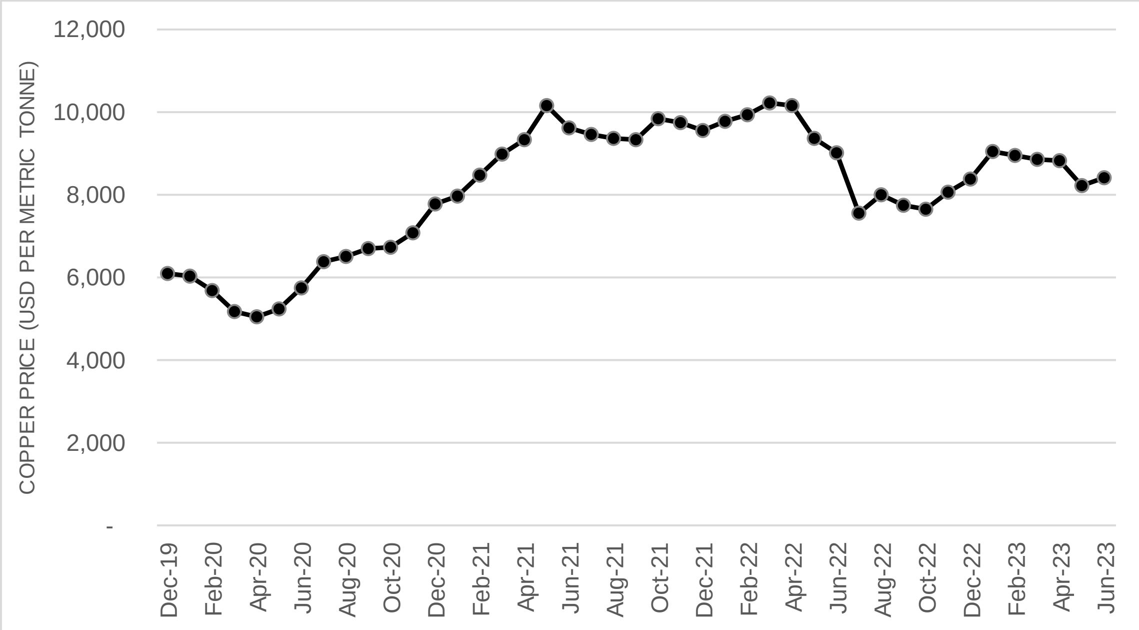

(Source: World Bank)

<u>Others</u>

Revenue from others accounted for 3.12% and 2.80% of our total revenue in FYE 2020 and FYE 2021, respectively.

Revenue decreased by RM0.81 million or 23.08% from RM3.51 million in FYE 2020 to RM2.70 million in FYE 2021, mainly due to lower revenue generated from Street Lighting Services which decreased by RM1.84 million or 84.40% from RM2.18 million in FYE 2020 to RM0.34 million in FYE 2021, mainly attributable to a completed contract in FYE 2020 which had recorded a revenue of RM1.47 million in FYE 2020.

The decrease in revenue was offset by the increase in revenue from substation EPCC services of RM0.80 million, attributable to a contract where physical works commenced in FYE 2021 in relation to the provision of construction and engineering works for a main switching station in Puchong, Selangor (contract awarded by YM Teras) with a contract value of RM3.59 million. Our Group recognised revenue of RM0.80 million from this project in FYE 2021.

FYE 2022 compared to FYE 2021

Our total revenue increased by RM138.20 million or 143.35%, from RM96.41 million in FYE 2021 to RM234.61 million in FYE 2022, mainly due to an increase in revenue from underground and overhead utilities engineering services and solutions of RM133.83 million.

For FYE 2022, our Group secured and commenced 131 new projects worth RM125.79 million as compared to 177 new projects worth RM28.43 million in FYE 2021. Out of 131 new projects, 63 projects were completed in FYE 2022, contributing to revenue of RM4.54 million in FYE 2022. For FYE 2022, we worked on 100 on-going projects contributing a revenue of RM229.21 million (FYE 2021: 47 on-going projects with revenue of RM65.30 million) while we completed 77 projects contributing a revenue of RM5.40 million (FYE 2021: 199 completed projects with a revenue of RM31.12 million).

The electricity supply industry accounted for 99.59% of our Group's total revenue in FYE 2021 and 99.33% in FYE 2022.

Underground and overhead utilities engineering services and solutions

Revenue from underground and overhead utilities engineering services and solutions accounted for 97.20% and 96.99% of our total revenue in FYE 2021 and FYE 2022, respectively.

Revenue increased by RM133.83 million or 142.81% from RM93.71 million in FYE 2021 to RM227.54 million in FYE 2022, mainly attributable to increased revenue recognised from works performed and certified for Farlim Project and Danga Bay Project, as well as new projects secured in FYE 2022.

Our revenue for FYE 2022 was mainly attributable to the following on-going projects:

(a) Farlim Project (contracts awarded by Worktime Engineering and YM Teras) which contributed a revenue of RM112.59 million in FYE 2022, as compared to RM23.93 million in FYE 2021;

(b) Danga Bay Project (contract awarded by Worktime Engineering) which contributed a revenue of RM52.22 million in FYE 2022, as compared to RM2.02 million in FYE 2021;

(c) project for HDD works for 11kV underground cable in Johor (contract awarded by YM Teras) which contributed a revenue of RM7.43 million in FYE 2022, as compared to RM5.08 million in FYE 2021;

(d) Menara Warisan Project (contract awarded by CD Electrical) which contributed a revenue of RM5.42 million in FYE 2022, as compared to RM9.10 million in FYE 2021; and

(e) project for 500kV transmission line from Pulau Indah power plant to Olak Lempit substation (contract awarded by Worktime Engineering) which contributed a revenue of RM6.20 million in FYE 2022, as compared to nil in FYE 2021.

Others

Revenue from others accounted for 2.80% and 3.01% of our total revenue in FYE 2021 and FYE 2022, respectively.

Revenue increased by RM4.37 million or 161.85% from RM2.70 million in FYE 2021 to RM7.07 million in FYE 2022. For FYE 2022, revenue was mainly contributed by revenue generated from substation EPCC services of RM4.07 million. This was mainly from a project for the provision of construction and engineering works for main switching station in Puchong, Selangor (contract awarded by YM Teras) with contract value and an additional variation order obtained in FYE 2022, totaling RM3.68 million. This project was completed in May 2022.

Our revenue from the trading of equipment for substations in FYE 2022 was mainly from supplying batteries and direct current (DC) chargers for main switching substations in Selangor and Kuala Lumpur.

FPE 2023 compared to FPE 2022

Our total revenue decreased by RM59.59 million or 56.44%, from RM105.59 million in FPE 2022 to RM46.00 million in FPE 2023, mainly due to decrease in revenue from underground and overhead utilities engineering services and solutions of RM57.06 million and others of RM2.53 million.

For FPE 2023, our Group secured and commenced 65 new projects worth RM30.32 million as compared to 59 new projects worth RM24.34 million in FPE 2022. Out of 65 new projects, 57 projects were completed in FPE 2023, contributing a revenue of RM2.73 million in FPE 2023. For FPE 2023, we worked on 43 on-going projects contributing a revenue of RM42.12 million (FPE 2022: 38 on-going projects with revenue of RM103.02 million) while we completed 65 projects contributing a revenue of RM3.88 million (FPE 2022: 62 completed projects with a revenue of RM2.58 million).

The electricity supply industry accounted for 99.39% of our Group's total revenue in FPE 2022 and 99.48% in FPE 2023.

Underground and overhead utilities engineering services and solutions

Revenue from underground and overhead utilities engineering services and solutions accounted for 97.36% and 99.46% of our total revenue in FPE 2022 and FPE 2023, respectively.

Revenue decreased by RM57.06 million or 55.50% from RM102.81 million in FPE 2022 to RM45.75 million in FPE 2023, mainly attributable to decreased revenue recognised from works performed and certified for Menara Warisan Project, Farlim Project and Danga Bay Project in FPE 2023. The Menara Warisan Project was completed in April 2022 while the Farlim Project and Danga Bay Project were nearing completion in FPE 2023.

Our revenue for FPE 2023 was mainly attributable to the following on-going projects:

(a) Farlim Project (contracts awarded by Worktime Engineering and YM Teras) which contributed a revenue of RM12.75 million in FPE 2023, as compared to RM64.75 million in FPE 2022;

(b) Danga Bay Project (contract awarded by Worktime Engineering) which contributed a revenue of RM10.62 million in FPE 2023, as compared to RM12.03 million in FPE 2022;

(c) Menara Warisan Project (contract awarded by CD Electrical) which contributed a revenue of RM0.76 million in FPE 2023, as compared to RM5.35 million in FPE 2022. The Menara Warisan Project was completed in April 2022. The subsequent billing was for the final claim which was pending finalisation of account with CD Electrical. The finalisation of account took place in FPE 2023; and

(d) project for 500kV transmission line from Pulau Indah power plant to Olak Lempit substation (contract awarded by Worktime Engineering) which contributed a revenue of RM1.38 million in FPE 2023, as compared to nil in FPE 2022.

<u>Others</u>

Revenue from others accounted for 2.64% and 0.54% of our total revenue in FPE 2022 and FPE 2023, respectively.

Revenue decreased by RM2.54 million or 91.04% from RM2.79 million in FPE 2022 to RM0.25 million in FPE 2023. For FPE 2023, the decreased revenue was mainly contributed by lower revenue generated from substation EPCC services of RM0.01 million (FPE 2022: RM2.21 million). This was due to the completion of physical work of a project for the provision of construction and engineering works for main switching station in Puchong, Selangor (contract awarded by YM Teras) in May 2022, with final contract value of RM3.68 million. The project was at defects liability period during FPE 2023.

Revenue generated from Street Lighting Services decreased by RM0.28 million or 71.79% from RM0.39 million in FPE 2022 to RM0.11 million in FPE 2023, mainly attributable to lesser purchase orders from customers.

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12.3.2 Cost of sales

(i) Cost of sales by business activities

The table below presents the breakdown of our total cost of sales by business activities:

	Audited									
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
Business activity	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Provision of underground and overhead utilities engineering services and solutions	**89,909**	**96.88**	**80,805**	**97.69**	**210,864**	**97.08**	**92,890**	**97.52**	**36,135**	**98.68**
Others	**2,899**	**3.12**	**1,914**	**2.31**	**6,348**	**2.92**	**2,361**	**2.48**	**482**	**1.32**
Provision of substation EPCC services	3	-	782	0.94	3,968	1.82	1,916	2.01	124	0.34
Trading of equipment for substations	1,380	1.49	956	1.16	1,816	0.84	145	0.15	260	0.71
Street Lighting Services	1,516	1.63	176	0.21	564	0.26	300	0.32	98	0.27
Total	**92,808**	**100.00**	**82,719**	**100.00**	**217,212**	**100.00**	**95,251**	**100.00**	**36,617**	**100.00**

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(ii) Cost of sales by cost components

The table below sets forth the breakdown of our Group's cost of sales by composition:

	Audited									
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
Cost of sales	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Construction materials[(1)]	**49,691**	**53.54**	**37,324**	**45.12**	**155,845**	**71.75**	**69,708**	**73.18**	**7,771**	**21.22**
Subcontractors' fees	**33,494**	**36.09**	**36,242**	**43.81**	**46,187**	**21.26**	**18,719**	**19.65**	**20,877**	**57.01**
Overheads	**9,623**	**10.37**	**9,153**	**11.07**	**15,180**	**6.99**	**6,824**	**7.17**	**7,969**	**21.77**
Staff cost	3,713	4.00	4,189	5.06	4,352	2.00	2,371	2.49	2,350	6.42
Rental of machineries and equipment	2,472	2.66	1,560	1.89	4,129	1.90	1,694	1.78	2,682	7.32
Site expenses	971	1.05	880	1.06	2,249	1.04	1,241	1.30	964	2.64
Rental of sites, hostels and stores	379	0.41	459	0.56	503	0.23	235	0.25	186	0.51
Travelling and accommodation	289	0.31	237	0.29	114	0.05	169	0.18	232	0.64
Insurances	739	0.80	768	0.93	1,501	0.69	630	0.66	915	2.50
Project related expenses	229	0.25	317	0.38	663	0.31	51	0.06	21	0.06
Permit and license fee	490	0.53	307	0.37	401	0.18	212	0.22	89	0.24
Others[(2)]	341	0.36	436	0.53	1,268	0.59	221	0.23	530	1.44
Total	**92,808**	**100.00**	**82,719**	**100.00**	**217,212**	**100.00**	**95,251**	**100.00**	**36,617**	**100.00**

Notes:

(1) Please refer to Section 7.10 of this Prospectus for further details of the major types of materials purchased and services procured by our Group for our business operations during the Financial Years and Period Under Review.

(2) Mainly comprises freight charges and transportation, depreciation, utilities expenses, and custom duty for the purchase of construction materials, each representing not more than 0.30% of the total cost of sales, except for depreciation for FPE 2023, representing 1.24% of total cost of sales.

Our cost of sales during the Financial Years and Period Under Review are as follows:

(a) Construction materials

Construction materials mainly consist of cables, pipes, cable joints, link boxes, relays and batteries. Save for FPE 2023, construction materials were the main component of our cost of sales, representing between 21.22% and 73.18% of our total cost of sales for the Financial Years and Period Under Review.

The fluctuations in construction materials consumed during the Financial Years and Period Under Review were in tandem with the change in our revenue and level of works performed and certified, particularly for the underground and overhead utilities engineering services and solutions segment.

(b) Subcontractors' fees

We engage subcontractors on a project basis to carry out selected parts of our underground utilities engineering works which comprise soil testing, cabling works, cable termination and jointing, milling-and-paving, electrical works and structural works, under our supervision.

Our subcontractors' fees represented between 19.65% and 57.01% of our total cost of sales for the Financial Years and Period Under Review. The fluctuations in our subcontractors' fees were in tandem with the level and type of works performed that we outsourced to our subcontractors. This is part of our cost management strategy to engage subcontractors and avoid employing a large permanent workforce which may affect our profit margin due to high fixed costs during lower revenue periods.

(c) Overheads

Our overheads mainly consist of staff costs, rental of machineries and equipment, site expenses (such as upkeep of sites, consumables for site, inspection fee and security fee), project related expenses (such as project tender fees, printing and stationery expenses) and insurances (such as insurances for projects and motor vehicles). Overheads represented between 6.99% and 21.77% of our total cost of sales for the Financial Years and Period Under Review.

(iii) Commentary on cost of sales

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

Our total cost of sales decreased by RM10.09 million or 10.87%, from RM92.81 million in FYE 2020 to RM82.72 million in FYE 2021, mainly attributed to the lower cost of sales from underground and overhead utilities engineering services and solutions which decreased by RM9.10 million or 10.12% from RM89.91 million in FYE 2020 to RM80.81 million in FYE 2021.

In terms of component, the overall decrease was mainly attributable to the following cost items:

(a) decrease in the purchase of construction materials of RM12.37 million or 24.89% from RM49.69 million in FYE 2020 to RM37.32 million in FYE 2021 mainly due to slowdown of 2 major 132kV projects (i.e., Farlim Project and Danga Bay Project as elaborated in the corresponding revenue section in Section 12.3.1 of this Prospectus) as we procured lesser cables due to the significant increase in global copper prices during the financial year, and consequently this led to lower construction activities and the corresponding requirement of construction materials; and

(b) decrease in the overheads of RM0.47 million or 4.89% from RM9.62 million in FYE 2020 to RM9.15 million in FYE 2021 due to lower rental of machineries and equipment of RM0.91 million which was in line with the lower revenue and construction activities from underground and overhead utilities engineering services and solutions in FYE 2021. The decrease in overheads was offset by the increase in staff cost of RM0.48 million due to salary adjustment and allowance for existing staff in line with the revenue increased in FYE 2020.

The overall decrease was offset by the increase in the subcontractors' fees of RM2.75 million or 8.21% from RM33.49 million in FYE 2020 to RM36.24 million in FYE 2021. The increase was mainly attributable to increased subcontractors' fees for Farlim Project as we engaged more subcontractors to perform the works to achieve the targeted level of construction activities and project milestones.

FYE 2022 compared to FYE 2021

Our total cost of sales increased by RM134.49 million or 162.58%, from RM82.72 million in FYE 2021 to RM217.21 million in FYE 2022, mainly attributed to the higher cost of sales from underground and overhead utilities engineering services and solutions which increased by RM130.05 million or 160.93% from RM80.81 million in FYE 2021 to RM210.86 million in FYE 2022.

In terms of component, the overall increase was mainly attributable to the following cost items:

(a) increase in the purchase of construction materials of RM118.53 million or 317.60% from RM37.32 million in FYE 2021 to RM155.85 million in FYE 2022 as we procured more cables used for the 4 major projects (i.e., (i) Farlim Project, (ii) Danga Bay Project, (iii) Menara Warisan Project and (iv) project for 500kV transmission line from Pulau Indah power plant to Olak Lempit substation as elaborated in the corresponding revenue section in Section 12.3.1(v) of this Prospectus), where there were increased works performed and certified as compared to FYE 2021. The said 4 major projects being transmission-related projects involved the supply (i.e., procurement) of cables by our Group;

(b) increase in subcontractors' fees of RM9.95 million or 27.46% from RM36.24 million in FYE 2021 to RM46.19 million in FYE 2022 due to more cable laying works were being performed by subcontractors for our abovementioned 4 major projects and project for HDD works for 11kV underground cable in Johor. Generally, the fluctuations in subcontractors' fees are in tandem with the construction activities and progress of the said projects; and

(c) increase in the overheads of RM6.03 million or 65.90% from RM9.15 million in FYE 2021 to RM15.18 million in FYE 2022, mainly due to:

(aa) increase in rental of machineries and equipment of RM2.57 million used for underground and overhead utilities engineering services and solutions to support the construction activities in FYE 2022;

(bb) increase in site expenses of RM1.37 million, mainly attributable to the payment of RM0.58 million for additional fees required in certain localities due to the requirements of the local authorities and RM0.79 million for expenses mainly incurred for the project sites in relation to Farlim Project and Danga Bay Project;

(cc) increase in insurances of RM0.73 million, being costs incurred for our new projects secured and commenced in FYE 2022; and

(dd) increase in others of RM0.83 million, being mainly payment for custom clearance fee of RM0.59 million imposed on the cables purchased for the project for 500kV transmission line from Pulau Indah power plant to Olak Lempit substation.

FPE 2023 compared to FPE 2022

Our total cost of sales decreased by RM58.63 million or 61.55%, from RM95.25 million in FPE 2022 to RM36.62 million in FPE 2023, mainly attributed to the lower cost of sales from underground and overhead utilities engineering services and solutions which decreased by RM56.75 million or 61.09% from RM92.89 million in FPE 2022 to RM36.14 million in FPE 2023.

In terms of component, the overall decrease was attributable to a decrease in the purchase of construction materials of RM61.94 million or 88.85% from RM69.71 million in FPE 2022 to RM7.77 million in FPE 2023 as most of the cables had been procured for the 3 major projects in year 2022 (i.e. Menara Warisan Project, Farlim Project and Danga Bay Project as elaborated in the corresponding revenue section in Section 12.3.1 of this Prospectus).

The overall decrease was offset by the following cost items:

(a) increase in subcontractors' fees of RM2.16 million or 11.54% from RM18.72 million in FPE 2022 to RM20.88 million in FPE 2023 due to more cable laying works were being performed by subcontractors for project for cable tunnel construction works for 275kV and 132kV underground cable route to Prince Court substation, Kuala Lumpur and project for 33kV cable laying and jointing works from Bahau substation to Mini Juaseh, Negeri Sembilan. Generally, the fluctuations in subcontractors' fees are in tandem with the construction activities and progress of the said projects; and

(b) increase in the overheads of RM1.15 million or 16.86% from RM6.82 million in FPE 2022 to RM7.97 million in FPE 2023, mainly due to:

(aa) increase in rental of machineries and equipment (mainly backhoe, excavator, loader and mobile crane) of RM0.99 million, used for underground and overhead utilities engineering services and solutions to support the construction activities in FPE 2023;

(bb) increase in depreciation of right-of-use assets of RM0.29 million in FPE 2023, being depreciation for additional motor vehicles purchased under hire purchase agreement and rental obligation for project site space; and

(cc) increase in insurances of RM0.29 million, being costs incurred for our new projects secured and commenced in FPE 2023.

The overall increase in overhead was offset by the decrease in site expenses of RM0.28 million, mainly attributable to less payment for additional fees required in certain localities due to the requirements of the local authorities.

