation of our premise.

Details of our borrowings are further classified as follows:

As at 31 May 2023	**Fixed or floating rate**	**Effective interest rate**	**Carrying amount**	**Amount granted**	**Utilised**	**Un-utilised**
		%	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Bankers' acceptances	Fixed	3.00 – 8.24	34,108	66,950	34,108	32,842
Revolving credits	Fixed	5.42 – 6.08	12,499	15,000	12,499	2,501
Bank overdrafts	Floating	6.76 – 8.49	3,014	7,200	3,014	4,186
Term loans	(i) Fixed	3.00	722	1,000	1,000	-
	(ii) Floating	4.95 – 7.20	12,909	23,211	23,211	-
Hire purchase payables	Fixed	2.18 – 3.60	16,871	26,493	26,493	-

The maturity profile of our borrowings are as follows:

	[(1)] **Audited As at 31 May 2023 RM'000**
Within 1 year	61,260
Within 1-5 years	20,211
More than 5 years	2,496
Total borrowings	**83,967**

Note:

(1) The maturity profile of the borrowings as at FPE 2023 based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates as at FPE 2023). Please refer to note 37.1(c) in the Accountants' Report set out in Section 14 of this Prospectus for the maturity analysis of the borrowings.

As at the LPD, we do not have any borrowings which are non-interest bearing. We have not defaulted on payments of either principal sums and/or interests in respect of any of our borrowings throughout the Financial Years/Period Under Review and up to the LPD. We also do not encounter any seasonality in our borrowings' trends.

As at the LPD, neither our Company nor any of our subsidiaries 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 of business operations or the investments by holders of securities in our Group.

During the Financial Years/Period Under Review, we did not experience any claw back or reduction in the facilities limit granted to us by our lenders.

12.6.4 Financial instruments

Save as disclosed in Section 12.6.3 above, we do not have or utilise any other financial instruments or have any other treasury policies. All our financial instruments are used towards purchase of PPE and our business operation.

As at 31 May 2023, all our other facilities with licensed financial institutions are based on base financing rate/ BLR/ Bank Negara Malaysia financing rate plus or minus a rate which varies depending on the type of facilities.

As at the LPD, we do not utilise any financial instruments for hedging purposes. As at 31 May 2023, majority of our cash and cash equivalent are held in RM and some of our cash and cash equivalent are held in USD and CNY.

12.6.5 Treasury policies and objectives

Our treasury objectives are to maintain sufficient working capital to finance our business operations and meet our adequate credit facilities arising from our operational expenditure and financial liabilities, if any, by maintaining adequate liquidity and credit facilities.

Our internal source of funds are shareholders' funds, cash generated from our operations as well as the credit terms granted by our suppliers. Majority of our cash and cash equivalent are held in RM and some of our cash and cash equivalent are held in USD and CNY. The foreign currency cash and bank balances were mainly derived from collection from overseas customers and payment to overseas suppliers, both transacted in USD and CNY.

Our external source of funds is mostly bank borrowings. The details of our borrowings are stated in Section 12.6.3 of this Prospectus. The decision to either use banking facilities or internally generated funds for our business operations depends on the following factors such as:

(i) our current cash balances;

(ii) expected cash inflows;

(iii) future working capital requirements;

(iv) future capital expenditure requirements; and

(v) interest rates of credit facilities or bank borrowings.

Our minimum cash reserves at any point in time is dependent on factors such as the expected cash inflows, our future working capital requirements and capital expenditure plans.

As at the LPD, our Group does not have any exposure or use any financial instruments for hedging purposes. Our management will continue to assess the need for the use of any hedging instruments, if necessary, in the future.

12.6.6 Material commitment

As at the LPD, save as disclosed below, our Board, after having made all reasonable enquiries, confirm that we have not incurred any other material capital commitments which upon becoming enforceable, may have a material impact on the financial position of our Group:

	Source of funds			
	Internally generated funds	**Borrowings**	**IPO proceeds**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Approved and contracted:				
• Purchase of investment properties	168	-	-	168
• Purchase of PPE	1,797	8,000	-	9,797
• Construction of building	-	13,415	7,800	21,215
Total	**1,965**	**21,415**	**7,800**	**31,180**

12.6.7 Material contingent liabilities

As at the LPD, we do not have any other contingent liabilities which, upon becoming enforceable, may materially and adversely affect our financial position and business.