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12.3.3 Segmental analysis by GP and GP margin

Save for the trading of equipment for substations, our Group prices our construction projects based on cost estimates after taking into consideration various factors, including project scale, complexity and specifications. Contract cost is estimated at the beginning of the project based on expected costs of construction materials, staff costs, subcontracting costs, project duration and overheads. Generally, the contract cost estimates will be revised during the construction period to reflect the actual cost of construction. Each project's GP differs in terms of project scope, duration and project margin.

In general, electricity distribution-related underground and overhead utilities engineering projects (i.e., 11kV and 33kV projects) involve mainly cable installation works while the supply of cables is generally provided for by the project owner. Thus, the project margins for distribution-related projects are mainly from the cable installation works/ services provided. Conversely, transmission-related underground utilities engineering projects (i.e., 132kV and above projects) are generally larger-scaled and of higher values. Such projects typically involve the supply (i.e., procurement) of cables in addition to cable installation work thus the project margins for transmission-related projects may be lower relative to distribution-related projects, if a significant portion of the project value entails the supply of cables.

Our Group's customers generally issue LOA for single and bulk contracts to engage our Group. For bulk contracts, multiple work orders are issued throughout the project duration detailing the types of services and pricing for selected stages of construction works required, prior to commencement of work. Revenue is then recognised based on the physical proportion of contract work certified. Cost is recognised as it is incurred in the corresponding financial year/ period. Our Group's GP and GP margin may fluctuate on a year-on-year basis as each project differs in terms of project duration, profit margin and costs as well as stages of the construction. A project's profit margin may also fluctuate throughout its construction period when there are variation orders to the contract sum and is not subject to any trend vis-à-vis the stage of completion. Nevertheless, our Group monitors the progress of the projects as well as the costs incurred and to be incurred so that notwithstanding the fluctuations in GP and GP margin, the projects remain profitable on an overall basis.

During the Financial Years and Period Under Review, our overall GP margin fluctuated on a year-on-year basis (i.e., FYE 2020: 17.63%, FYE 2021: 14.20%, FYE 2022: 7.42%, FPE 2022: 9.79% and FPE 2023: 20.40%). Such fluctuations were mainly attributable to the progress of the project (i.e., where the proportion for the supply of cables and/ or provision of cable installation works may vary) as well as timing differences between the recognition of revenue and costs incurred (i.e., our revenue is recognised based on physical proportion of contract work certified while cost is recognised based on actual cost incurred to-date). In addition, as set out in Section 7.24.1 of this Prospectus, it is our Group's intention to undertake and participate in more large-scaled projects and the impact has been reflected in the GP contributions by type of projects for the Financial Years and Period Under Review (i.e., with increasing GP contribution from transmission-related projects relative to distribution-related projects). Nonetheless, depending on the opportunities available, our Group will continue to undertake distribution-related projects.

The risks associated with the above fluctuations in GP margin have been included in Section 9.1.7, where among others, any unanticipated increased in costs associated with our projects may affect our financial performance, and Section 9.1.9, where any error and inaccurate estimation will affect our profitability and financial performance.

(i) GP/(Gross loss) and GP margin/ (gross loss margin) by business activities

The breakdown of our total GP/ (gross loss) by business activities is set out as follows:

	Audited									
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	GP/ (gross loss)	GP/ (gross loss) margin	GP	GP margin	GP	GP margin	GP	GP margin	GP/ (gross loss)	GP/ (gross loss) margin
GP by business activities	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Provision of underground and overhead utilities engineering services and solutions	**19,245**	**17.63**	**12,907**	**13.77**	**16,675**	**7.33**	**9,916**	**9.65**	**9,618**	**21.02**
Others:										
Provision of substation EPCC services	7	70.00	24	2.98	102	2.51	295	13.34	(115)	(1,277.78)
Trading of equipment for substations	(61)	(4.62)	597	38.44	579	24.18	44	23.28	(125)	(92.59)
Street Lighting Services	667	30.55	166	48.54	44	7.24	86	22.28	8	7.55
Subtotal	**613**	**17.45**	**787**	**29.14**	**725**	**10.25**	**425**	**15.25**	**(232)**	**(92.80)**
Total	**19,858**	**17.63**	**13,694**	**14.20**	**17,400**	**7.42**	**10,341**	**9.79**	**9,386**	**20.40**

(ii) Commentary on GP and GP margin

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

Our total GP decreased by RM6.17 million or 31.07% from RM19.86 million in FYE 2020 to RM13.69 million in FYE 2021, while our overall GP margin decreased from 17.63% in FYE 2020 to 14.20% in FYE 2021.

The decrease in our overall GP margin in FYE 2021 was mainly due to the decrease in GP from underground and overhead utilities engineering services and solutions.

<u>Underground and overhead utilities engineering services and solutions</u>

Our GP for underground and overhead utilities engineering services and solutions decreased by RM6.34 million or 32.94% from RM19.25 million in FYE 2020 to RM12.91 million in FYE 2021.

Our GP for FYE 2021 was mainly contributed by 4 major projects (contributing 92.87% to the GP for underground and overhead utilities engineering services and solutions of RM12.91 million). The lower GP margin was mainly due to the Farlim Project, which contributed RM23.93 million to our revenue for underground and overhead utilities engineering services and solutions in FYE 2021 (representing 25.54%) but had a lower GP margin of 9.75% as compared to the average overall GP margin for our Group's other projects of 16.05% during FYE 2021.

Accordingly, the GP margin for underground and overhead utilities engineering services and solutions reduced from 17.63% in FYE 2020 to 13.77% in FYE 2021.

Our GP was mainly contributed by the following 4 major projects, comprising 2 transmission-related projects and 2 distribution-related projects. The fluctuations in margins were attributable to the stage of completion of the respective projects where there were also timing differences in revenue and cost recognition:

Project	Type of project	Awarding party	Completion date	FYE 2021		FYE 2020	
				GP	GP margin	GP	GP margin
				RM'million	%	RM'million	%
Menara Warisan Project	Transmission-related	CD Electrical	April 2022	3.75	41.20	(0.49)	(17.93)
132kV double circuit underground cable installation from Kuala Lumpur South substation to Kuchai Lama switching station, Kuala Lumpur and connectivity to bulk supply station	Distribution-related	CD Electrical	September 2021	3.79	28.65	0.44	1.49
Farlim Project	Transmission-related	Worktime Engineering	On-going	2.33	9.75	(0.01)	(1.96)
HDD works for 11kV underground cables in Perak, Kedah and Perlis	Distribution-related	Worktime Engineering	October 2022	2.12	52.57	nil	nil
Total GP/ (gross loss) from the above projects (RM million)				11.99		(0.06)	
% contribution to GP for underground and overhead utilities engineering services and solutions for the year				92.87%		*Not applicable	

Notes:

* *Not applicable, as the 4 projects collectively had a gross loss of RM0.06 million for FYE 2020.*

Others

Our GP for others increased by RM0.18 million or 29.51% from RM0.61 million in FYE 2020 to RM0.79 million in FYE 2021. This was mainly attributable to higher GP from trading of equipment for substations as we sold current transformers to a customer during FYE 2021 which generally has better GP margin as compared to GP margin for batteries. Hence, our GP margin increased from 17.45% in FYE 2020 to 29.14% in FYE 2021.

FYE 2022 compared to FYE 2021

Our total GP increased by RM3.71 million or 27.10% from RM13.69 million in FYE 2021 to RM17.40 million in FYE 2022, while our overall GP margin decreased from 14.20% in FYE 2021 to 7.42% in FYE 2022.

The decrease in our overall GP margin in FYE 2022 was mainly due to the decrease in GP margin from underground and overhead utilities engineering services and solutions.

Underground and overhead utilities engineering services and solutions

Our GP for underground and overhead utilities engineering services and solutions increased by RM3.77 million or 29.20% from RM12.91 million in FYE 2021 to RM16.68 million in FYE 2022. The GP for FYE 2022 was mainly contributed by 3 major projects (contributing 104.14% to the GP for underground and overhead engineering services and solutions of RM16.68 million) but was offset by the costs recognised for certain projects while revenue had yet to be recognised, gross loss of the Danga Bay Project and cost incurred for the purchase of cables prior to commencement of physical work (as explained below). The said 3 major projects had a collective GP margin of 13.85%.

Our GP margin decreased from 13.77% in FYE 2021 to 7.33% in FYE 2022 for underground and overhead utilities engineering services and solutions was mainly due to the following:

(a) the 3 major projects (i.e., Farlim Project, Menara Warisan Project and project for HDD works for 11kV underground cable in Johor) had a collective GP margin of 13.85%;

(b) the GP contributed from the said 3 major projects was mainly offset by the following:

- the costs for certain projects were recognised during FYE 2022 while the revenue had yet to be recognised (i.e., pending certification of physical works performed) due to timing difference which amounted to RM2.03 million;

- the Danga Bay Project (contract awarded by Worktime Engineering) recorded a gross loss of RM1.08 million with a gross loss margin of 2.07% in FYE 2022. As at the LPD, the Danga Bay Project is profitable; and

- the cost incurred of RM1.01 million for the project for 500kV transmission line from Pulau Indah power plant to Olak Lempit substation (contract awarded by Worktime Engineering) for the purchase of cables where physical work had not commenced in FYE 2022.

Our GP was mainly contributed by the following 3 major projects, comprising 2 transmission-related projects involved the supply (i.e., procurement) of cables by our Group and 1 distribution-related project involved mainly cable installation works while the supply of cables is provided for by the project owner. The fluctuations in margins were attributable to the stage of completion of the respective projects where there were also timing differences in revenue and cost recognition:

				FYE 2022		FYE 2021	
			Completion	GP	GP margin	GP	GP margin
Project	**Type of project**	**Awarding party**	**date**	**RM'million**	**%**	**RM'million**	**%**
Farlim Project	Transmission-related	Worktime Engineering and YM Teras	On-going	14.17	12.59	2.33	9.75
Menara Warisan Project	Transmission-related	CD Electrical	April 2022	2.36	43.48	3.75	41.20
HDD works for 11kV underground cable in Johor	Distribution-related	YM Teras	On-going	0.84	11.35	0.94	18.44
Total GP from the above projects (RM million)				17.37		7.02	
% contribution to GP for underground and overhead utilities engineering services and solutions for the year				104.14%		54.38%	

Others

Our GP for others decreased by RM0.06 million or 7.59% from RM0.79 million in FYE 2021 to RM0.73 million in FYE 2022. This was mainly attributable to the lower GP from Street Lighting Services during FYE 2022 due to low project margin of the Street Lighting Services secured in FYE 2022. Our GP was mainly contributed by provision of substation EPCC services and trading of equipment, both of which recorded lower GP margins in FYE 2022 compared to FYE 2021.

The lower GP margin was attributable to:

(a) the lower GP margin for the provision of substation EPCC services due to the gross loss of RM0.11 million on a project (as a result of cost overrun) for the provision of construction and engineering works for main switching station in Puchong, Selangor, which accounted for 70.54% of the revenue generated from provision of substation EPCC services in FYE 2022; and

(b) the lower GP margin for the trading of equipment for substations due to low GP margin of 28.20% on the contracts obtained in FYE 2022 and batteries cost was recognised as incurred and the revenue was only recognised in the following financial year.

Accordingly, our GP margin for others decreased from 29.14% in FYE 2021 to 10.25% in FYE 2022.

FPE 2023 compared to FPE 2022

Our total GP decreased by RM0.95 million or 9.19% from RM10.34 million in FPE 2022 to RM9.39 million in FPE 2023, while our overall GP margin increased from 9.79% in FPE 2022 to 20.40% in FPE 2023.

The increase in our overall GP margin in FPE 2023 was mainly due to the increase in GP margin from underground and overhead utilities engineering services and solutions.

Underground and overhead utilities engineering services and solutions

Our GP for underground and overhead utilities engineering services and solutions decreased by RM0.30 million or 3.02% from RM9.92 million in FPE 2022 to RM9.62 million in FPE 2023. The GP for FPE 2023 was mainly contributed by Farlim Project and Danga Bay Project (collective GP of RM6.08 million, contributing 63.20% to the GP for underground and overhead utilities engineering services and solutions of RM9.62 million).

Our GP margin increased from 9.65% in FPE 2022 to 21.02% in FPE 2023 for underground and overhead utilities engineering services and solutions was mainly due to 2 major projects (i.e., Farlim Project and Danga Bay Project had a collective GP margin of 26.04%). The GP contributed from the said 2 major projects was offset by the costs for certain projects recognised during FPE 2023 while the revenue had yet to be recognised (i.e., pending certification of physical works performed) due to timing difference which amounted to RM0.79 million.

Our GP was mainly contributed by the following 2 major projects, being 2 transmission-related projects involving the supply (i.e., procurement) of cables by our Group. The fluctuations in margins were attributable to the stage of completion of the respective projects where there were also timing differences in revenue and cost recognition:

Project	Type of project	Awarding party	Completion date	FPE 2023 GP RM'million	FPE 2023 GP margin %	FPE 2022 GP RM'million	FPE 2022 GP margin %
Farlim Project	Transmission-related	Worktime Engineering and YM Teras	On-going	3.21	25.21	7.16	11.06
Danga Bay Project	Transmission-related	Worktime Engineering	On-going	2.87	27.04	0.52	4.35
Total GP from the above projects (RM million)				6.08		7.68	
% contribution to GP for underground and overhead utilities engineering services and solutions for the period				63.20		77.42	

Others

Our Group recorded a GP of RM0.43 million in FPE 2022 for others as compared to a gross loss of RM0.23 million in FPE 2023. The gross loss of RM0.23 million in FPE 2023 was mainly attributable to:

(a) gross loss of RM0.12 million on a project (as a result of repair costs under the defects liability period) for the provision of construction and engineering works for main switching station in Puchong, Selangor in FPE 2023; and

(b) gross loss of RM0.17 million of the trading of equipment for substations due to batteries cost recognised as incurred and the revenue was only recognised subsequent to the financial period.

Accordingly, our gross loss margin for others was 92.80% in FPE 2023.

12.3.4 Other income

	Audited									
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Rental income[(1)]	578	42.66	634	39.38	549	20.35	276	25.63	115	27.45
Interest income[(2)]	267	19.70	188	11.68	80	2.96	44	4.08	25	5.97
Backcharge income[(3)]	108	7.97	630	39.13	708	26.24	113	10.49	128	30.55
Gain on disposal of plant and equipment[(4)]	31	2.29	78	4.85	-	-	-	-	-	-
Administrative fees[(5)]	53	3.91	19	1.18	106	3.93	49	4.55	68	16.23
Insurance claims[(6)]	283	20.89	16	0.99	1,203	44.59	595	55.25	12	2.86
Gain on foreign exchange	-	-	7	0.43	-	-	-	-	71	16.94
Others[(7)]	35	2.58	38	2.36	52	1.93	-	-	-	-
Total	**1,355**	**100.00**	**1,610**	**100.00**	**2,698**	**100.00**	**1,077**	**100.00**	**419**	**100.00**

Notes:

(1) Rental income derived by JTHSB mainly from the rental of 1 piece of freehold industrial land together with a 3-storey detached factory cum office building erected thereon, bearing the postal address of No. 25, Jalan P4/6, Section 4, Bandar Teknologi Kajang, 43500 Semenyih, Selangor Darul Ehsan, to a third party. JTHSB had on 17 August 2023 entered into a conditional SPA with BHSB for the disposal of above mentioned property for a cash consideration of RM16.00 million. Please refer to Section 12.5.3 of this Prospectus for further details.

(2) Interest income comprised interest received from fixed deposit as well as loans to related parties.

(3) Backcharge income represented costs incurred and payments on behalf made by our Group for transportation, labour supply, rental of self loader with crane, trailer and site repair works which were subsequently charged back to the subcontractors.

(4) Gain on disposal of plant and equipment relates mainly to the gain on disposal of motor vehicles during respective financial years and periods under review.

(5) Administrative fees pertain to administrative fees charged by our Group mainly to subcontractors for the sourcing of construction materials or hiring of machineries for subcontractors upon their requests.

(6) Insurance claims arising from repair works on accidental damage of underground cable and theft of underground cables during respective financial years and periods under review.

(7) Others mainly comprised reversal of overprovision of contract costs and discounts received.

FYE 2021 compared to FYE 2020

Our other income increased by RM0.25 million or 18.38% from RM1.36 million in FYE 2020 to RM1.61 million in FYE 2021 mainly due to an increase in backcharge income of RM0.52 million, due to increased costs incurred/ payments made by our Group on behalf of our subcontractors. In addition, our rental income increased in FYE 2021 as we reverted to the original rental rate in August 2021 from the reduced rental rate which took effect from February 2020, which was granted due to the MCO.

The increase was offset by a decrease in compensation received on insurance claim of RM0.26 million as lesser claims were made in FYE 2021.

FYE 2022 compared to FYE 2021

Our other income increased by RM1.09 million or 67.70% from RM1.61 million in FYE 2021 to RM2.70 million in FYE 2022 mainly due to an increase in insurance claim payout of RM1.18 million for theft of underground cables which occurred in FYE 2019 and FYE 2020 notwithstanding our Group had controls in place including fencing of storage areas for underground cables and security guards deployed at certain storage areas. Subsequent to the theft incident, our Group has since enhanced the security by, among others, deploying additional security guards to sites and installing closed-circuit television (CCTVs) when there are materials delivered to sites and having site engineers conduct regular stock take for monitoring purpose.

The increase was partially offset by the lower interest income arising from settlement of outstanding loans made to related parties.

FPE 2023 compared to FPE 2022

Our other income decreased by RM0.66 million or 61.11% from RM1.08 million in FPE 2022 to RM0.42 million in FPE 2023 mainly due to a decrease in insurance claim of RM0.59 million (mainly because of insurance claim for accidental damage of underground cables of RM0.60 million incurred in FPE 2022 that we did not recur in FPE 2023), as well as a decrease in rental income of RM0.16 million (mainly due to tenancy agreement ended in February 2023 and was not renewed). Further, our Group had entered into a conditional SPA to dispose the property to BHSB in August 2023.

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12.3.5 Administrative expenses

	Audited									
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs(1)	3,759	59.09	3,285	57.92	4,951	55.49	2,228	57.72	2,381	54.91
Directors' remuneration	703	11.05	700	12.34	884	9.91	433	11.22	451	10.40
Utilities(2)	203	3.19	218	3.84	221	2.48	106	2.75	105	2.42
Rental expenses(3)	180	2.83	275	4.85	276	3.09	146	3.78	134	3.09
Upkeep and maintenance(4)	176	2.77	175	3.09	265	2.97	91	2.36	114	2.63
Professional fees(5)	611	9.61	443	7.81	1,877	21.04	411	10.65	897	20.69
Office expenses(6)	649	10.20	481	8.48	347	3.89	390	10.10	134	3.09
Travelling and accommodation fee	80	1.26	95	1.67	101	1.13	55	1.42	120	2.77
Total	**6,361**	**100.00**	**5,672**	**100.00**	**8,922**	**100.00**	**3,860**	**100.00**	**4,336**	**100.00**

Notes:

(1) Staff costs comprised staff salaries, wages, bonuses, employee contributions, and other staff related expenses such as staff welfare, medical fees and training expenses.

(2) Utilities comprised mainly expenses incurred for electricity, water, internet and telephone services.

(3) Rental expenses mainly relate to short-term leases of less than 12 months on our offices and office equipment.

(4) Upkeep and maintenance comprised mainly maintenance of computer, motor vehicles, office equipment and offices.

(5) Professional fees comprised mainly fees incurred for audit, company secretarial, legal, tax and listing expenses.

(6) Office expenses comprised mainly license fees, stamp duties, printing, courier and stationery as well as expenses incurred for the setting up of our procurement unit.

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

Administrative expenses decreased by RM0.69 million or 10.85%, from RM6.36 million in FYE 2020 to RM5.67 million in FYE 2021 mainly attributable to:

(i) decrease in staff costs of RM0.47 million, due to lower salaries resulting from decreased head count (excluding Project team and the Directors) in FYE 2021 (as at 30 November 2020: 44 employees and as at 30 November 2021: 40 employees);

(ii) decrease in professional fees of RM0.17 million, mainly due to legal fees of RM0.21 million in relation to banking facility documents incurred in FYE 2020 that we did not incur in FYE 2021; and

(iii) decrease in office expenses of RM0.17 million, mainly due to one-off stamp duty of RM0.22 million incurred in relation to banking facility agreements in FYE 2020 that we did not incur in FYE 2021.

FYE 2022 compared to FYE 2021

Administrative expenses increased by RM3.25 million or 57.32%, from RM5.67 million in FYE 2021 to RM8.92 million in FYE 2022 mainly attributable to:

(i) increase in staff costs of RM1.66 million mainly due to increased head count (excluding Project team and the Directors) in FYE 2022 (as at 30 November 2021: 40 employees and as at 30 November 2022: 47 employees) comprising mainly of salaries, EPF expenses and bonus as well as higher bonus payout; and

(ii) increase in professional fees of RM1.44 million, being professional fees of RM1.06 million progressively incurred in relation to our Listing as well as consultancy fees of RM0.38 million for the improvement of our business operations and project processes (such as identify gaps for process improvements in current project delivery processes, project risks and mitigating factors).

FPE 2023 compared to FPE 2022

Administrative expenses increased by RM0.48 million or 12.44%, from RM3.86 million in FPE 2022 to RM4.34 million in FPE 2023 mainly attributable to:

(i) increase in professional fees of RM0.49 million for the professional fees progressively incurred in relation to our Listing; and

(ii) increase in staff costs of RM0.15 million mainly due to salary adjustment for existing employees (excluding Project team and the Directors) in FPE 2023.

The overall increase in administrative expenses was offset by a decrease in office expenses of RM0.26 million, mainly due to lower advertising expenses for recruitment and insurance for office premises.

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12.3.6 Other expenses

	Audited									
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Depreciation	761	45.14	713	100.00	710	100.00	364	100.00	400	100.00
Bad debts written off	925	54.86	-	-	-	-	-	-	-	-
Total	**1,686**	**100.00**	**713**	**100.00**	**710**	**100.00**	**364**	**100.00**	**400**	**100.00**

Other expenses comprised depreciation of plant and equipment, right-of-use assets and investment property as well as bad debts written off.

FYE 2021 compared to FYE 2020

In FYE 2020, receivables amounting to RM0.93 million were written off due to uncollectable costs incurred by our Group mainly on behalf of 2 subcontractors (i.e., cost amounting to RM0.71 million was in relation to a subcontractor who had absconded and cost amounting to RM0.10 million being payment to rectify damages caused by another subcontractor). We no longer have dealings with these 2 subcontractors. The retention sums that we previously collected from these subcontractors were not sufficient to offset against the said costs.

FYE 2022 compared to FYE 2021

Other expenses was RM0.71 million in FYE 2022 (FYE 2021: RM0.71 million). The depreciation remained consistent between the two years, being the depreciation of investment property, plant and equipment and right-of-use assets, save as those depreciation of machineries and right-of-use assets directly attributable to the provision of services and projects.

FPE 2023 compared to FPE 2022

Other expenses was RM0.40 million in FPE 2023 (FYE 2022: RM0.36 million). The depreciation remained consistent between the two years, being the depreciation of investment property, plant and equipment and right-of-use assets, save as those depreciation of machineries and right-of-use assets directly attributable to the provision of services and projects.

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12.3.7 Finance costs

	Audited									
	FYE 2020		**FYE 2021**		**FYE 2022**		**FPE 2022**		**FPE 2023**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Interest expense on:										
Term loans	291	27.69	260	27.08	349	24.72	131	21.16	179	14.77
Banker's acceptance	186	17.70	158	16.46	292	20.68	122	19.71	201	16.58
Lease liabilities	38	3.61	43	4.48	66	4.67	30	4.85	47	3.88
Trade financing	56	5.33	103	10.73	350	24.79	84	13.57	453	37.38
Subtotal	**571**	**54.33**	**564**	**58.75**	**1,057**	**74.86**	**367**	**59.29**	**880**	**72.61**
Performance guarantees[(1)]	412	39.20	358	37.29	295	20.89	214	34.57	307	25.33
Others[(2)]	68	6.47	38	3.96	60	4.25	38	6.14	25	2.06
Total	**1,051**	**100.00**	**960**	**100.00**	**1,412**	**100.00**	**619**	**100.00**	**1,212**	**100.00**

Notes:

(1) Performance guarantees pertaining to the letters of bank guarantee issued by bank at the request of our customers, by which that bank undertakes to make a payment to our customer if we fail to fulfill specific conditions.

(2) Others comprised bank charges, commitment fee and interest charged on deferment of repayment on bank borrowings arising from the COVID-19 loan moratoriums as announced by Bank Negara Malaysia.

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

Our total finance costs decreased by RM0.09 million or 8.57% from RM1.05 million in FYE 2020 to RM0.96 million in FYE 2021, mainly attributable to the decrease in performance guarantees, lower utilisation of banker's acceptances, and term loans repayment.

<u>FYE 2022 compared to FYE 2021</u>

Our total finance costs increased by RM0.45 million or 46.88% from RM0.96 million in FYE 2021 to RM1.41 million in FYE 2022, mainly attributable to the increase in interest on banker's acceptances and trade financing due to higher utilisation for working capital purposes, mainly for purchases of construction materials for our projects during FYE 2022 as well as increase in interest on term loans attributable to an increase of the overnight policy rate from 1.75% to 2.75% during the FYE 2022.

FPE 2023 compared to FPE 2022

Our total finance costs increased by RM0.59 million or 95.16% from RM0.62 million in FPE 2022 to RM1.21 million in FPE 2023, mainly attributable to the increase in interest on banker's acceptances and trade financing due to higher utilisation for working capital purposes during FPE 2023 as well as increase in interest on term loans attributable to an increase of the overnight policy rate from 2.00% to 3.00% during the FPE 2023.

The performance guarantees fees increased by RM0.10 million or 47.62% from RM0.21 million in FPE 2022 to RM0.31 million in FPE 2023, attributable to guarantee fees paid for 2 major projects that commenced in FPE 2023 and on-going projects that we sought for extension of time.

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12.3.8 Net impairment (gain)/ loss on financial assets

	Audited									
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Impairment losses:										
- trade receivables	1,141	81.79	-	-	-	-	-	-	625	100.00
- other receivables	62	4.45	-	-	-	-	-	-	-	-
- amount owing by related parties	192	13.76	25	(1.37)	-	-	25	(1.41)	-	-
	1,395	**100.00**	**25**	**(1.37)**	**-**	**-**	**25**	**(1.41)**	**625**	**100.00**
Reversal of impairment losses:										
- trade receivables	-	-	(946)	52.06	(2,081)	96.39	(1,740)	98.36	-	-
- other receivables	-	-	(8)	0.44	(54)	2.50	(54)	3.05	-	-
- amount owing by related parties	-	-	(888)	48.87	(24)	1.11	-	-	-	-
	-	**-**	**(1,842)**	**101.37**	**(2,159)**	**100.00**	**(1,794)**	**101.41**	**-**	**-**
Net impairment (gain)/ loss on financial assets	**1,395**	**100.00**	**(1,817)**	**100.00**	**(2,159)**	**100.00**	**(1,769)**	**100.00**	**625**	**100.00**

Impairment of receivables were provided based on expected credit losses in accordance with the MFRS 9: Financial Instruments. Collective impairment was based on the credit risk and the days past due, while individual impairment was based on specific receivables that are credit impaired. Among the factors considered for credit risk include the payment profile of sales over a period of 12 months and credit profile of our customers. Reversals of impairment losses are made when there are subsequent collections.

In FYE 2020, the impairment losses on trade receivables of RM1.14 million comprised collective impairment of RM1.04 million and individual impairment of RM0.10 million. The increase in allowance for impairment losses on trade receivables of RM1.04 million was mainly due to assessment on expected credit loss resulting from the increase in trade receivables balance from RM28.65 million in FYE 2019 to RM62.18 million in FYE 2020. Our Group recognised allowance for impairment losses on financial assets of RM1.40 million due to collective impairment of trade receivables of RM1.04 million and amounts owing by related parties of RM0.19 million (i.e., Congoxtreme and Crossing Master Engineering) as a result of higher balances as at FYE 2020. Further, 2 trade receivables balance of RM0.10 million individually were impaired as they were long outstanding.

In FYE 2021, our Group had net impairment gain on financial assets of RM1.82 million due to lower assessment on expected credit loss of receivables, i.e., the reversals of impairment losses on trade receivables, other receivables and amounts owing by related parties amounting to RM1.84 million which were individually and collectively impaired in previous years. This was offset by impairment loss charged on the amount owing by related parties of RM0.02 million.

In FYE 2022, our Group had net impairment gain on financial assets of RM2.16 million due to lower assessment on expected credit loss of receivables, i.e., the reversals of impairment losses on trade receivables, other receivables and amounts owing by related parties amounting to RM2.16 million which were collectively impaired in previous years.

In FPE 2022, our Group had net impairment gain on financial assets of RM1.77 million in FPE 2022 due to lower assessment on expected credit loss of receivables, i.e., the reversals of impairment losses on trade receivables and other receivables amounting to RM1.79 million which were collectively impaired in previous years. This was offset by the impairment loss charged on the amount owing by related parties of RM0.02 million.

In FPE 2023, our Group recognised allowance for impairment losses on financial assets of RM0.63 million due to collective impairment of trade receivables of RM0.63 million as a result of higher balances.

12.3.9 Profits and income tax expenses

	Audited				
	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2022**	**FPE 2023**
PBT (RM'000)	10,720	9,776	11,213	8,344	3,232
PBT margin (%)	9.51	10.14	4.78	7.90	7.03
PAT (RM'000)	7,653	7,239	9,132	7,089	2,091
PAT margin (%)	6.79	7.51	3.89	6.71	4.55
Income tax expense (RM'000)	3,078	2,537	2,081	1,255	1,141
Effective tax rate (%)	28.71	25.95	18.56	15.04	35.30
Statutory tax rate (%)	24.00	24.00	24.00	24.00	24.00

FYE 2021 compared to FYE 2020

Due to the lower GP in FYE 2021, we recorded a decrease in PBT of RM0.94 million or 8.77% from RM10.72 million in FYE 2020 to RM9.78 million in FYE 2021. Despite the lower GP margin, our PBT margin increased from 9.51% in FYE 2020 to 10.14% in FYE 2021 mainly due to:

(i) our Group did not have any bad debts written off in FYE 2021 (FYE 2020: RM0.93 million); and

(ii) our Group had net impairment gain on financial assets of RM1.82 million in FYE 2021 (FYE 2020: Net impairment loss on financial assets of RM1.40 million).

Due to the foregoing and lower tax expenses, our PAT decreased by RM0.41 million or 5.36% from RM7.65 million in FYE 2020 to RM7.24 million in FYE 2021, while PAT margin increased from 6.79% in FYE 2020 to 7.51% in FYE 2021.

FYE 2022 compared to FYE 2021

We recorded an increase in PBT of RM1.43 million or 14.62%, from RM9.78 million in FYE 2021 to RM11.21 million in FYE 2022, mainly due to higher revenue which resulted in higher GP in FYE 2022, higher other income from insurance claims and net impairment gain on financial assets of RM2.16 million (FYE 2021: RM1.82 million). The increased PBT was offset by higher administrative expenses (mainly staff cost and professional fees) and finance costs. Despite the increase in PBT, our PBT margin decreased from 10.14% in FYE 2021 to 4.78% in FYE 2022 mainly due to the decrease in GP margin from underground and overhead utilities engineering services and solutions as well as higher administrative expenses (mainly staff cost and professional fees) and finance costs.

Correspondingly, our Group's PAT margin decreased from 7.51% in FYE 2021 to 3.89% in FYE 2022.

FPE 2023 compared to FPE 2022

Due to the lower GP, absence of impairment gain on financial assets and lower other income as well as higher finance cost in FPE 2023, we recorded a decrease in PBT of RM5.11 million or 61.27% from RM8.34 million in FPE 2022 to RM3.23 million in FPE 2023. Our PBT margin also decreased from 7.90% in FPE 2022 to 7.03% in FPE 2023 due to higher administrative expenses (mainly due to professional fee in relation to our Listing), finance cost and net impairment loss on financial assets.

Due to the foregoing, our PAT decreased by RM5.00 million or 70.52% from RM7.09 million in FPE 2022 to RM2.09 million in FPE 2023. Accordingly, our PAT margin decreased from 6.71% in FPE 2022 to 4.55% in FPE 2023. The lower PAT margin for FPE 2023 was also driven by the higher effective tax rate for FPE 2023 as explained below.

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Income tax expense

Our effective tax rate of 28.71% for FYE 2020 was higher than the statutory rate of 24.00% mainly due to add back of expenses not deductible for tax purpose amounting to RM0.41 million (such as depreciation for non-qualifying expenditure and impairment losses on trade receivables), deferred tax assets not recognised during the financial year of RM0.28 million, offset mainly by the reduction of non-taxable income of RM0.11 million (such as reversal of impairment losses on trade receivables).

Our effective tax rate of 25.95% for FYE 2021 was higher than the statutory rate of 24.00% mainly due to add back of expenses not deductible for tax purpose amounting to RM0.08 million (such as depreciation for non-qualifying expenditure) and under provision of the previous year's current taxation of RM0.58 million, offset mainly by reduction of utilisation of deferred tax assets previously not recognised of RM0.46 million.

Our effective tax rate of 18.56% for FYE 2022 was lower than the statutory rate of 24.00% mainly due to over provision of previous year's current taxation in the previous financial year of RM0.39 million and utilisation of deferred tax assets previously not recognised of RM0.88 million.

Our effective tax rate of 15.04% for FPE 2022 was lower than the statutory rate of 24.00% due to utilisation of deferred tax assets previously not recognised of RM0.44 million and over provision of current taxation in the previous financial year of RM0.39 million.

Our effective tax rate of 35.30% for FPE 2023 was higher than the statutory rate of 24.00% mainly due to add back of expenses not deductible for tax purpose amounting to RM0.24 million (such as depreciation for non-qualifying expenditure), under provision of the previous year's current taxation of RM0.05 million and deferred tax assets not recognised during the financial year of RM0.09 million.

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12.4 REVIEW OF FINANCIAL POSITION

12.4.1 Assets

	AUDITED				
	As at 30 November			As at 31 May	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Plant and equipment	1,292	1,172	2,407	2,002	2,173
Investment property(1)	8,565	8,450	8,335	8,392	8,277
Right-of-use assets	550	1,056	1,994	1,141	1,525
Intangible assets	530	400	270	335	205
Total non-current assets	10,937	11,078	13,006	11,870	12,180
Current assets					
Inventories	4,328	373	19	1,971	409
Trade receivables	57,137	55,175	74,344	50,144	76,503
Other receivables, deposits and prepayments	7,265	8,104	9,163	16,917	7,816
Contract assets	719	-	-	-	-
Amount owing by related parties	4,400	1,624	1,217	1,175	1,217
Fixed deposits with licensed banks	2,684	2,442	3,487	3,668	3,600
Cash and bank balances	2,289	2,161	13,796	3,419	2,476
Total current assets	78,822	69,879	102,026	77,294	92,021
TOTAL ASSETS	**89,759**	**80,957**	**115,032**	**89,164**	**104,201**

Note:

(1) Refers to a piece of freehold industrial land measuring approximately 4,832.04 sq. m. together with a 3-storey detached factory cum office building erected thereon, bearing the postal address of No. 25, Jalan P4/6, Section 4, Bandar Teknologi Kajang, 43500 Semenyih, Selangor Darul Ehsan. This property was rented out to a third party from 16 February 2020 until 15 February 2023. Upon expiry of the term of tenancy, the tenancy was not renewed. This property has been vacant since 16 February 2023. On 17 August 2023, JTHSB entered into a conditional SPA with BHSB, a third party for the disposal of this property to BHSB for a cash consideration of RM16,000,000. Please refer to Section 12.5.3 of this Prospectus for further details.

<u>30 November 2021 compared to 30 November 2020</u>

Total assets decreased by RM8.80 million or 9.80% from RM89.76 million as at 30 November 2020 to RM80.96 million as at 30 November 2021, due to the decrease in current assets of RM8.94 million offset by the increase in non-current assets of RM0.14 million as at 30 November 2021.

Non-current assets

Non-current assets increased by RM0.14 million or 1.28%, mainly attributable to:

(i) additional right-of-use assets of RM0.81 million mainly comprising 5 units of motor vehicles totalling RM0.74 million; and

(ii) additional plant and equipment of RM0.21 million, mainly comprising computer systems of RM0.09 million as well as tools and equipment of RM0.05 million.

The abovementioned increase was partially offset by depreciation expenses of RM0.79 million and amortisation expenses of RM0.13 million incurred for the FYE 2021.

Current assets

Current assets decreased by RM8.94 million or 11.34% mainly attributable to:

(i) decrease in inventories of RM3.96 million, mainly due to goods-in-transit (i.e., power cables) of RM3.55 million for Menara Warisan Project (contract awarded by CD Electrical) which was recorded in FYE 2020;

(ii) decrease in amount owing by related parties of RM2.78 million, mainly due to payments received from Trivolution of RM2.39 million to settle outstanding trade balance; and

(iii) decrease in trade receivables of RM1.96 million mainly due to lesser invoices billed towards the last quarter of FYE 2021.

In FYE 2021, our trade receivables were mainly from the following outstanding balances:

(a) retention sums of project of RM19.68 million;

(b) Farlim Project (contract awarded by Worktime Engineering) of RM14.34 million;

(c) project for supply, installation, testing and commissioning of 33kV/ 11kV underground cables for Bank Negara substation, Kuala Lumpur (contract awarded by Worktime Engineering) of RM1.06 million; and

(d) project for installation and connection works for 11kV cables for Perak, Kedah and Perlis (contract awarded by Worktime Engineering) of RM1.05 million.

<u>30 November 2022 compared to 30 November 2021</u>

Total assets increased by RM34.07 million or 42.08% from RM80.96 million as at 30 November 2021 to RM115.03 million as at 30 November 2022, due to increase in current assets of RM32.15 million and non-current assets of RM1.93 million.

Non-current assets

Non-current assets increased by RM1.93 million or 17.42%, attributable to:

(i) additional plant and equipment of RM1.67 million, mainly comprising 3 units of HDD machines (RM0.43 million), 3 units of motor vehicles (RM0.16 million), 10 units of shape moulds for concrete slab for the use of our underground projects (RM0.32 million) and 1 unit of gyroscopic pipeline mapping device (RM0.11 million); and

(ii) additional right-of-use assets of RM1.61 million comprising 3 units of motor vehicles as well as rental of 3 offices and 1 project site space.

The abovementioned increase was offset by depreciation expenses of RM1.02 million and amortisation expenses of RM0.13 million incurred for the FYE 2022.

Current assets

Current assets increased by RM32.15 million or 46.01%, attributable to:

(i) increase in trade receivables of RM19.17 million due to increased invoices billed to customers in tandem with higher revenue in FYE 2022.

In FYE 2022, our trade receivables were mainly from the following outstanding balances:

(a) retention sums of projects of RM32.56 million;

(b) Farlim Project (contracts awarded by Worktime Engineering and YM Teras) of RM16.03 million; and

(c) Danga Bay Project (contract awarded by Worktime Engineering) of RM8.39 million.

(ii) increase in cash and bank balances of RM11.64 million, mainly due to higher internally generated funds resulting from collections from trade receivables in tandem with increased construction activities undertaken by our Group in FYE 2022;

(iii) increase in fixed deposits with licensed banks of RM1.05 million, due to placement of fixed deposits in FYE 2022; and

(iv) increase in other receivables, deposits and prepayments of RM1.06 million, mainly due to prepayment of professional fees relating to our Listing of RM0.44 million and this cost will be offset against equity upon issuance of the IPO Shares and completion of the Listing.

The abovementioned increase was offset by:

(i) decrease in amount owing by related parties of RM0.40 million, due to payments received from advances made to them in previous years; and

(ii) decrease in inventories of RM0.35 million, mainly due to cables being delivered to our project sites to meet our project requirements and schedule.

31 May 2023 compared to 30 November 2022

Total assets decreased by RM10.83 million or 9.41% from RM115.03 million as at 30 November 2022 to RM104.20 million as at 31 May 2023, due to decrease in current assets of RM10.01 million and non-current assets of RM0.83 million.

Non-current assets

Non-current assets decreased by RM0.83 million or 6.38%, mainly attributable to the depreciation expenses of RM0.79 million incurred for the FPE 2023.

Current assets

Current assets decreased by RM10.01 million or 9.81%, attributable to:

(i) decrease in cash and bank balances of RM11.32 million, mainly due to payments made to our suppliers and subcontractors in FPE 2023; and

(ii) decrease in other receivables, deposits and prepayments of RM1.34 million, mainly due to receipts of refunded authorised deposits from local authorities subsequent to the completion of projects.

The abovementioned decrease was offset by:

(i) increase in trade receivables of RM2.16 million mainly due to increased retention sums during FPE 2023.