12.6.8 Governmental, legal or arbitration proceedings

As at the LPD, neither we nor any of our subsidiary are engaged in any governmental, legal or arbitration proceedings including those relating to bankruptcy, receivership or similar proceedings, either as plaintiff or defendant and our Directors are not aware of any proceeding pending or threatened or of any fact likely to give rise to any proceeding, which have or may have a material or significant effect on our financial position or profitability in the 12 months immediately preceding the date of this Prospectus.

12.7 ACCOUNTING POLICIES AND AUDIT QUALIFICATION

There are no accounting policies which are peculiar to our Group because of the nature of the business and industry which we are involved in. For further details on the significant accounting policies of our Group, please refer to Note 3 of the Accountants' Report as set out in Section 14 of this Prospectus. The Accountants' Report does not contain any audit qualification for the Financial Years/Period Under Review.

12.8 ORDER BOOK

As at the LPD, we have outstanding order book made up of purchase orders of RM75.53 million to be fulfilled within FYE 2023 and the following FYE, as follows:

			Total
	FYE 2023	FYE 2024	As at LPD
Business segments	**RM'000**	**RM'000**	**RM'000**
CME Solutions			
• *Sales*	*9,591*	*3,203*	*12,794*
• *Rental*	*14,217*	*13,540*	*27,757*
	23,808	16,743	40,551
Trading and distribution of building materials	19,767	7,155	26,922
DDE Solutions	1,836	5,602	7,438
PC Solutions	616	-	616
Total	**46,027**	**29,500**	**75,527**

Our order book is short-term in nature and to be delivered to the customers within 3 months to 18 months.

12.9 TREND INFORMATION

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

(i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position, operations, liquidity and capital resources;

(ii) material commitment for capital expenditure, save as disclosed in Section 12.6.6 of this Prospectus;

(iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group;

(iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits;

(v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position; and

(vi) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our liquidity and capital resources.

However, our Board foresees the risk factors as set out in Section 9 of this Prospectus may affect our future financial condition and results of operations.

Our Board is optimistic about the future prospects of our Group are promising after taking into account the overview of the construction industry in Malaysia as set out in the IMR Report in Section 8 of this Prospectus, our competitive strengths as set out in Section 7.3 of this Prospectus as well as our future plans and strategies as set out in Section 7.17 of this Prospectus.

12.10 RECENT DEVELOPMENT

Save for the Share Split, there were no significant events subsequent to our Group's audited financial statements for FPE 2023.

12.11 DIVIDEND POLICY

As our Company is an investment holding company, our income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiaries, present or future. Our subsidiaries will require its financiers' consent as set out in the respective facility agreements to pay dividends to our Company. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, 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. Moving forward, the payment of dividends or other distributions by our subsidiaries will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective boards of directors deem relevant.

During the Financial Years/Period Under Review, we declared and paid the following dividends:

	FYE 2020	FYE 2021	FYE 2022	FPE 2023	Up to LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Dividend declared	-	(1)1,500	(2)1,000	-	-
Dividend paid	-	-	(1)(2)2,500	-	-

Notes:

(1) Comprised the following:

(i) a first interim dividend of 1.00 sen per Share was declared on 7 January 2022 and paid on 25 January 2022; and

(ii) a second interim dividend of 0.50 sen per Share was declared on 31 January 2022 and paid on 18 February 2022.

(2) A dividend of 1.00 sen per Share was declared on 21 July 2022 and paid on 15 August 2022.

For the FYE 2020, there was no dividend declared and paid. For the FYE 2021 and FYE 2022, all the dividend declared and paid then was funded entirely by internally generated funds. There were no further dividends declared and paid subsequent to FYE 2022 and up to the LPD. Further to the above, we do not intend to declare and pay any dividends from the LPD up to our Listing. Such dividend paid is not expected to affect the execution and implementation of our future plans and strategies as set out in Section 7.17 of this Prospectus.

Our Company does not have any formal dividend policy presently. However, it is the intention of our Board to retain adequate reserves for our future growth as well as to reward our shareholders with participation in the profits of our Group. When recommending the actual dividends for approval by shareholders or when declaring any interim dividends, our Board will consider, amongst others:

- our anticipated future operating conditions as well as future expansion, capital expenditures and investment plans;
- our operating cash flow requirements and financing commitments;
- our expected financial performance including return on equity and retained earnings;
- any restrictive covenants contained in our current and future financing arrangements;
- the availability of adequate reserves and cash flows; and
- any material impact of tax laws and regulatory requirements.

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