In FPE 2023, our trade receivables were mainly from the following outstanding balances:

(a) retention sums of projects of RM35.71 million;

(b) Farlim Project (contracts awarded by Worktime Engineering and YM Teras) of RM15.96 million; and

(c) Danga Bay Project (contract awarded by Worktime Engineering) of RM8.39 million.

(ii) increase in inventories of RM0.39 million, mainly due to unutilised inventories from previous projects which can be used for other projects in following period.

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12.4.2 Liabilities

	AUDITED				
	As at 30 November			As at 31 May	
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Non-current liabilities					
Lease liabilities	318	764	1,135	771	666
Term loans	7,773	7,790	7,688	7,672	7,410
Total non-current liabilities	8,091	8,554	8,823	8,443	8,076
Current liabilities					
Trade payables	35,665	20,128	35,560	29,932	31,288
Other payables and accruals	9,641	12,664	16,801	7,525	2,363
Amount owing to related parties	3,009	575	186	710	573
Amount owing to Directors	-	10	-	-	-
Lease liabilities	465	312	968	360	958
Term loans	229	228	134	234	303
Banker's acceptances	7,470	6,076	5,580	4,600	7,658
Trade financing	4,626	4,234	11,112	3,430	14,428
Bank overdraft	-	786	429	-	1,130
Current tax liabilities	1,847	1,436	353	887	247
Total current liabilities	62,952	46,449	71,123	47,678	58,948
TOTAL LIABILITIES	**71,043**	**55,003**	**79,946**	**56,121**	**67,024**

<u>**30 November 2021 compared to 30 November 2020**</u>

Total liabilities decreased by RM16.04 million or 22.58% from RM71.04 million as at 30 November 2020 to RM55.00 million as at 30 November 2021, attributable to the decrease in current liabilities of RM16.50 million offset by the increase in non-current liabilities of RM0.46 million.

Non-current liabilities

Non-current liabilities increased by RM0.46 million or 5.69% mainly due to increase in non-current portion of lease liabilities of RM0.44 million. In FYE 2021, the higher lease liabilities resulted from the additional 5 units of motor vehicles and rental obligation arising from rented offices, hostels and site stores classified under right-of-use assets.

Current liabilities

Current liabilities decreased by RM16.50 million or 26.21% mainly due to the following:

(i) decrease in trade payables of RM15.54 million, due to lower purchases made towards the last quarter of FYE 2021 as well as payments made to suppliers;

(ii) decrease in amount owing to related parties of RM2.43 million, mainly due to payments made to Trivolution for subcontractors' fees of RM1.50 million and release of retention sum of RM0.54 million for completed projects;

(iii) decrease in banker's acceptances of RM1.39 million and trade financing of RM0.40 million, due to net repayment of banker's acceptances and trade financing in FYE 2021; and

(iv) decrease in current tax liabilities of RM0.41 million, due to the income tax payments of RM2.95 million which was offset by the income tax expense for FYE 2021 of RM2.54 million.

The abovementioned decrease was partially offset by:

(i) increase in other payables and accruals of RM3.02 million, mainly comprising higher accruals for subcontractors' fees of RM2.17 million; and

(ii) increase in bank overdraft of RM0.79 million, mainly for working capital such as payments for operating expenditure and purchases of construction materials.

30 November 2022 compared to 30 November 2021

Total liabilities increased by RM24.95 million or 45.36% from RM55.00 million as at 30 November 2021 to RM79.95 million as at 30 November 2022, attributable to the increase in current liabilities of RM24.67 million and non-current liabilities of RM0.27 million.

Non-current liabilities

Non-current liabilities increased by RM0.27 million or 3.16% due to the increase in lease liabilities of RM0.38 million mainly arising from the additional motor vehicles under hire purchase arrangements and rental of offices and project site space in FYE 2022. The increase was offset by the decrease in term loans of RM0.10 million mainly due to scheduled payments during FYE 2022.

Current liabilities

Current liabilities increased by RM24.67 million or 53.11% mainly due to:

(i) increase in trade payables of RM15.43 million, which was in line with higher purchases and subcontractors' fees incurred to support our revenue growth in FYE 2022, specifically for cables for 132kV projects;

(ii) increase in trade financing of RM6.88 million, mainly due to higher drawdowns to finance our Group's working capital and support our on-going and new projects in FYE 2022; and

(iii) increase in other payables and accruals of RM4.14 million, mainly due to higher accruals for cable purchases of RM8.62 million mainly for Danga Bay Project and this was offset by the lower accruals for subcontractors' fees of RM2.50 million.

The abovementioned increase was partially offset by:

(i) decrease in banker's acceptances of RM0.50 million and bank overdraft of RM0.36 million due to lower utilisation and payments made; and

(ii) the decrease in current tax liabilities of RM1.09 million, due to the income tax payments of RM3.16 million which was offset by the income tax expense for FYE 2022 of RM2.08 million.

31 May 2023 compared to 30 November 2022

Total liabilities decreased by RM12.93 million or 16.17% from RM79.95 million as at 30 November 2022 to RM67.02 million as at 31 May 2023, attributable to the decrease in current liabilities of RM12.17 million and non-current liabilities of RM0.74 million.

Non-current liabilities

Non-current liabilities decreased by RM0.74 million or 8.39% due to the decrease in term loans and lease liabilities from scheduled payments made during FPE 2023.

Current liabilities

Current liabilities decreased by RM12.17 million or 17.11% mainly due to:

(i) decrease in trade payables of RM4.27 million, this was because our Group had purchased most of the cables for 132kV projects (i.e. Farlim Project and Danga Bay Project) in FYE 2022 and thus lower purchases of cables for the construction activities in FPE 2023; and

(ii) decrease in other payables and accruals of RM14.44 million, due to lower accrued cable purchases as at FPE 2023.

The abovementioned decrease was partially offset by the increase in banker's acceptances of RM2.08 million, trade financing of RM3.32 million and bank overdraft of RM0.70 million due to higher drawdowns to finance our Group's working capital and support our on-going and new projects in FPE 2023.

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12.5 LIQUIDITY AND CAPITAL RESOURCES

12.5.1 Working capital

Our business has been financed from a combination of internal and external sources comprising shareholders' equity and cash generated from our operations while external sources are banking facilities from financial institutions. The principal utilisation of these funds has been for our business operations and growth.

Based on our audited combined statement of financial position as at 31 May 2023, our Group had cash and bank balances of RM2.48 million and total borrowings of RM32.55 million. As at 31 May 2023, our Group's gearing ratio was 0.88 times and current ratio was 1.56 times.

As at the LPD, our Group recorded cash and bank balances of approximately RM21.71 million and unutilised banking facilities of approximately RM27.16 million.

Our Directors are of the opinion that after taking into consideration the cash and bank balances, the expected profits to be generated from our operations, the amount that is available under our existing banking facilities, our expected future cash flows from operations 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 at least a period of 12 months from the date of this Prospectus.

12.5.2 Cash flow

The following is a summary of our combined statements of cash flows for the Financial Years and Period Under Review. This should be read in conjunction with the Accountants' Report as set out in Section 13 of this Prospectus.

	Audited				
	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2022**	**FPE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Net cash (for)/ from operating activities	(10,591)	2,105	10,240	7,482	(15,497)
Net cash (for)/ from investing activities	(1,177)	223	(2,746)	(2,227)	(117)
Net cash from/ (for) financing activities	5,516	(3,223)	4,288	(3,208)	3,593
Net (decrease)/ increase in cash and cash equivalents	**(6,252)**	**(895)**	**11,782**	**2,047**	**(12,021)**
Cash and cash equivalents at beginning of financial year/ period	**8,742**	**2,490**	**1,595**	**1,595**	**13,377**
Cash and cash equivalents at end of financial year/ period[(1)]	**2,490**	**1,595**	**13,377**	**3,642**	**1,356**

Note:

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

	Audited				
	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	2,684	2,442	3,487	3,668	3,600
Cash and bank balances	2,289	2,161	13,796	3,419	2,476
Bank overdraft	-	(786)	(429)	-	(1,130)
	4,973	3,817	16,854	7,087	4,946
Less: Fixed deposits pledged to licensed banks	(2,473)	(2,222)	(3,477)	(3,445)	(3,590)
Less: Fixed deposits with tenure of more than 3 months	(10)	-	-	-	-
	2,490	**1,595**	**13,377**	**3,642**	**1,356**

FYE 2020

Net cash for operating activities

For FYE 2020, our Group recorded net cash for operating activities of RM10.59 million due to cash paid to suppliers, staff costs, and operating expenditure which were offset by cash receipts from customers as follows:

(i) Cash receipts from customers amounting to RM84.70 million (of which RM84.25 million was collected from our top 5 major customers for the FYE 2020);

(ii) Cash paid amounting to RM95.29 million for the following:

- RM83.01 million for suppliers and operating expenditure;
- RM9.71 million for staff costs;
- RM1.59 million for income tax expense; and
- RM0.98 million to related parties, mainly advances to Eco Awareness.

For FYE 2020, we recorded a net cash for operating activities of RM10.59 million which was mainly attributed to the increase in trade and other receivables by RM34.00 million contributed by slower repayment by most of our customers (the trade receivables turnover period was 83 days compared to the normal credit term granted our customers of 30 days to 60 days). We subsequently collected all of the trade receivables as at 30 November 2020 by the 4th quarter of FYE 2021.

Net cash for investing activities

For FYE 2020, our net cash used for investing activities was RM1.18 million, mainly attributable to the following:

(i) pledged fixed deposits with licensed banks amounting to RM0.62 million;

(ii) purchase of InfraMap system for RM0.65 million; and

(iii) cash payment of RM0.33 million to purchase plant and equipment, mainly for computer systems i.e., laptops and computer servers totaling RM0.23 million.

The abovementioned cash outflow was partially offset by:

(i) interest received of RM0.27 million from fixed deposits as well as well as loans to related parties; and

(ii) proceeds from the disposal of JTHSB's associate company namely Crossing Master Engineering for RM0.11 million.

Net cash from financing activities

For FYE 2020, our net cash from financing activities was RM5.52 million, mainly due to the following:

(i) repayment to Directors of RM1.48 million, being advances from Directors for our working capital purpose;

(ii) net repayment of term loans of RM0.11 million;

(iii) repayment of lease liabilities of RM0.36 million, being scheduled repayments for motor vehicles under hire purchase arrangements; and

(iv) interest paid for term loans, banker's acceptances and trade financing as well as performance guarantees, totaling RM0.91 million.

The abovementioned cash outflow was offset by:

(i) net drawdown of banker's acceptances of RM3.75 million which was used to finance our working capital; and

(ii) drawdown of trade financing of RM4.63 million which was used to finance our working capital.

FYE 2021

Net cash from operating activities

For FYE 2021, our Group recorded net cash from operating activities of RM2.11 million due to cash receipts from customers which were offset by cash paid to suppliers, staff costs, and operating expenditure which are as follows:

(i) Cash receipts of RM98.72 million, mainly collections from our top 5 recurring and continuing major customers amounting to RM98.38 million.

(ii) Cash paid amounted to RM96.61 million for the following:

- RM84.00 million for suppliers and operating expenditure;
- RM9.66 million for employees; and
- RM2.95 million for income tax expense.

Net cash from investing activities

For FYE 2021, our net cash from investing activities was RM0.22 million, mainly attributable to the following:

(i) withdrawal of fixed deposits pledged with licensed banks amounting to RM0.26 million; and

(ii) interest received of RM0.19 million from fixed deposits and loans to related parties.

The abovementioned cash inflow was partially offset by the cash payment of RM0.21 million to purchase plant and equipment mainly comprising computers (RM0.09 million), tool and equipment (RM0.05 million) and furniture and fittings (RM0.05 million).

Net cash for financing activities

For FYE 2021, our net cash for financing activities was RM3.22 million, mainly due to the following:

(i) net repayment of banker's acceptances of RM1.39 million which was used to finance our working capital;

(ii) net repayment of trade financing of RM0.39 million which was used to finance our working capital;

(iii) repayment of lease liabilities of RM0.50 million, being scheduled repayments for motor vehicles under hire purchase arrangements; and

(iv) interest paid for term loans, banker's acceptances and trade financing as well as performance guarantees, totaling RM0.92 million.

FYE 2022

Net cash from operating activities

For FYE 2022, our Group recorded net cash from operating activities of RM10.24 million due to cash receipts from customers which were offset by cash paid to suppliers, staff costs, and operating expenditure which are as follows:

(i) Cash receipts amounting to RM216.12 million mainly received from our top 5 recurring and continuing major customers (i.e., Worktime Engineering, CD Electrical, YM Teras, Pintar Gembira Sdn Bhd and Tempinas Sdn Bhd).

(ii) Cash paid amounting to RM205.88 million for the following:

- RM192.72 million, mainly for suppliers and operating expenditure;
- RM10.00 million for staff costs; and
- RM3.16 million for income tax expense.

Please refer to Section 12.6 of this Prospectus for further details on our trade receivables turnover period, trade payables turnover period and sufficiency of our working capital requirements where our working capital requirements were also financed by our cash and bank balances on hand at that time as well as via utilisation of our banking facilities.

Net cash for investing activities

For FYE 2022, our net cash for investing activities was RM2.75 million, mainly attributable to the following:

(i) placement of fixed deposits pledged with licensed banks amounting to RM1.26 million; and

(ii) cash payment of RM1.55 million mainly to purchase plant and equipment comprising 3 units of HDD machines (RM0.43 million), 3 units of motor vehicles (RM0.16 million), 10 units of shape moulds for concrete slab for the use of our underground projects (RM0.32 million) and 1 unit of used gyroscopic pipeline mapping device (RM0.11 million).

Net cash from financing activities

For FYE 2022, our net cash from financing activities was RM4.29 million, due to net drawdown of trade financing of RM6.88 million which was mainly used to finance our working capital, offset by the following:

(i) interest paid for term loans, banker's acceptances and trade financing as well as performance guarantees, totaling RM1.41 million;

(ii) net repayment of banker's acceptances of RM0.50 million, which was used to finance our working capital; and

(iii) repayment of lease liabilities of RM0.48 million.

<u>FPE 2023</u>

Net cash for operating activities

For FPE 2023, our Group recorded net cash for operating activities of RM15.50 million due to cash paid to suppliers, staff costs, and operating expenditure which were offset by cash receipts from customers as follows:

(i) Cash receipts from customers amounting to RM44.95 million (of which RM44.57 million was collected from our top 5 major customers for the FPE 2023).

(ii) Cash paid amounting to RM60.45 million for the following:

- RM54.22 million for suppliers, subcontractors and operating expenditure;
- RM4.98 million for staff costs; and
- RM1.25 million for income tax expense.

For FPE 2023 when compared to FPE 2022, we also experienced the following:

(a) increase in trade and other receivables by RM1.44 million mainly contributed by slower repayments by 2 of our major customers (the trade receivables turnover period was 165 days compared to the normal credit term granted our customers of 30 days to 60 days); and

(b) decrease in trade and other payables by RM18.71 million arising from payments made to our suppliers and subcontractors for the construction activities performed in FPE 2023, funded from the available working capital, trade financing and banker's acceptances.

Net cash for investing activities

For FPE 2023, our net cash for investing activities was RM0.12 million, attributable to the increase in pledged fixed deposits with licensed banks amounting to RM0.11 million.

Net cash from financing activities

For FPE 2023, our net cash from financing activities was RM3.59 million, mainly due to the following:

(i) net drawdown of banker's acceptances of RM2.08 million which was used to finance our working capital; and

(ii) net drawdown of trade financing of RM3.32 million which was used to finance our working capital.

The abovementioned cash inflow was offset by:

(i) repayment of term loans of RM0.11 million;

(ii) repayment of lease liabilities of RM0.48 million, being scheduled repayments for motor vehicles under hire purchase arrangements; and

(iii) interest paid for term loans, banker's acceptances and trade financing as well as performance guarantees, totaling RM1.21 million.

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12.5.3 Borrowings

As at 31 May 2023, our Group's total outstanding bank borrowings was RM32.55 million, all of which were interest-bearing and denominated in RM. Details of our bank borrowings are set out below:

Type of facility	Purpose	Tenure	Effective interest rate %	As at 31 May 2023 RM'000
Interest bearing short-term borrowings, payable within 1 year:				
Trade financing	To finance import/ local purchases of construction materials/ trading goods	Up to 120 days	5.87 to 6.40	14,428
	To finance domestic purchases of services and/or operational expenses			
Banker's acceptances	To finance import/ local purchases of construction materials/ trading goods	Up to 120 days	2.29 to 4.11	7,658
Bank overdraft	To finance the working capital	Immediate	7.22 to 7.89	1,130
Term loans	To finance the purchase of freehold land and buildings	10 years to 20 years	4.52 to 4.92	303
Lease liabilities	To finance the purchase of motor vehicles and lease obligations for our offices, site offices and stores	1 year to 2 years	4.01 to 6.46	958
				24,477
Interest bearing long-term borrowings, payable after 1 year:				
Term loans	To finance the purchase of freehold land and buildings	10 years to 20 years	4.52 to 4.92	7,410
Lease liabilities	To finance the purchase of motor vehicles and lease obligations for our offices, site offices and stores	1 year to 2 years	4.01 to 6.46	666
				8,076
Total borrowings				**32,553**
Gearing (times)				
After Acquisition of JTHSB and before Public Issue [(1)]				0.88
After our Public Issue and utilisation of proceeds [(2)]				0.49

Notes:

(1) Computed based on our pro forma equity attributable to the owners of the Company of RM37.18 million in the pro forma statements of financial position after the Acquisition of JTHSB but before Public Issue and utilisation of proceeds.

(2) Computed based on our pro forma equity attributable to the owners of the Company of RM51.71 million in the pro forma statements of financial position after the Acquisition of JTHSB, Public Issue and utilisation of proceeds.

The details of the types of credit facilities that our Group uses and its unutilised balances as at LPD are as follows:

Types of credit facilities	**Tenure** [(1)]	**Effective interest rate (%) per annum**	**Credit limit** [(1)] **RM'000**	**Balance unutilised as at the LPD RM'000**
Lease liabilities	1 year to 2 years	4.01 to 6.46	1,464	-
Term loans	10 years to 20 years	4.52 to 4.92	8,400	-
Banker's acceptances	Up to 120 days	2.29 to 4.11		
Trade financing	Up to 120 days	5.87 to 6.40	84,100	27,157
Letters of credit	Up to 120 days	-[(2)]		
Performance guarantees	Up to 42 months	-[(3)]		
Bank overdraft	Repayable on demand	7.22 to 7.89	1,300	-
Total			**95,264**	**27,157**

Notes:

(1) Based on the respective letters of offer.

(2) Being commission fee of 0.10% per month based on the letters of offer.

(3) Being performance guarantees fee ranging between 1.20% and 2.12% per annum.

In conjunction with our Listing, our financiers have given a conditional release and/ or discharge of the guarantees as well as the third-party legal charges by substituting the same with a corporate guarantee from our Company and/ or other securities from our Group acceptable to the financiers. Until such releases and/or discharges are obtained from the respective financiers, JTHSB's directors will continue to guarantee the banking facilities extended to our Group.

As at the LPD, we do not have any borrowings which are non-interest bearing and/ or in foreign currency. As at the LPD, all of our Group's borrowings are interest bearing borrowings. Our Group has not defaulted on any payment of either principal sums and/ or interest in relation to the borrowings for the Financial Years and Period Under Review and up to LPD.

We do not encounter seasonality in the trend of our borrowings and there is no restriction on the use of our committed banking facilities, save for prior consents from the licensed banks before using the banking facilities, where necessary.

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

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Disposal of Property

JTHSB had on 17 August 2023 entered into a conditional SPA with BHSB, a third party ("**Purchaser**") for the Disposal of Property for a cash consideration of RM16.00 million ("**Disposal Consideration**"). The said property bearing postal address No. 25, Jalan P4/6, Bandar Teknologi Kajang, 43500 Semenyih, Selangor Darul Ehsan ("**Property**"). The Disposal Consideration was arrived at on an "as is where is" basis, with vacant possession and free from encumbrances but subject to the conditions, express or implied, attached to the property and upon the terms and conditions of the SPA.

The Property was held by JTHSB during the Financial Years and Period Under Review for investment purposes and it was not being used for our Group's operations and as such, the Disposal of Property will not disrupt our Group's business operations. Furthermore, renting out the Property was not our core business. The Disposal of Property provides an opportunity for our Group to unlock and realise the value of the Property.

An independent property valuer had appraised the market value* of the Property, on the basis that the title is free of all encumbrances and with vacant possession as at the date of valuation on 15 August 2023 as RM16.0 million.

Note:

* *Market Value is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.*

The Disposal Consideration will be settled in the following manner:

Date of settlement	Payment	RM'000
Prior to execution of SPA	2% of the Disposal Consideration has been paid to JTHSB's solicitors (for the Disposal of Property) as stakeholder	320
Upon execution of the SPA	(a) 3% of the Disposal Consideration paid by the Purchaser to its solicitors in compliance with the Real Property Gains Tax Act, 1976	480
	(b) 5% of the Disposal Consideration paid by the Purchaser to JTHSB	800
On completion date	90% of the Disposal Consideration ("**Balance Disposal Consideration**") to be paid by the Purchaser to JTHSB's solicitors (for the Disposal of Property) as stakeholder within 90 calendar days from the Unconditional Date (as defined below)	14,400
Disposal Consideration		**16,000**

Summary of conditions precedent

The SPA shall be conditional upon, among others, the following:

(i) JTHSB, at its own costs and expenses, obtaining:

(a) consent/ approval/ clearance from any relevant authorities and/ or parties ("**Authorities' Approvals**"); and

(b) approval of the board of directors and the members of JTHSB ("**JTHSB Shareholders' Approval**"),

for the Disposal of Property from JTHSB to the Purchaser based on the terms and conditions of the SPA within 6 months from the date of the SPA or such other extended period or periods as may be mutually agreed to by JTHSB and the Purchaser; and

(ii) the date of the Purchaser's solicitors receipt of the written confirmation by JTHSB's solicitors (for the Disposal of Property) that JTHSB has obtained the Authorities' Approvals and JTHSB Shareholders' Approval ("**Unconditional Date**").

Expected date of completion

On 5 October 2023, the conditions precedent as stated in the SPA have been complied. The Disposal of Property is pending completion. Our Group expects the Disposal of Property to be completed by the 1st quarter of 2024.

Utilisation of Disposal Consideration

Our Group intends to utilise the proceeds from the Disposal of Property as follows:

Utilisation	**RM'000**	**Estimated timeframe for utilisation from receipt of Disposal Consideration**
Repayment of bank borrowing[(i)]	7,560	Within 6 months
Payment of Real Property Gains Tax ("**RPGT**")[(ii)]	653	Within 2 months
As fixed deposit to be pledged with a licensed bank as additional securities for banking facilities to finance the general working capital of our Group	6,000	Within 18 months
General working capital such as payment to suppliers and subcontractors	1,383	Within 18 months
Estimated expenses relating to the Disposal of Property	404	Within 3 months
	16,000	

Notes:

(i) The Property is currently charged to Public Bank Berhad for the term loan granted by Public Bank Berhad to JTHSB to finance JTHSB's purchase of the Property then. In the event the Purchaser has obtained a loan from a licensed financial institution to finance the purchase of the Property from JTHSB, part of the Balance Disposal Consideration will be paid by the Purchaser's financier to Public Bank Berhad to redeem the Property. As at the LPD, the amount outstanding for the term loan granted by Public Bank Berhad is RM7.56 million. For illustrative purposes, this is expected to result in interest savings of RM0.37 million per annum, computed based on the higher end weighted average effective interest rate of 4.92% for FPE 2023.

Any deviation in the amount utilised for the repayment of bank borrowing will be adjusted to/ from the amount allocated for general working capital. The actual interest savings may vary depending on the applicable interest rate and balance term loan at the time of repayment.

(ii) The estimated RPGT was derived as follows:

	RM'000
Disposal Consideration	*16,000*
Less:	
- Legal fees, property valuation fees and agent commission	*(404)*
- Original cost of land, buildings and renovations	*(9,063)*
Net chargeable gain on disposal	***6,533***
Estimated RPGT @ 10%	***653***

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Pro forma effects of the Disposal of Property

The pro forma effects of the Disposal of Property to our Group's audited financial position as at 31 May 2023 as if the Disposal of Property has been completed on 31 May 2023 is as set out below:

		(I)	***(II)***	***(III)***	***(IV)***
	Audited as at 31 May 2023	***After Acquisition of JTHSB***	***After (I) and Public Issue***	***After (II) and utilisation of proceeds from the Public Issue***	***After (III) and Proposed Disposal***
	RM'000	***RM'000***	***RM'000***	***RM'000***	***RM'000***
Total borrowings	*-*	*32,553*	*32,553*	*25,553*	*(i)17,993*
Shareholders' equity	*(2)*	*37,177*	*55,213*	*51,713*	*(ii)58,379*
Number of Shares ('000)	*1*	*325,001*	*391,801*	*391,801*	*391,801*
(Net liabilities)/ NA per Share (RM)	*(2)*	*0.11*	*0.14*	*0.13*	*0.15*
Gearing ratio (times)	*-*	*0.88*	*0.59*	*0.49*	*0.31*

Notes:

(i) *After accounting for the proposed repayment of borrowing of RM7.56 million.*

(ii) *After accounting for the net pro forma gain from the Disposal of Property of RM6.67 million, computed as below:*

	RM'000
Disposal consideration	***16,000***
Less:	
- Estimated expenses in relation to the Disposal of Property (including legal fees, property valuation fees and agent commission)	*(404)*
- Audited net book value of the property as at 31 May 2023	*(8,277)*
Pro forma gain from the Disposal of Property	***7,319***
Less:	
- Estimated RPGT	*(653)*
Net pro forma gain from the Disposal of Property	***6,666***

12.5.4 Types of financial instruments used, treasury policies and objectives

As at LPD, save as disclosed in Section 12.5.3 above, we do not have or utilise any other financial instruments.

Our Group has been funding our operations through shareholders' equity, cash generated from our operations, and external sources of funds. The external sources of funds consist of credit terms granted by our suppliers as well as borrowings from financial institutions. The normal credit term granted by our suppliers ranges from 30 days to 60 days.

As at the LPD, our Group's borrowings from financial institutions consist of the following:

- trade line facilities comprising banker's acceptances, trade financing, letters of credit, performance guarantees and bank overdraft;
- term loans used for the purchase of freehold land and buildings; and
- lease liabilities for financing the purchase of motor vehicles and lease obligations for our offices, site offices and stores.

As at the LPD, our Group has available banking facilities amounting to RM95.26 million, of which RM27.16 million has yet to be utilised.

The interest rates of our borrowings as at the LPD are based on a combination of fixed rates and floating rates.

The main objective of our capital management is to ensure that entities within our Group will be able to maintain an optimal capital structure so as to support our businesses and maximise shareholders value. To achieve this objective, our Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

12.5.5 Material capital commitment

As at the LPD, our Board confirms that there are no material capital commitments incurred or known to be incurred by our Group.

Further information on our material investments/ capital expenditures for the Financial Yeas Under Review and up to the LPD are set out in Section 7.23 of this Prospectus.

12.5.6 Material litigation, claims or arbitration and contingent liabilities

(i) Material litigation, claims or arbitration

As at the LPD and saved as disclosed in Section 15.5 of this Prospectus, our Group is not engaged in any material litigation, claims and/ or arbitration, whether as plaintiff or defendant, which might and adversely affect our business or financial position, and our Directors confirm that there are no legal proceedings, pending or threatened, or of any fact to give rise to any legal proceeding which may materially and adversely affect our business or financial position, in the 12 months immediately preceding the date of this Prospectus.

(ii) Contingent liabilities

Save as disclosed below, and as at the LPD, our Directors confirm that there are no contingent liabilities incurred by our Group, which upon becoming enforceable, may have a material effect on our Group's business, financial results and financial position.

	As at 31 May 2023 RM'000	As at the LPD RM'000
Performance guarantee extended to third parties[(1)]	33,347	35,015

Note:

(1) As at the LPD, the performance guarantees are issued to our customers or at the request of our customers, in favour of third parties, being the project owners or main contractors of the projects undertaken by our Group, as security for the performance of contractual obligations under the projects awarded. The performance guarantees issued are mainly for or at the request of our major customers, namely Worktime Engineering (RM14.29 million), CD Electrical (RM12.38 million) and YM Teras (RM7.92 million) in connection with the projects awarded by these major customers.

12.6 KEY FINANCIAL RATIOS

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

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2023**
Trade receivables turnover period (days)[(1)]	83	141	60[(6)]	165[(7)]
Trade payables turnover period (days)[(2)]	111	110	40[(6)]	146[(7)]
Inventories turnover (days)[(3)]	18	23	Less than 1	4
Current ratio (times)[(4)]	1.25	1.50	1.43	1.56
Gearing ratio (times)[(5)]	1.12	0.78	0.77	0.88

Notes:

(1) Computed based on average of opening and closing trade receivables (excluding retention sum) and amount owing by related parties (trade in nature) multiplied by 365 days for each financial year and multiplied by 182 days for FPE 2023.

	Audited			
	FYE 2020	***FYE 2021***	***FYE 2022***	***FPE 2023***
Opening trade receivables and amount owing by related parties (trade in nature) (RM'000)	*12,374*	*38,945*	*35,776*	*41,781*
Closing trade receivables and amount owing by related parties (trade in nature) (RM'000)	*38,945*	*35,776*	*41,781*	*42,011*
Average net trade receivables (RM'000)	*25,660*	*37,361*	*38,779*	*41,896*
Revenue (RM'000)	*112,666*	*96,413*	*234,612*	*46,003*

	Audited			
	FYE 2020	***FYE 2021***	***FYE 2022***	***FPE 2023***
Trade receivables turnover period (days)	*83*	*141*	*60*	*165*

(2) Computed based on average of opening and closing trade payables (excluding retention sum) and amount owing to related parties (trade in nature) multiplied by 365 days for each financial year and multiplied by 182 days for FPE 2023.

	Audited			
	FYE 2020	***FYE 2021***	***FYE 2022***	***FPE 2023***
Opening trade payables and amount owing to related parties (trade in nature) (RM'000)	*23,187*	*33,248*	*16,424*	*31,234*
Closing trade payables and amount owing to related parties (trade in nature) (RM'000)	*33,248*	*16,424*	*31,234*	*27,638*
Average net trade payables (RM'000)	*28,218*	*24,836*	*23,829*	*29,436*
Cost of sales (RM'000)	*92,808*	*82,719*	*217,212*	*36,617*
Trade payables turnover period (days)	111	110	*40*	*146*

(3) Computed based on the average inventories as at the respective financial year/ period end divided by purchases for the respective financial year/ period end multiplied by 365 days for each financial year and multiplied by 182 days for FPE 2023.

	Audited			
	FYE 2020	***FYE 2021***	***FYE 2022***	***FPE 2023***
Opening inventories (RM'000)	*671*	*4,328*	*373*	*19*
Closing inventories (RM'000)	*4,328*	*373*	*19*	*409*
Average inventories (RM'000)	*2,500*	*2,351*	*196*	*214*
Purchases (RM'000)	*49,796*	*36,921*	*155,490*	*8,166*
Inventories turnover period (days)	18	23	*Less than 1*	*4*

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

(5) Computed based on the total borrowings and lease liabilities over total equity as at the respective financial year/ period end.

(6) While the average trade receivables and average trade payables balances for FYE 2022 did not differ materially from FYE 2021, the denominators being revenue and cost of sales for FYE 2022 increased significantly, as set out below:

	Audited	
	FYE 2021	***FYE 2022***
Average net trade receivables (RM'000)	*37,361*	*38,779*
Revenue (RM'000)	*96,413*	*234,612*
Trade receivables turnover period (days)	*141*	*60*

	Audited	
	FYE 2021	***FYE 2022***
Average net trade payables (RM'000)	*24,836*	*23,829*
Cost of sales (RM'000)	*82,719*	*217,212*
Trade payables turnover period (days)	*110*	*40*

The increased revenue for FYE 2022 was mainly due to the provision of underground and overhead utilities engineering services and solutions i.e., Farlim Project, Danga Bay Project and new projects in FYE 2022. Please refer to Section 12.3.1(v) (Commentary on revenue - FYE 2022 compared to FYE 2021) of this Prospectus for further details.

The increased cost of sales for FYE 2022 was mainly due to increased purchases of construction materials i.e., cables, mainly for the 4 major projects. Please refer to Section 12.3.2(iii) (Commentary on cost of sales - FYE 2022 compared to FYE 2021) of this Prospectus for further details.

In line with the increased revenue, the Group's PBT also increased. The increased PBT along with improvements in:

- *the trade receivables turnover period (whereby our Group endeavoured to collect from our customers within the normal credit terms granted by our Group ranging from 30 days to 60 days from the date of invoice); and*

- *trade payables turnover period (whereby our Group endeavoured to pay our contractors/ suppliers within the normal credit terms granted by our subcontractors/ suppliers ranging from 30 days to 60 days),*

have been reflected in the improved net cash from operating activities of RM10.24 million (FYE 2021: RM2.11 million).

(7) *While the average trade receivables and average trade payables balances for FPE 2023 increased compared to FYE 2022, the denominators being revenue and cost of sales for FYE 2022 decreased significantly, as set out below:*

	Audited	
	FYE 2022	***FPE 2023***
Average net trade receivables (RM'000)	*38,779*	*41,896*
Revenue (RM'000)	*234,612*	*46,003*
Trade receivables turnover period (days)	*60*	*165*

	Audited	
	FYE 2022	***FPE 2023***
Average net trade payables (RM'000)	*23,829*	*29,436*
Cost of sales (RM'000)	*217,212*	*36,617*
Trade payables turnover period (days)	*40*	*146*

The decreased revenue for FPE 2023 was mainly due to the provision of underground and overhead utilities engineering services and solutions i.e., Menara Warisan Project, Farlim Project and Danga Bay Project. Please refer to Section 12.3.1(v) (Commentary on revenue - FPE 2023 compared to FPE 2022) of this Prospectus for further details.

The decreased cost of sales for FPE 2023 was mainly due to decreased purchases of construction materials i.e., cables, mainly for the 3 major projects. Please refer to Section 12.3.2(iii) (Commentary on cost of sales - FPE 2023 compared to FPE 2022) of this Prospectus for further details.

The above resulted in a lower PBT for our Group. The PBT which was further impacted by the increased:

- *the trade receivables turnover period (whereby our Group experienced slower collections from our customers, due to longer time needed to process the claim-back of purchased cables and installation services from TNB/ project owner through our Group's customers); and*

- *trade payables turnover period (whereby our Group endeavoured to pay our contractors/ suppliers, notwithstanding the slow collections from our customers),*

have been reflected in the net cash for operating activities of RM15.50 million (FYE 2022: Net cash from operating activities of RM10.24 million).

The trade receivables turnover period depicts the average number of days a company takes to convert its trade receivables into cash for the respective year/ period. The trade payables turnover period depicts the average number of days a company takes to pay off its owed purchases to trade payables for the respective year/ period.

We note that there is a gap between our trade receivables turnover days (FYE 2021: 141 days, FYE 2022: 60 days and FPE 2023: 165 days) and our trade payables turnover days (FYE 2021: 110 days; FYE 2022: 40 days, and FPE 2023: 146 days). Such differences for FYE 2021, FYE 2022 and FPE 2023 arose mainly due to timing differences in our collections and payments during the said financial year and period, respectively.

We are of the view that such timing differences did not affect the sufficiency of our working capital as our working capital requirements were also financed by our cash and bank balances on hand at that time as well as via utilisation of our banking facilities. This is in line with the management of our working capital, as set out in the Section 12.5.1 of this Prospectus, whereby our Group's business is financed via a combination of internal and external sources of funds comprising cash generated from our Group's operations while external sources are banking facilities from financial institutions i.e., mainly bankers' acceptance, trade financing and bank overdraft.

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FYE 2021

For FYE 2021, our trade payables turnover period was shorter than our trade receivables turnover period. Our trade receivables turnover period increased by 58 days to 141 days while our trade payables turnover period decreased by 1 day to 110 days, for FYE 2021 compared to FYE 2020.

Nevertheless, our Group experienced an improved net cash from operating activities of RM2.11 million in FYE 2021 (FYE 2020: Net cash for operating activities of RM10.59 million). Our Group's net cash from operating activities was mainly attributable to collections from our customers (of RM98.38 million) which was higher than our payments to suppliers and for operating expenditure (of RM84.00 million). Please refer to the commentary for FYE 2021 in Section 12.5.2 of this Prospectus for further details.

Although our Group had net cash from operating activities of RM2.11 million for FYE 2021 (FYE 2020: Net cash for operating activities of RM10.59 million), our Group had net cash for financing activities of RM3.22 million mainly due to net repayments of banking facilities. As a result, our Group recorded a decrease in cash and cash equivalents of RM0.89 million to RM1.60 million as at 30 November 2021 (RM2.49 million as at 30 November 2020).

FYE 2022

For FYE 2022, our trade payables turnover period was shorter than our trade receivables turnover period. Notwithstanding that, our trade receivables turnover period decreased by 81 days to 60 days while our trade payables turnover period decreased by 70 days to 40 days, for FYE 2022 compared to FYE 2021.

The improvements in the said turnover periods were in line with the improved net cash from operating activities of RM10.24 million for FYE 2022 (FYE 2021: RM2.11 million). Our Group's net cash from operating activities was mainly attributable to collections from our customers (of RM216.12 million) which was higher than our payments to suppliers and for operating expenditure (of RM192.72 million). Please refer to the commentary for FYE 2022 in Section 12.5.2 of this Prospectus for further details.

As a result of the net cash from operating activities of RM10.24 million for FYE 2022 (FYE 2021: RM2.11 million), our Group recorded an increase in cash and cash equivalents of RM11.78 million to RM13.38 million as at 30 November 2022 (RM1.60 million as at 30 November 2021).

FPE 2023

For FPE 2023, our trade payables turnover period was shorter than our trade receivables turnover period. Our trade receivables turnover period increased by 105 days to 165 days while our trade payables turnover period increased by 106 days to 146 days, for FPE 2023 compared to FYE 2022.

The increase in the said turnover periods had resulted in net cash for operating activities of RM15.50 million for FPE 2023 as compared to net cash from operating activities of RM10.24 million for FYE 2022. Our Group's net cash for operating activities was mainly attributable to payments made to suppliers and subcontractors and for operating expenditure (of RM54.22 million) higher than our collections from our customers (of RM44.95 million). Please refer to the commentary for FPE 2023 in Section 12.5.2 of this Prospectus for further details.

As a result of the net cash for operating activities of RM15.50 million for FPE 2023, our Group recorded a decrease in cash and cash equivalents of RM12.02 million to RM1.36 million as at 31 May 2023 (RM13.38 million as at 30 November 2022).

Based on our audited combined statement of financial position as at 31 May 2023, our Group had cash and bank balances of RM2.48 million and total borrowings of RM32.55 million. As at the LPD, our Group recorded cash and bank balances of approximately RM21.71 million and unutilised banking facilities of approximately RM27.16 million.

Premised on the above, there is sufficient working capital for our operations.

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12.6.1 Trade receivables

Our Group's trade receivable ageing analysis as at 31 May 2023 is as follows:

	Within credit period	Exceeding credit period (past due days)				Total
		1 – 30	31 – 60	61 – 90	Over 90	
Trade receivables as at 31 May 2023^ (RM'000)	42,692	4,639	8,641	7,774	15,354	79,100
Less: Retention sum	(35,709)	-	-	-	-	(35,709)
Less: Allowance for impairment losses	(251)	(45)	(140)	(141)	(803)	(1,380)
Net trade receivables as at 31 May 2023 (RM'000)	6,732	4,594	8,501	(1)7,633	(1)14,551	42,011
Proportion of total trade receivables (%)	16.02	10.94	20.24	18.17	34.63	100.00
Subsequent collections up to the LPD (RM'000)	6,676	4,594	8,501	7,633	14,551	41,955
Net trade receivables after subsequent collections (RM'000)	56	-	-	-	-	56
Proportion of trade receivables after subsequent collections (%)	100.00	-	-	-	-	100.00

Notes:

^ *Being gross trade receivables of RM77.88 million and amount owing by related parties (trade in nature) of RM1.22 million as at 31 May 2023.*

(1) Collectively, amount owing by 3 of our major customers (namely Worktime Engineering, CD Electrical and YM Teras) for more than 60 days was RM20.94 million or 94.39% of net trade receivables for more than 60 days as at 31 May 2023.

All our Group's trade receivables are classified as current assets. The normal credit terms granted by our Group ranged from 30 days to 60 days from the date of invoice. Our Group managed the credit risk through credit limit and credit monitoring procedures. Our credit terms to customers are assessed and approved on an individual customer basis taking into consideration various factors such as relationship with the customer, payment history and customer's creditworthiness.

We use ageing analysis to monitor the credit quality of our trade receivables. In addition, our management assesses our trade receivables individually as to their aging condition and collectability. Among the factors considered in determining whether to provide for impairment losses include, whether there is continuing or on-going projects/ works, subsequent collections, any past provisions and/ or impairments made and/ or letter(s) of demand issued as well as the current industry and economic conditions. Our management may take necessary actions which include entering into negotiations with the relevant parties to recover the amounts that are long outstanding or in dispute, if any.

Our trade receivables turnover periods for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 were 83 days, 141 days, 60 days and 165 days, respectively.

Our Group's trade receivables turnover period stood at 83 days in FYE 2020, mainly due to our Group's customers taking longer time to make payments during the COVID-19 pandemic period. Further, the additional amounts outstanding from our Group's major customers also contributed to the higher trade receivables turnover period in FYE 2020.

Our Group's trade receivables turnover period further increased to 141 days in FYE 2021, despite the reopening of the economy following the COVID-19 pandemic as our Group's customers faced tight cash flows in settling their outstanding balances to our Group.

Our Group's trade receivables turnover period decreased from 141 days in FYE 2021 to 60 days in FYE 2022 due to collections from our customers mainly for Farlim Project and Danga Bay Project as well as our Group's efforts to follow up closely on collections.

Our Group's trade receivables turnover period increased from 60 days in FYE 2022 to 165 days in FPE 2023 due to slower collections from 3 major customers (for Menara Warisan Project, Farlim Project and Danga Bay Project, being projects above 132kV and transmission related projects) because of the longer time needed to process the claim-back of purchased cables and installation services from TNB/ project owner through our customers. Generally, TNB supplies the cables for projects below 132kV. Cables for projects above 132kV would be purchased and supplied by our Group. Our Group undertakes various measures including but not limited to closely following up with the customers by sending monthly debtors' statement and payment reminders to them to accelerate incoming collections.

As at the LPD, RM41.96 million or 99.87% of our Group's total net trade receivables outstanding as at 31 May 2023 have been collected while RM0.06 million or 0.13% of the total net trade receivables remain outstanding.

As at the LPD, RM4.25 million or 11.90% of our Group's total retention sum as at 31 May 2023 has been collected as there were fewer contracts completed during the FPE 2023, i.e., 65 contracts completed in FPE 2023 as compared to 77 contracts completed in FYE 2022. Our Group's retention sum for the Financial Years and Period Under Review are as follows:

	Audited			
	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FPE 2023 RM'000
Retention sum	20,942	21,005	33,780	35,709

Our Group's management closely monitors the recoverability of the overdue trade receivables on a regular basis, and when appropriate, provides for specific/ individual impairment of these trade receivables. The Board is of the view that the remaining trade receivables are recoverable and save for those impairments made during the Financial Years and Period Under Review, there is no further provision for impairment required after taking into consideration our Group's relationships with our customers as well as efforts made to improve collections with various credit control measures to reduce the potential exposure on credit risk. The collection recovery cases are reviewed and discussed by the credit control committee which is chaired by an Executive Director, and attended by the CFO and project team on a bi-weekly basis. Among the efforts executed by the credit control committee include discussing recovery measures taken on long outstanding debts, conducting meetings with the debtors and implementing stricter project commencement requirements i.e., upon certain long outstanding debts owing by customers being settled before progressing to the next stage of works.

12.6.2 Trade payables

Our Group's trade payables ageing analysis as at 31 May 2023 is as follows:

	Within credit period	Exceeding credit period (past due days)				Total
		1 – 30	31 – 60	61 – 90	Over 90	
Trade payables as at 31 May 2023^ (RM'000)	9,474	1,328	1,772	1,255	18,032	31,861
Less: Retention sum	(4,223)	-	-	-	-	(4,223)
Net trade payables as at 31 May 2023 (RM'000)	5,251	1,328	1,772	1,255	18,032	27,638
Proportion of total trade payables (%)	19.00	4.81	6.41	4.54	65.24	100.00
Subsequent payment up to the LPD (RM'000)	3,982	1,328	1,587	1,147	8,900	16,944
Net trade payables after subsequent payment as at LPD (RM'000)	1,269	-	185	108	9,132	10,694
Proportion of trade payables after subsequent payment as at LPD (%)	11.87	-	1.73	1.01	85.39	100.00

Note:

^ *Including gross trade payables of RM31.29 million and amount owing to related parties (trade in nature) of RM0.57 million as at 31 May 2023.*

All our Group's trade payables are classified as current liabilities. The normal credit terms granted by our subcontractors/ suppliers ranged from 30 days to 60 days which are dependent on the mix of suppliers and subcontractors due to the type of supplies or services procured.

Our trade payables turnover period for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 were 111 days, 110 days, 40 days and 146 days, respectively. The longer payment periods for FYE 2020, FYE 2021 and FPE 2023 were due to steps taken by our Group to manage our working capital requirements after taking into consideration, amongst others, collections from our customers particularly for FYE 2020, FYE 2021 and FPE 2023 as well as the established relationships that we have with our subcontractors and suppliers.

Our Group's trade payables turnover period stood at 111 days in FYE 2020 mainly due to slow collections from trade receivables namely Worktime Engineering and CD Electrical which in turn, resulted in delays in payments to subcontractors and suppliers.

In FYE 2021, our Group's trade payables turnover period improved to 110 days arising from lower amount owing to related parties as at FYE 2021.

In FYE 2022, our Group's trade payables turnover period improved to 40 days due to our Group's efforts to make timely payments to nurture the relationships in line with the gradual economic recovery following the COVID-19 pandemic.

In FPE 2023, our Group's trade payables turnover period increased to 146 days due to slow collections from trade receivables namely Worktime Engineering, CD Electrical and YM Teras which in turn, resulted in the delays in payments to suppliers (mainly to Power Cables Malaysia for the purchases of cables) and subcontractors.

Certain payables had exceeded the credit period, as our Group's suppliers allowed a longer period for payment in view of our Group's established relationships with them, our Group's payment history and our Group's credentials. Our Group has not encountered any issue with our suppliers and subcontractors notwithstanding the slower payments.

As at the LPD, RM16.94 million or 61.31% of our total net trade payables outstanding as at 31 May 2023 has been paid. RM7.54 million out of the remaining outstanding trade payables more than 90 days of RM9.13 million is due to Power Cables Malaysia. We are making progressive payments as agreed with Power Cables Malaysia, in view of the established relationship and the quantum of our purchases. Our Group's purchases from Power Cables Malaysia for the Financial Years and Period Under Review were FYE 2020: RM25.26 million, FYE 2021: RM24.47 million, FYE 2022: RM118.41 million and FPE 2023: RM16.79 million.

We manage our cash balances by leveraging on the credit periods granted or any extensions accorded to us by our suppliers and sub-contractors. We make payments to the suppliers and/ or sub-contractors after taking into consideration the progress the project and collections from trade receivables.

As at the LPD, RM2.56 million or 60.66% of our Group's total retention sum as at 31 May 2023 have been paid. There was no dispute with respect to trade payables balances, as well as no legal action initiated by any of our suppliers and/ or subcontractors to demand for payment for FYE 2020 to FPE 2023 and up to the LPD.

12.6.3 Inventories turnover

Our inventories mainly consist of cables and concrete slabs. Inventories are purchased based on each project's schedule, with timing of delivery just prior to or during cable laying works.

Our Group's inventory turnover days varied for the Financial Years and Period Under Review according to our project requirements. The inventory turnover days increased from 18 days for FYE 2020 to 23 days for FYE 2021 and subsequently decreased to less than 1 day for FYE 2022. For FPE 2023, the inventory turnover days increased to 4 days.

For FYE 2020, our inventories turnover period increased to 18 days due to the higher purchases of power cables towards the end of the financial year. The high inventories balance of RM4.33 million was mainly due to goods-in-transit of RM3.55 million for Menara Warisan Project (contract awarded by CD Electrical).

For FYE 2021, the inventories turnover period increased to 23 days due to higher average inventories from the high opening inventories balance from the Menara Warisan Project.

For FYE 2022, the inventories turnover period decreased to less than 1 day mainly due to lower average inventories from the lower closing balance as at 30 November 2022 as most of the cables were delivered to our project sites (i.e., (i) Farlim Project and (ii) Danga Bay Project) to meet our project requirements and schedule. Notwithstanding the increased purchases of cables, the cables have been utilised for the projects in accordance with the respective project schedules thus resulting in the decreased inventories turnover period.

For FPE 2023, our inventories turnover period increased to 4 days due to unutilised inventories such as earth cable, joints and pipes from previous projects which can be used for other projects.

Our project department conducts a weekly internal meeting to, among others, review our inventory level and inventory ageing. Approval is required from our directors/ senior management for procurement of inventories, and any impairment on slow moving inventories.

12.6.4 Current ratio

The table below sets forth a summary of our Group's current ratio for the Financial Years and Period Under Review:

	As at 30 November			As at 31 May
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current assets	78,822	69,879	102,026	92,021
Current liabilities	62,952	46,449	71,123	58,948
Net current assets	15,870	23,430	30,903	33,073
Current ratio (times)(1)	1.25	1.50	1.43	1.56

Note:

(1) Current ratio is calculated based on current assets over current liabilities.

As at 30 November 2021, our Group's current ratio was 1.50 times, which was higher compared to 1.25 times as at 30 November 2020, mainly due to lower trade payables as at 30 November 2021 of RM20.13 million as compared to RM35.67 million as at 30 November 2020.

As at 30 November 2022, our Group's current ratio was 1.43 times, which was lower compared to 1.50 times as at 30 November 2021, mainly due to:

- higher trade payables as at 30 November 2022 of RM35.56 million as compared to RM20.13 million as at 30 November 2021, arising mainly from amount owing to Power Cables Malaysia of RM15.97 million; and

- higher trade financing as at 30 November 2022 of RM11.11 million as compared to RM4.23 million as at 30 November 2021, mainly due to higher utilisation for working capital purposes.

As at 31 May 2023, our Group's current ratio was 1.56 times, which was higher compared to 1.43 times as at 30 November 2022, mainly due to lower other payables and accruals as at 31 May 2023 of RM2.36 million as compared to RM16.80 million as at 30 November 2022 following subsequent payments made to suppliers and subcontractors.

Overall, our current ratio was more than 1 time (i.e., our current assets were in excess of our current liabilities) during the Financial Years and Period Under Review. This indicates that our Group's capability in meeting our current obligations as our current assets such as inventories and trade receivables, which can be readily converted to cash, together with our cash and bank balances are sufficient to meet immediate current liabilities.

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12.6.5 Gearing ratio

The table below sets forth a summary of our Group's gearing ratio for the Financial Years and Period Under Review:

		As at 30 November			As at 31 May
		2020	2021	2022	2023
		RM'000	RM'000	RM'000	RM'000
Total borrowings and indebtedness					
Lease liabilities		783	1,076	2,103	1,624
Term loans		8,002	8,018	7,822	7,713
Banker's acceptances		7,470	6,076	5,580	7,658
Trade financing		4,626	4,234	11,112	14,428
Bank overdraft		-	786	429	1,130
Total	[A]	20,881	20,190	27,046	32,553
Total equity	[B]	18,716	25,954	35,086	37,177
Gearing ratio (times)	[A] / [B]	1.12	0.78	0.77	0.88

As at 30 November 2021, our Group's gearing ratio was 0.78 times, which was lower compared to 1.12 times as at 30 November 2020, mainly due to the increase in total equity as a result of higher retained earnings (30 November 2020: RM17.72 million; 30 November 2021: RM24.95 million) while total borrowings decreased marginally to RM20.19 million as at 30 November 2021 (30 November 2020: RM20.88 million).

As at 30 November 2022, our Group's gearing ratio was 0.77 times, which was lower compared to 0.78 times as at 30 November 2021, mainly due to the increase in total equity as a result of higher retained earnings (30 November 2021: RM24.95 million; 30 November 2022: RM34.09 million) despite the increase in total borrowings to RM27.05 million as at 30 November 2022 (30 November 2021: RM20.19 million). The proceeds from the borrowings were mainly used to finance our Group's working capital and support our on-going and new projects in FYE 2022.

As at 31 May 2023, our Group's gearing ratio was 0.88 times, which was higher compared to 0.77 times as at 30 November 2022, mainly due to the increase in total borrowings to RM32.55 million as at 31 May 2023 (30 November 2022: RM27.05 million) from higher drawdown of banker's acceptances and trade financing, despite the increase in total equity as a result of higher retained earnings (30 November 2022: RM34.09 million, 31 May 2023: RM36.18 million). The proceeds from the borrowings were mainly used to finance our Group's working capital and support our on-going and new projects in FPE 2023.

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, see Note 4 of the Accountants' Report as set out in Section 13 of this Prospectus. The Accountants' Report does not contain any audit qualification for the Financial Years and Period Under Review.

12.8 TREND ANALYSIS

As at LPD, our Board confirms that our operations have not been and are not expected to be affected by any of the following:

(i) known trends, demands, commitments, unusual or infrequent events or transactions, uncertainties or any significant economic changes that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position, operations, liquidity and capital resources, save as disclosed in Sections 7.2 to 7.4, 7.6, 9, 12.3 to 12.6 and 12.10 of this Prospectus;

(ii) material commitment for capital expenditure, as set out in Section 12.5.5 of this Prospectus;

(iii) known trends, demands, commitments or events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position, save as disclosed in Section 9.4.2 of this Prospectus; and

(iv) known 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 as set out in Sections 7.18 and 9.1.13 of this Prospectus.

Our Board is optimistic about the future prospects of our Group after taking into account the outlook of the power infrastructure utilities market in Malaysia as set out in Section 8 of this Prospectus, our competitive advantages and key strengths as set out in Section 7.4 of this Prospectus and our business strategies as set out in Section 7.24 of this Prospectus.

12.9 ORDER BOOK

Our business is principally in the provision of infrastructure utilities engineering solutions, where we usually secure contracts for underground utilities engineering projects.

Our Group's revenue are from letters of award and/ or work orders from our customers. Our Group's order book based on the value of letters of award and/ or work orders as at 31 May 2023 and the LPD is as follows:

Project details	As at 31 May 2023 (RM'000)	As at the LPD (RM'000)
Provision of underground and overhead utilities engineering services and solutions	268,470	232,769
Others:		
Provision of substation EPCC services	275	275
Trading of equipment for substations	-	-
Street Lighting Services	543	207
Total	**269,288**	**233,251**

Our Group's order book as at the LPD is expected to be realised[3] over the following financial years:

Project details	FYE 2023[1] (RM'000)	FYE 2024 (RM'000)	FYE 2025 (RM'000)
Provision of underground and overhead utilities engineering services and solutions[2]	25,839	165,392	41,538
Others:			
Provision of substation EPCC services	-	275	-
Trading of equipment for substations	-	-	-
Street Lighting Services	-	207	-
Total	**25,839**	**165,874**	**41,538**

Notes:

(1) For the period from 1 November 2023 to 30 November 2023.

(2) Although our projects may include maintenance work as part of the contract/ LOA's overall scope of works, the contracts/ LOAs do not specify as such.

(3) Subject to project progress and certification by our Group's customers.

This order book will be recognised progressively over the next 1 to 3 financial years based on the expected progress of each project. The order book attributable to Worktime Engineering, CD Electrical and YM Teras represent 28.07%, 54.61% and 7.99%, respectively of our Group's order book as at the LPD.

As at the LPD, our Group continues to participate in tenders as a main contractor as well as subcontractor for various underground utilities engineering projects. These projects, if awarded to our Group, will further increase our order book.

12.10 SIGNIFICANT FACTORS AFFECTING OUR GROUP'S OPERATIONS AND FINANCIAL PERFORMANCE

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

(i) Our historical financial performance may not be indicative of our future financial performance considering our business operations are predominantly project-based, and hence reflected in our revenue, profits and operating cash flows trend

Our business operations are predominantly project-based. Therefore, our revenue, profits and operating cash flows trend may be affected depending on the number, value, and stage of completion of each project that we undertake as well as types of projects we undertake (e.g., electricity distribution-related underground and overhead utilities engineering projects versus transmission-related underground utilities engineering projects). The financial performance of our Group also depends on our ability to secure new projects to sustain our order book.

In this regard, our Group takes into consideration, among others, our technical competencies, availability of resources (both operational and financial), timing of expected deliverables and expected profit margins prior to tendering and undertaking the projects.

For transmission-related underground utilities engineering projects (i.e., 132kV and above projects) in particular, we need to procure cables and provide cable installation works, where cables form a substantial portion of the cost incurred for the period. Should we encounter time lags between receiving payments from customers and making payments to suppliers resulting in cash flow mismatches, our cash flows would be impacted. For FPE 2023, our Group had a net cash for operating activities of RM15.50 million, mainly attributable to the 2 major projects undertaken by our Group (i.e., Farlim Project and Danga Bay Project, being transmission-related projects) because of the longer time needed to process the claim-back of purchased cables and installation services from TNB/ project owner through our customers. This resulted in a net decrease in cash and cash equivalents of RM12.02 million for the FPE 31 May 2023.

Please refer to the risk factor in Section 9.1.1 of this Prospectus for further details.

(ii) Our Group is dependent on major customers

Our Group's top 3 customers for the FYE 2020 to FYE 2022 and FPE 2023 were Worktime Engineering, CD Electrical and YM Teras, both being TNB-approved main contractors for underground power utilities construction. Collectively, Worktime Engineering, CD Electrical and YM Teras contributed to 98.27%, 93.73%, 97.47% and 94.34% of our Group's revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

Please refer to the risk factor in Section 9.1.2 of this Prospectus for further details.

While our Group expects our major customers to continue contributing significantly to our Group's revenue in the future, our Group also intends to leverage on our current capabilities to progressively assume the role of main contractor (which includes tendering for projects directly with TNB), as set out in Section 7.24.1 of this Prospectus.

(iii) Our Group is subject to the credit risk of our customers

As set out in Section 12.6.1 of this Prospectus, our Group experienced increased trade receivables turnover periods for FYE 2020 and FYE 2021 during the COVID-19 pandemic period, due to our customers taking a longer time to make payments. This in turn, had an impact on our operating cash flows in particular for FYE 2020 where we recorded a net cash for operating activities position of RM10.59 million. As set out in Section 12.5.2 – FYE 2020: Net cash for operating activities, the said cash position was mainly attributed to the increase in trade and other receivables by RM34.00 million. Nevertheless, our Group's operating cash flow position improved to a net cash from operating activities of RM2.11 million in FYE 2021 and RM10.24 million in FYE 2022 due to our Group's efforts to follow up closely on collections. In FPE 2023, our trade receivables took a longer time to make payments to us (as our customers needed more time to process the claim-back of purchased cables and installation services from TNB/ project owner) and our Group placed more reliance on its available working capital and banking facilities for its operations. Our Group also experienced a net cash used for operating activities of RM15.50 million. Nonetheless, as at LPD, our Group recorded cash and bank balances of approximately RM21.71 million and unutilised banking facilities of approximately RM27.16 million. As such, our Group views that there is adequate working capital to meet our present and foreseeable requirements.

Please also refer to the risk factor in Section 9.1.3 of this Prospectus for further details.

(iv) Our Group is subject to regulatory requirements for our business operations

We have obtained the required certificates of registration and licenses as set out in Section 7.12 of this Prospectus and are in compliance with the relevant governing laws and regulations as set out in Section 7.22 of this Prospectus, to carry out our operations as well as to progressively assume the role of main contractor (which includes tendering for projects directly with TNB).

Please refer to the risk factor in Section 9.1.4 of this Prospectus for further details.

(v) Our Group is dependent on a major supplier

Power Cables Malaysia contributed to approximately 30.33%, 33.45%, 58.71% and 57.80% of our Group's purchases for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

Please refer to the risk factor in Section 9.1.6 of this Prospectus for further details.

Power Cables Malaysia is a supplier nominated by TNB to supply 132kV cables. Our purchases of cables from Power Cables Malaysia have increased across the Financial Years and Period Under Review, arising from the good business relationship that our Group has established with the company and timely supply of cables that meet our Group's requirements at competitive rates.

Nevertheless, it is our Group's practice to approach and obtain quotations from all the cable suppliers nominated by TNB. Our Group will then purchase the cables from the supplier who is able to meet the project requirements i.e., delivery schedule and supply cables at competitive rates.

(vi) Impact of inflation

Our financial performances for the Financial Years and Period Under Review were not materially affected by the impact of inflation. However, there can be no assurance that future inflation will not have an impact on our business and financial performance.

(vii) Impact of interest rates

For the Financial Years and Period Under Review, our financial performance was not materially affected by the fluctuations of interest rates. Please refer to Note 39.1(a)(ii) in the Accountants' Report set out in Section 13 of this Prospectus for sensitivity analysis on our PAT to changes in interest rates.

(viii) Impact of Government, economic, fiscal and monetary policies

Our Group's business is subject to the risks relating to Government, economic, fiscal or monetary policies. Any unfavourable changes in the Government's policies, changes in the economic conditions or fiscal or monetary policies may materially affect our operations in Malaysia. Further details are set out in Section 9.2.3 of this Prospectus.

During the Financial Years and Period Under Review, we have not experienced any adverse political, regulatory or economic developments that have had a direct impact on our business operations, financial performance and prospects of our Group save for the impact of the COVID-19 pandemic as disclosed in Section 7.18 of this Prospectus.

12.11 SIGNIFICANT CHANGES

On 17 August 2023, JTHSB entered into a conditional SPA with BHSB for the Disposal of Property. On 5 October 2023, the conditions precedent as stated in the SPA have been complied. The Disposal of Property is pending completion. Our Group intends to utilise the Disposal Consideration to settle the outstanding term loans associated with this property, payment of expenses and real property gains tax arising from this disposal, as fixed deposit to be pledged with a licensed bank as additional securities for banking facilities to finance the general working capital of our Group and the remaining balance for general working capital purposes such as payment to suppliers and subcontractors.

Save as disclosed above, there are no significant changes that have occurred which may have a material effect on the financial position and results of our Group subsequent to the FPE 2023 and up to the LPD.

12.12 DIVIDEND POLICY

It is our Board's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. However, our ability to pay dividends or make other distributions to our shareholders in the future years is subject to various factors such as having profits and excess funds, which are not required to be retained to fund our business.

Save for compliance with the solvency requirement under the Act, there are no legal, financial, or economic restrictions on the ability of our existing subsidiary to transfer funds in the form of cash dividends, loans or advances to us.

Our Board will consider the following factors (which may not be exhaustive) when recommending dividends for approval by our shareholders or when declaring any interim dividends:

(i) the level of cash and level of indebtedness;
(ii) required and expected interest expense, cash flows, profits, return on equity and retained earnings;
(iii) our expected results of operations and future level of operations; and
(iv) our projected levels of capital expenditure and other investment plans.

The payment and amount of any dividends or distributions to our shareholders will be at the discretion of our Board and will depend on factors stated above (which may not be exhaustive). There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

Subject to the Act, our Company, in general meeting, may from time to time approve a dividend or other distribution. However, no dividend or distribution shall be declared in excess of the amount recommended by our Board. Further, under the Act, our Company may not declare or pay dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(i) our Company is, or would after the payment, be unable to pay its liabilities as they become due; or

(ii) the realisable value of our Company's assets would thereby be less than its liabilities.

Our Group did not declare or pay any dividends during the Financial Years and Period Under Review and up to the LPD.

Subsequent to the FPE 2023 and up to the LPD, no dividend has been declared, made or paid by our Group to our shareholders. Our Company does not intend to declare any dividend prior to our Listing.

Our Board intends to recommend and distribute dividends of up to 20% of our net profits attributable to our shareholders upon completion of our Listing. However, it is not a legally binding obligation/ guaranteed commitment to shareholders.

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

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Crowe

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Chartered Accountants

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Date: 0 9 NOV 2023

The Board of Directors
Jati Tinggi Group Berhad
No. 23 & 25 Jalan Temenggung 13/9,
Bandar Mahkota Cheras,
Seksyen 9,
43200 Cheras, Selangor.

Dear Sirs

REPORTING ACCOUNTANTS' OPINION ON THE FINANCIAL INFORMATION CONTAINED IN THE ACCOUNTANTS' REPORT OF JATI TINGGI GROUP BERHAD. ("JTGB")

OPINION

We have audited the financial information contained in the Accountants' Report of Jati Tinggi Group Berhad and its combined entities (collectively known as the "Group"), which comprises the combined statements of financial position as at 30 November 2020, 2021, 2022 and 31 May 2023 and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the financial years ended ("FYE") 30 November 2020, 2021 and 2022 and for the financial period ended ("FPE") 31 May 2023, and notes to the combined financial statements, including a summary of significant accounting policies as set out on pages 4 to 122.

The historical financial information has been prepared for inclusion in the prospectus of Jati Tinggi Group Berhad in connection with the initial public offering and listing of Jati Tinggi Group Berhad on the ACE Market of Bursa Malaysia Securities Berhad ("the Listing"). This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia (the "Prospectus Guidelines") and is given for the purpose of complying with Paragraph 10.03 of Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines and for no other purpose.

In our opinion, the financial information gives a true and fair view of the financial position of the Group as at 30 November 2020, 2021 and 2022 and of their financial performance and their cash flows for the FYE 30 November 2020, 2021 and 2022 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and of their financial position as at 31 May 2023 and of its financial performance and its cash flows for the FPE 31 May 2023 in accordance with MFRS 134 "Interim Financial Reporting" and International Accounting Standards 34 "Interim Financial Reporting".

BASIS FOR OPINION

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

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Independence and Other Ethical Responsibilities

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL INFORMATION

The Directors of the Group are responsible for the preparation of the financial information of the Group that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial information that are free from material misstatement, whether due to fraud or error.

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

REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL INFORMATION

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL INFORMATION (CONT'D)

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial information of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of this report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial information of the Group, including the disclosures, and whether the financial information of the Group represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial information of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

OTHER MATTER

The significant events during and after the end of the FPE 31 May 2023 have been disclosed in Note 39 to the combined financial statements.

RESTRICTION ON DISTRIBUTION AND USE

This report is made solely to the Group for inclusion in the prospectus of Jati Tinggi Group Berhad in connection with the listing of Jati Tinggi Group Berhad on the ACE Market of Bursa Malaysia Securities Berhad and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Malaysia PLT

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Chong Wei-Chnoong
03525/08/2024 J
Chartered Accountant

Kuala Lumpur

JATI TINGGI GROUP BERHAD

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	Audited 30.11.2020 RM	Audited 30.11.2021 RM	Audited 30.11.2022 RM	Audited 31.5.2022 RM	Audited 31.5.2023 RM
ASSETS						
NON-CURRENT ASSETS						
Plant and equipment	5	1,292,574	1,172,269	2,406,852	2,001,399	2,172,651
Investment property	6	8,564,624	8,449,678	8,334,732	8,392,205	8,277,259
Right-of-use assets	7	550,052	1,056,467	1,993,808	1,141,157	1,524,822
Intangible assets	8	529,719	399,992	270,265	335,128	205,401
		10,936,969	11,078,406	13,005,657	11,869,889	12,180,133
CURRENT ASSETS						
Inventories	9	4,328,277	372,993	18,570	1,970,832	408,538
Trade receivables	10	57,137,099	55,174,960	74,344,616	50,144,428	76,503,141
Other receivables, deposits, and prepayments	11	7,264,557	8,103,641	9,162,685	16,917,188	7,815,952
Contract assets	12	718,836	-	-	-	-
Amount owing by related parties	13	4,399,554	1,624,145	1,216,877	1,175,196	1,216,877
Fixed deposits with licensed banks	14	2,684,526	2,441,911	3,487,176	3,667,576	3,599,749
Cash and bank balances		2,289,445	2,160,694	13,795,721	3,419,401	2,476,441
		78,822,294	69,878,344	102,025,645	77,294,621	92,020,698
TOTAL ASSETS		89,759,263	80,956,750	115,031,302	89,164,510	104,200,831

JATI TINGGI GROUP BERHAD

COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	Audited 30.11.2020 RM	Audited 30.11.2021 RM	Audited 30.11.2022 RM	Audited 31.5.2022 RM	Audited 31.5.2023 RM
EQUITY AND LIABILITIES						
EQUITY						
Share capital	15(a)	-	-	50	-	50
Invested capital	15(b)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Retained profits		17,715,681	24,954,433	34,086,140	32,042,825	36,176,808
TOTAL EQUITY		18,715,681	25,954,433	35,086,190	33,042,825	37,176,858
NON-CURRENT LIABILITIES						
Lease liabilities	16	318,477	764,096	1,135,648	770,683	666,120
Term loans	17	7,772,844	7,789,565	7,688,547	7,672,117	7,410,259
Deferred tax liabilities	18	-	-	-	-	-
		8,091,321	8,553,661	8,824,195	8,442,800	8,076,379

JATI TINGGI GROUP BERHAD

COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	Audited 30.11.2020 RM	Audited 30.11.2021 RM	Audited 30.11.2022 RM	Audited 31.5.2022 RM	Audited 31.5.2023 RM
CURRENT LIABILITIES						
Trade payables	19	35,665,387	20,127,861	35,559,704	29,932,209	31,288,184
Other payables and accruals	20	9,641,270	12,663,504	16,800,350	7,525,427	2,363,059
Amount owing to related parties	13	3,008,953	574,948	185,693	710,386	572,964
Amount owing to directors	21	-	10,257	-	-	-
Lease liabilities	16	464,686	311,552	968,033	360,248	957,821
Term loans	17	229,205	228,494	134,027	233,703	302,648
Banker's acceptances	22	7,470,000	6,076,000	5,580,000	4,600,000	7,658,000
Trade financing	23	4,626,092	4,233,899	11,111,415	3,429,923	14,428,084
Bank overdraft	24	-	786,086	428,987	-	1,130,188
Current tax liabilities		1,846,668	1,436,055	352,708	886,989	246,646
		62,952,261	46,448,656	71,120,917	47,678,885	58,947,594
TOTAL LIABILITIES		71,043,582	55,002,317	79,945,112	56,121,685	67,023,973
TOTAL EQUITY AND LIABILITIES		89,759,263	80,956,750	115,031,302	89,164,510	104,200,831

JATI TINGGI GROUP BERHAD

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Audited 1.12.2019 to 30.11.2020 RM	Audited 1.12.2020 to 30.11.2021 RM	Audited 1.12.2021 to 30.11.2022 RM	Audited 1.12.2021 to 31.5.2022 RM	Audited 1.12.2022 to 31.5.2023 RM
CONTINUING OPERATIONS						
REVENUE	25	112,665,551	96,413,197	234,611,763	105,591,833	46,002,910
COST OF SALES		(92,807,936)	(82,719,070)	(217,212,393)	(95,250,758)	(36,616,729)
GROSS PROFIT		19,857,615	13,694,127	17,399,370	10,341,075	9,386,181
OTHER INCOME		1,355,190	1,609,743	2,697,962	1,077,203	418,574
ADMINISTRATIVE EXPENSES		(6,360,825)	(5,671,650)	(8,921,992)	(3,860,179)	(4,336,005)
OTHER EXPENSES		(1,686,073)	(713,440)	(709,829)	(364,442)	(399,867)
FINANCE COSTS		(1,050,815)	(959,543)	(1,412,240)	(619,201)	(1,211,505)
NET IMPAIRMENT (LOSS)/GAIN ON FINANCIAL ASSETS	26	(1,395,117)	1,816,770	2,159,304	1,768,804	(625,483)
PROFIT BEFORE TAXATION	27	10,719,975	9,776,007	11,212,575	8,343,260	3,231,895
INCOME TAX EXPENSE	28	(3,077,795)	(2,537,255)	(2,080,868)	(1,254,868)	(1,141,227)
PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS		7,642,180	7,238,752	9,131,707	7,088,392	2,090,668

JATI TINGGI GROUP BERHAD

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

	Note	Audited 1.12.2019 to 30.11.2020 RM	Audited 1.12.2020 to 30.11.2021 RM	Audited 1.12.2021 to 30.11.2022 RM	Audited 1.12.2021 to 31.5.2022 RM	Audited 1.12.2022 to 31.5.2023 RM
DISCONTINUED OPERATIONS						
PROFIT AFTER TAXATION FROM DISCONTINUED OPERATIONS	29	11,138	-	-	-	-
PROFIT AFTER TAXATION		7,653,318	7,238,752	9,131,707	7,088,392	2,090,668
OTHER COMPREHENSIVE INCOME		-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR/PERIOD		7,653,318	7,238,752	9,131,707	7,088,392	2,090,668
PROFIT AFTER TAXATION/ TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:						
Owners of the Company		7,653,318	7,238,752	9,131,707	7,088,392	2,090,668
EARNINGS PER SHARE (SEN)	30					
Basic and diluted:						
- continuing operations		764.22	723.88	912.44	708.84	208.90
- discontinued operations		1.11	-	-	-	-

JATI TINGGI GROUP BERHAD

COMBINED STATEMENTS OF CHANGES IN EQUITY

Audited	**Note**	**Share Capital** RM	**Invested Capital** RM	**Retained Profits** RM	**Total Equity** RM
Balance at 1.12.2019		-	1,000,000	10,062,363	11,062,363
Profit after taxation/Total comprehensive income for the financial year		-	-	7,653,318	7,653,318
Balance at 30.11.2020/1.12.2020		-	1,000,000	17,715,681	18,715,681
Profit after taxation/Total comprehensive income for the financial year		-	-	7,238,752	7,238,752
Balance at 30.11.2021/1.12.2021		-	1,000,000	24,954,433	25,954,433
Profit after taxation/Total comprehensive income for the financial year		-	-	9,131,707	9,131,707
Contribution by and distributions to the owner of the Company:-					
- Incorporation of the Company	15(a)	50	-	-	50
Balance at 30.11.2022		50	1,000,000	34,086,140	35,086,190

JATI TINGGI GROUP BERHAD

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

Audited	**Share Capital** RM	**Invested Capital** RM	**Retained Profits** RM	**Total Equity** RM
Balance at 1.12.2022	50	1,000,000	34,086,140	35,086,190
Profit after taxation/Total comprehensive income for the financial period	-	-	2,090,668	2,090,668
Balance at 31.5.2023	50	1,000,000	36,176,808	37,176,858

Audited	**Share Capital** RM	**Invested Capital** RM	**Retained Profits** RM	**Total Equity** RM
Balance at 1.12.2021	-	1,000,000	24,954,433	25,954,433
Profit after taxation/Total comprehensive income for the financial period	-	-	7,088,392	7,088,392
Balance at 31.5.2022	-	1,000,000	32,042,825	33,042,825

JATI TINGGI GROUP BERHAD

COMBINED STATEMENTS OF CASH FLOWS

	Audited 1.12.2019 to 30.11.2020 RM	Audited 1.12.2020 to 30.11.2021 RM	Audited 1.12.2021 to 30.11.2022 RM	Audited 1.12.2021 to 31.5.2022 RM	Audited 1.12.2022 to 31.5.2023 RM
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES					
Profit before taxation:					
- continuing operations	10,719,975	9,776,007	11,212,575	8,343,260	3,231,895
- discontinued operations	11,138	-	-	-	-
Adjustments for:-					
Amortisation of intangible assets	118,916	129,727	129,727	64,864	64,864
Bad debts written off	924,668	-	-	-	-
Depreciation:					
- investment property	114,952	114,946	114,946	57,473	57,473
- plant and equipment	279,241	328,408	437,122	196,341	263,613
- right-of-use assets	409,857	344,544	467,099	179,697	468,986
Impairment loss on:					
- trade receivables	1,140,634	-	-	-	625,483
- other receivables	62,619	-	-	-	-
- related parties	191,864	25,065	-	25,366	-
Interest expense	1,050,815	959,543	1,412,240	619,201	1,211,505
Plant and equipment written off	311	-	2	-	-
Reversal of impairment loss on:					
- trade receivables	-	(946,026)	(2,080,842)	(1,739,751)	-
- other receivables	-	(8,200)	(54,419)	(54,419)	-
- related parties	-	(887,609)	(24,043)	-	-
BALANCE CARRIED FORWARD	15,024,990	9,836,405	11,614,407	7,692,032	5,923,819

JATI TINGGI GROUP BERHAD

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	Audited 1.12.2019 to 30.11.2020 RM	Audited 1.12.2020 to 30.11.2021 RM	Audited 1.12.2021 to 30.11.2022 RM	Audited 1.12.2021 to 31.5.2022 RM	Audited 1.12.2022 to 31.5.2023 RM
BALANCE BROUGHT FORWARD	15,024,990	9,836,405	11,614,407	7,692,032	5,923,819
Gain on disposal of plant and equipment	(30,999)	(19,611)	(270)	(207)	-
Gain on lease modification	-	(16,480)	(2,183)	-	-
Gain on disposal of a subsidiary	(7,474)	-	-	-	-
Gain on disposal of an associate	(112,500)	-	-	-	-
Interest income	(267,380)	(187,650)	(79,970)	(44,190)	(24,968)
Share of results of equity accounted associate	105,507	-	-	-	-
Operating profit before working capital changes	14,712,144	9,612,664	11,531,984	7,647,635	5,898,851
(Increase)/Decrease in inventories	(3,656,816)	3,955,284	354,423	(1,597,839)	(389,968)
(Increase)/Decrease in trade and other receivables	(34,003,666)	2,077,281	(18,093,439)	(1,988,845)	(1,437,275)
Decrease in contract assets	3,504,568	718,836	-	-	-
Increase/(Decrease) in trade and other payables	11,619,032	(12,515,292)	19,568,689	4,666,271	(18,708,811)
(Increase)/Decrease in amounts owing by/(to) related parties	(1,172,374)	1,203,948	42,056	559,021	387,271
CASH (FOR)/FROM OPERATIONS	(8,997,112)	5,052,721	13,403,713	9,286,243	(14,249,932)
Income tax paid	(1,594,484)	(2,947,868)	(3,164,215)	(1,803,934)	(1,247,289)
NET CASH (FOR)/FROM OPERATING ACTIVITIES	(10,591,596)	2,104,853	10,239,498	7,482,309	(15,497,221)

JATI TINGGI GROUP BERHAD

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	Note	Audited 1.12.2019 to 30.11.2020 RM	Audited 1.12.2020 to 30.11.2021 RM	Audited 1.12.2021 to 30.11.2022 RM	Audited 1.12.2021 to 31.5.2022 RM	Audited 1.12.2022 to 31.5.2023 RM
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES						
Interest received		267,380	187,650	79,970	44,190	24,968
Purchase of plant and equipment	31(a)	(333,131)	(208,959)	(1,547,833)	(1,025,664)	(29,412)
Addition of right-of-use assets	31(a)	11,320	(38,525)	(22,387)	(22,387)	-
Addition of intangible assets		(648,635)	-	-	-	-
Proceeds from disposal of plant and equipment		31,000	20,467	400	400	-
(Increase)/Decrease in pledged fixed deposits with licensed banks		(617,644)	262,585	(1,255,857)	(1,223,926)	(112,573)
Proceeds from disposal of an associate		112,500	-	-	-	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(1,177,210)	223,218	(2,745,707)	(2,227,387)	(117,017)

JATI TINGGI GROUP BERHAD

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	Note	Audited 1.12.2019 to 30.11.2020 RM	Audited 1.12.2020 to 30.11.2021 RM	Audited 1.12.2021 to 30.11.2022 RM	Audited 1.12.2021 to 31.5.2022 RM	Audited 1.12.2022 to 31.5.2023 RM
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES						
(Repayment to)/Advances from directors		(1,479,597)	10,257	(10,257)	(10,257)	-
Net drawdown/(repayment) of banker's acceptances	31(b)	3,753,000	(1,394,000)	(496,000)	(1,476,000)	2,078,000
Net drawdown/(repayment) of trade financing	31(b)	4,626,092	(392,193)	6,877,516	(803,976)	3,316,669
Drawdown of term loans	31(b)	28,399	175	-	25,028	-
Repayment of term loans	31(b)	(137,973)	(20,560)	(195,485)	(160,877)	(109,667)
Repayment of lease liabilities	31(b)	(362,914)	(503,469)	(475,841)	(186,717)	(479,740)
Proceeds from issuance of shares		-	-	50	-	-
Interest paid		(910,423)	(923,148)	(1,412,240)	(595,591)	(1,211,505)
NET CASH FROM/(FOR) FINANCING ACTIVITIES		5,516,584	(3,222,938)	4,287,743	(3,208,390)	3,593,757
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(6,252,222)	(894,867)	11,781,534	2,046,532	(12,020,481)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD		8,742,289	2,490,067	1,595,200	1,595,200	13,376,734
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	31(c)	2,490,067	1,595,200	13,376,734	3,641,732	1,356,253

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Jati Tinggi Group Sdn. Bhd. was incorporated in Malaysia on 21 December 2021, as a private limited liability company and is principally engaged in investment holding. The Company was subsequently converted to a public company limited by shares on 7 October 2022 and assumed the name Jati Tinggi Group Berhad ("JTGB"), to embark on the listing and quotation of its entire enlarged share capital on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The issued share capital of Jati Tinggi Group Berhad was RM50 comprising of 800 ordinary shares.

JTGB was incorporated for the purpose of acquiring the existing operating entity pursuant to the exercise as disclosed in Note 2(a) to the combined financial statements.

The information of the entities within the combined financial statements is as follows:-

(a) Jati Tinggi Holding Sdn. Bhd, ("JTHSB"), a wholly-owned subsidiary, was incorporated on 24 July 2003 in Malaysia, as a private limited liability company and is principally involved in the provision of underground and overhead utilities engineering services and solutions, substation engineering, procurement, construction and commissioning ("EPCC") and trading of equipment for substations.

(b) The registered office and principal place of business of JTGB and JTHSB are as follows:

Registered office	:	12th Floor, Menara Symphony, No. 5 Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan.
Principal place of business	:	No. 23 & 25, Jalan Temenggung 13/9, Seksyen 9, Bandar Mahkota Cheras, 43200 Cheras, Selangor Darul Ehsan.

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JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. LISTING SCHEME

In conjunction with, and as an integral part of the Listing, Jati Tinggi Group Berhad carried out the following:-

(a) Acquisition of JTHSB by Jati Tinggi Group Berhad ("the Acquisition")

On 26 September 2022, the Company entered into a conditional share sale agreement to acquire the entire issued share capital of JTHSB of RM1,000,000 comprising 1,000,000 ordinary shares ("JTHSB Shares") from Dato' Seri Lim Yeong Seong, Chin Jiunn Shyong and Lim Ming Hong ("JTHSB's Vendors", collectively) for a purchase consideration of RM26,000,000.

The said purchase consideration was fully satisfied by the issuance of 325,000,000 new ordinary shares in the Company ("Share(s)") at an issue price of RM0.08 per Share to JTHSB's Vendors and their nominee, as follows:

JTHSB's Vendors	No. of JTHSB Shares	Shareholdings in JTHSB %	Purchase Consideration RM	No. of Shares to be issued
Dato' Seri Lim Yeong Seong	600,000	60.00	15,600,000	75,000,000
Chin Jiunn Shyong	200,000	20.00	5,200,000	25,000,000
Lim Ming Hong	200,000	20.00	5,200,000	25,000,000
Broad River Capital Sdn. Bhd.*	-	-	-	200,000,000
	1,000,000	100.00	26,000,000	325,000,000

* Broad River Capital Sdn. Bhd. was incorporated in Malaysia on 4 August 2022, as a private limited liability company and is principally engaged in investment holding.

The issued share capital of Broad River Capital Sdn. Bhd. was RM50 comprising of 50 ordinary shares.

The purchase consideration of RM26,000,000 was arrived at on a willing-buyer willing-seller basis and after taking into account the audited net assets of JTHSB as at 30 November 2021 of RM25,954,433 representing a premium of RM45,467 or 0.18% to the said audited net assets.

The Acquisition of JTHSB was conditional upon, amongst others, the approval of Bursa Securities in relation to the admission of Jati Tinggi to the Official List and the listing of and quotation for its entire enlarged share capital comprising 391,800,800 Shares on the ACE Market of Bursa Securities.

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. LISTING SCHEME (CONT'D)

(b) Initial Public Offering ("IPO")

In conjunction with and as an intergral part of the listing of and quotation for the entire issued share capital of Jati Tinggi Group Berhad on the ACE Market of Bursa Securities ("Listing"), Jati Tinggi Group Berhad will implement the following:-

(i) Public Issue

The Public Issue of 66,800,000 new Shares ("Public Issue Shares"), representing approximately 17.06% of the enlarged total number of Shares of Jati Tinggi Group Berhad at an issue price of RM0.27 per Share allocated in the following manner:-

- 19,600,000 Public Issue Shares will be made available for application by the Malaysian Public by way of balloting;
- 10,000,000 Public Issue Shares will be made available for application by the eligible directors, employees and persons who have contributed to the success of the Group;
- 14,000,000 Public Issue Shares will be made available for application by way of private placement to selected Bumiputera investors approved by Ministry of Investment, Trade and Industry (formerly known as Ministry of International Trade and Industry) ("MITI"); and
- 23,200,000 Public Issue Shares will be made available for application by way of private placement to selected investors.

(ii) Offer for Sale

Concurrent with the Listing, the offer for sale of 35,000,000 Shares at the offer price, payable in full on application, will be made available by way of private placement to selected Bumiputera investors approved by MITI.

(iii) Listing

The admission of the listing of and quotation for the entire enlarged issued share capital of Jati Tinggi Group Berhad of RM44,036,050 comprising 391,800,800 Shares on the ACE Market of Bursa Securities.

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION

FYE 30 NOVEMBER 2020, 2021, 2022 AND FPE 31 MAY 2022, 2023

For the purpose of inclusion of combined financial statements in the prospectus of Jati Tinggi Group Berhad in connection with the listing and quotation of the entire enlarged issued share capital of Jati Tinggi Group Berhad on the ACE Market of Bursa Securities, the combined financial statements comprise the combined statements of financial position as at 30 November 2020, 2021, 2022, 31 May 2022 and 2023, combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the financial years ended 30 November 2020, 2021 and 2022 and for the financial periods ended 31 May 2022 and 2023.

These combined financial statements of the Group are the combination or aggregation of all of the financial statements of the entities of the Group and have been prepared based on the financial statements for the relevant financial years/period as follows:

Company	Relevant reporting years/periods	Accounting standards applied	Auditors
Jati Tinggi Group Berhad	FPE from 21 December 2021 to 30 November 2022	MFRSs	Crowe Malaysia PLT
	FPE from 1 December 2022 to 31 May 2023	MFRSs	Crowe Malaysia PLT
Jati Tinggi Holding Sdn. Bhd.	FYE 30 November 2020	MFRSs	Crowe Malaysia PLT
	FYE 30 November 2021	MFRSs	Crowe Malaysia PLT
	FYE 30 November 2022	MFRSs	Crowe Malaysia PLT
	FPE from 1 December 2021 to 31 May 2022	MFRSs	Crowe Malaysia PLT
	FPE from 1 December 2022 to 31 May 2023	MFRSs	Crowe Malaysia PLT

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

The combined financial statements were prepared in a manner similar to the "pooling-of-interest" method, as if the entities within the Group were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of entities within the Group, if later. Such manner of presentation reflects the economic substance of the companies, which were under common control throughout the relevant period.

The identifiable assets and liabilities of all common controlled entities are accounted for at their historical costs. The accounting policies of common controlled entities have been changed where necessary to align them with the policies adopted by the Group.

All material intra-group transactions and balances have been eliminated on combination.

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (CONT'D)

FYE 30 NOVEMBER 2020, 2021, 2022 AND FPE 31 MAY 2022, 2023 (CONT'D)

These combined financial statements of the Group are prepared under the historical cost convention and modified to include other basis of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards.

3.1 During the current financial period, the Group has adopted the following new accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 3: Reference to the Conceptual Framework

Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use

Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract

Annual Improvements to MFRS Standards 2018 – 2020

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) did not have any material impact on the Group's combined financial statements.

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JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (CONT'D)

3.2 The Group has not applied in advance the following accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial period:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 112: International Tax Reform - Pillar Two Model Rules	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 121: Lack of Exchangeability	1 January 2025
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) is expected to have no material impact on the combined financial statements of the Group upon their initial application.

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Plant and Equipment, Investment Property and Right-of-Use Assets

The estimates for the residual values, useful lives and related depreciation charges for the plant and equipment, investment property and right-of-use assets are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its plant and equipment, investment property and right-of-use assets will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Amortisation of Intangible Assets

The estimates for the residual values, useful lives and related amortisation charges for the intangible assets are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its intangible assets will be insignificant. As a result, residual values are not being taken into consideration for the computation of the amortisation amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future amortisation charges could be revised.

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(c) Impairment of Plant and Equipment, Investment Property, Right-of-Use Assets and Intangible Assets

The Group determines whether an item of its plant and equipment, investment property, right-of-use assets and intangible assets are impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates.

(d) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(e) Impairment of Trade Receivables and Contract Assets

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables and contract assets.

(f) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. It also requires the Group to assess whether there is a significant increase in credit risk of the non-trade financial asset at the reporting date. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions and forward-looking information.

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(g) Revenue Recognition for Construction Contracts

The Group recognises construction revenue by reference to the construction progress based on the physical proportion of contract work certified by professional consultants. Significant judgement is required in determining the progress towards complete satisfaction of the performance obligation based on the contract work certified to date corroborated by the level of completion of the construction based on actual costs incurred to date over the estimated total contract costs. The total estimated costs are based on approved budgets, which require assessment and judgement to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, management relies on past experience and the work of specialists.

(h) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made.

(i) Discount Rates Used in Leases

Where the interest rate implicit in the lease cannot be readily determine, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the combined financial statements other than as disclosed below:-

(a) Classification between Investment Properties and Owner-occupied Properties

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical Judgements Made in Applying Accounting Policies (Cont'd)

(b) Lease Term

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

4.2 BASIS OF COMBINATION

The Group resulting from the listing scheme, are disclosed in Note 2 above, comprises entities under common control. Accordingly, the combined financial statements have been accounted for using principles of merger accounting.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Intragroup transactions, balances, income and expenses are eliminated on combination. Intragroup losses may indicate an impairment that requires recognition in the combined financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF COMBINATION (CONT'D)

(b) Merger Accounting for Common Control Business Combinations

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current financial year.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholders at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the new fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included for the full financial year.

(c) Non-controlling Interests

Non-controlling interests are presented within equity in the combined statements of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF COMBINATION (CONT'D)

(d) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in the equity of the Group.

(e) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value of the initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.3 FUNCTIONAL AND PRESENTATION CURRENCIES

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The combined financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the combined statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the combined statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

Debt Instruments (Cont'd)

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The fair value changes do not include interest or dividend income.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value (excluding interest expense) of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary Shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

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

(e) Financial Guarantee Contracts

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

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 PLANT AND EQUIPMENT

All items of plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Depreciation on plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Furniture and fittings	10%
Office equipment	10%
Tools and equipment	10%
Motor vehicles	20%
Plant and machinery	10%
Computer systems	30%
Renovation	10%
Container	10%
Signboard	10%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 INVESTMENT PROPERTIES

Investment properties are properties which are owned or right-of-use asset held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties which are owned are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The right-of-use asset held under a lease contract that meets the definition of investment property is measured initially similarly as other right-of-use assets.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on a straight-line method over the estimated useful lives of the investment properties. The estimated useful lives of the investment properties are 50 years.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

4.7 INTANGIBLE ASSETS

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimate useful life of software is 5 years.

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 LEASES

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the combined statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

4.9 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 CONTRACT ASSET AND CONTRACT LIABILITY

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment requirements of MFRS 9.

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

4.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the combined statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

4.12 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal group comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the non-current assets (or the disposal group) are remeasured in accordance with the Group's accounting policies. Upon classification as held for sale, the non-current assets (or non-current assets of the disposal group) are not depreciated and are measured at the lower of their previous carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss. In addition, equity accounting of equity-accounted associates ceases once classified as held for sale or distribution.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statements of profit or loss and other comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 IMPAIRMENT

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the combined statements of financial position.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 IMPAIRMENT (CONT'D)

(b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 136 does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

4.14 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are the expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax is recognised using the liability method for all temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the combined financial statements, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

4.17 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4.18 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the combined profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the combined profit or loss attributable to ordinary shareholders of the Group and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

4.19 BORROWING COSTS

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.20 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical asset or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

4.21 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.21 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

Construction Services

Revenue from construction services is recognised over time in the period in which the services are rendered using the output by reference to the construction progress based on the physical proportion of construction work certified by professional consultants. Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and penalties. Past experience is used to estimate and provide for the variable consideration, using expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognised when the construction services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the construction services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised.

4.22 REVENUE FROM OTHER SOURCES AND OTHER OPERATING INCOME

(a) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(b) Lease Income

Lease income from investment properties is accounted for on a straight-line method over the lease term.

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

5. PLANT AND EQUIPMENT

	<---------- 1.12.2019	---------->						
	As Previously Reported	Initial Application of MFRS 16	As Restated	Additions	Disposal	Written Off	Depreciation Charges	At 30.11.2020
Audited	RM	RM	RM	RM	RM	RM	RM	RM
30.11.2020								
Carrying Amount								
Furniture and fittings	296,010	-	296,010	28,501	-	-	(52,503)	272,008
Office equipment	202,653	-	202,653	29,356	-	(311)	(43,740)	187,958
Tools and equipment	84,546	-	84,546	28,842	-	-	(14,039)	99,349
Motor vehicles	159,566	(159,110)	456	5,428	(1)	-	(706)	5,177
Plant and machinery	150,599	-	150,599	-	-	-	(28,917)	121,682
Computer systems	93,842	-	93,842	229,404	-	-	(80,021)	243,225
Renovation	410,890	-	410,890	11,600	-	-	(59,315)	363,175
	1,398,106	(159,110)	1,238,996	333,131	(1)	(311)	(279,241)	1,292,574

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

5. PLANT AND EQUIPMENT (CONT'D)

Audited	At 1.12.2020 RM	Additions RM	Disposal RM	Depreciation Charges RM	At 30.11.2021 RM
30.11.2021					
Carrying Amount					
Furniture and fittings	272,008	47,378	-	(57,375)	262,011
Office equipment	187,958	16,316	(856)	(42,967)	160,451
Tools and equipment	99,349	51,394	-	(14,972)	135,771
Motor vehicles	5,177	-	-	(1,086)	4,091
Plant and machinery	121,682	-	-	(28,224)	93,458
Computer systems	243,225	93,871	-	(123,926)	213,170
Renovation	363,175	-	-	(59,858)	303,317
	1,292,574	208,959	(856)	(328,408)	1,172,269

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

5. PLANT AND EQUIPMENT (CONT'D)

Audited	At 1.12.2021 RM	Addition RM	Disposal RM	Written Off RM	Reclassification RM	Depreciation Charges RM	At 30.11.2022 RM
30.11.2022							
Carrying Amount							
Furniture and fittings	262,011	15,197	(130)	-	-	(58,786)	218,292
Office equipment	160,451	30,381	-	-	-	(40,010)	150,822
Tools and equipment	135,771	686,301	-	-	-	(60,762)	761,310
Motor vehicles	4,091	163,475	-	(2)	4	(11,060)	156,508
Plant and machinery	93,458	473,000	-	-	-	(63,342)	503,116
Computer systems	213,170	267,383	-	-	-	(141,516)	339,037
Renovation	303,317	26,966	-	-	-	(61,161)	269,122
Container	-	3,850	-	-	-	(353)	3,497
Signboard	-	5,280	-	-	-	(132)	5,148
	1,172,269	1,671,833	(130)	(2)	4	(437,122)	2,406,852

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

5. PLANT AND EQUIPMENT (CONT'D)

Audited	At 1.12.2021 RM	Additions RM	Disposal RM	Depreciation Charges RM	At 31.5.2022 RM
31.5.2022					
Carrying Amount					
Furniture and fittings	262,011	6,948	(193)	(29,106)	239,660
Office equipment	160,451	21,276	-	(19,612)	162,115
Tools and equipment	135,771	440,331	-	(22,463)	553,639
Motor vehicles	4,091	18,000	-	(1,440)	20,651
Plant and machinery	93,458	473,000	-	(25,763)	540,695
Computer systems	213,170	62,259	-	(67,868)	207,561
Renovation	303,317	-	-	(29,929)	273,388
Container	-	3,850	-	(160)	3,690
	1,172,269	1,025,664	(193)	(196,341)	2,001,399

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

5. PLANT AND EQUIPMENT (CONT'D)

Audited	At 1.12.2022 RM	Additions RM	Depreciation Charges RM	At 31.5.2023 RM
31.5.2023				
Carrying Amount				
Furniture and fittings	218,292	-	(28,075)	190,217
Office equipment	150,822	2,798	(17,759)	135,861
Tools and equipment	761,310	1,800	(44,010)	719,100
Motor vehicles	156,508	880	(16,890)	140,498
Plant and machinery	503,116	-	(36,589)	466,527
Computer systems	339,037	17,114	(88,499)	267,652
Renovation	269,122	-	(31,278)	237,844
Container	3,497	6,820	(249)	10,068
Signboard	5,148	-	(264)	4,884
	2,406,852	29,412	(263,613)	2,172,651

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

5. PLANT AND EQUIPMENT (CONT'D)

Audited	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
30.11.2020			
Carrying Amount			
Furniture and fittings	566,005	(293,997)	272,008
Office equipment	585,353	(397,395)	187,958
Tools and equipment	140,699	(41,350)	99,349
Motor vehicles	1,516,021	(1,510,844)	5,177
Plant and machinery	346,141	(224,459)	121,682
Computer systems	810,858	(567,633)	243,225
Renovation	598,585	(235,410)	363,175
	4,563,662	(3,271,088)	1,292,574
30.11.2021			
Carrying Amount			
Furniture and fittings	613,383	(351,372)	262,011
Office equipment	600,369	(439,918)	160,451
Tools and equipment	192,093	(56,322)	135,771
Motor vehicles	1,483,509	(1,479,418)	4,091
Plant and machinery	346,141	(252,683)	93,458
Computer systems	904,729	(691,559)	213,170
Renovation	598,585	(295,268)	303,317
	4,738,809	(3,566,540)	1,172,269
30.11.2022			
Carrying Amount			
Furniture and fittings	627,963	(409,671)	218,292
Office equipment	630,750	(479,928)	150,822
Tools and equipment	878,394	(117,084)	761,310
Motor vehicles	2,333,642	(2,177,134)	156,508
Plant and machinery	819,141	(316,025)	503,116
Computer systems	1,172,114	(833,077)	339,037
Renovation	625,551	(356,429)	269,122
Container	3,850	(353)	3,497
Signboard	5,280	(132)	5,148
	7,096,685	(4,689,833)	2,406,852

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

5. PLANT AND EQUIPMENT (CONT'D)

Audited	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
31.5.2023			
Carrying Amount			
Furniture and fittings	627,963	(437,746)	190,217
Office equipment	633,548	(497,687)	135,861
Tools and equipment	880,194	(161,094)	719,100
Motor vehicles	2,334,522	(2,194,024)	140,498
Plant and machinery	819,141	(352,614)	466,527
Computer systems	1,189,228	(921,576)	267,652
Renovation	625,551	(387,707)	237,844
Container	10,670	(602)	10,068
Signboard	5,280	(396)	4,884
	7,126,097	(4,953,446)	2,172,651

Audited			
31.5.2022			
Carrying Amount			
Furniture and fittings	619,651	(379,991)	239,660
Office equipment	621,645	(459,530)	162,115
Tools and equipment	632,424	(78,785)	553,639
Motor vehicles	2,489,043	(2,468,392)	20,651
Plant and machinery	819,141	(278,446)	540,695
Computer systems	966,988	(759,427)	207,561
Renovation	598,585	(325,197)	273,388
	3,850	(160)	3,690
	6,751,327	(4,749,928)	2,001,399

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

6. INVESTMENT PROPERTY

	Audited 30.11.2020 RM	Audited 30.11.2021 RM	Audited 30.11.2022 RM	Audited 31.5.2022 RM	Audited 31.5.2023 RM
Cost:-					
At 30 November/31 May	9,062,747	9,062,747	9,062,747	9,062,747	9,062,747
Accumulated depreciation:-					
At 1 December	(383,171)	(498,123)	(613,069)	(613,069)	(728,015)
Depreciation during the financial year/period	(114,952)	(114,946)	(114,946)	(57,473)	(57,473)
At 30 November/31 May	(498,123)	(613,069)	(728,015)	(670,542)	(785,488)
	8,564,624	8,449,678	8,334,732	8,392,205	8,277,259
Represented by:-					
Freehold land	3,315,464	3,315,464	3,315,464	3,315,464	3,315,464
Freehold building	5,249,160	5,134,214	5,019,268	5,076,741	4,961,795
At 30 November/31 May	8,564,624	8,449,678	8,334,732	8,392,205	8,277,259
Fair value	11,872,765	15,000,000	15,000,000	15,000,000	16,000,000

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

6. INVESTMENT PROPERTY (CONT'D)

(a) The investment property of the Group is leased to a customer under operating lease with rentals payable monthly. The lease contain initial non-cancellable periods of 3 (31.5.2022 - 3; 30.11.2022 - 3; 30.11.2021 - 3 and 30.11.2020 - 3) years and an option that is exercisable by the customer to extend its lease for an average of 3 (31.5.2022 - 3; 30.11.2022 – 3; 30.11.2021 - 3 and 30.11.2020 - 3) years.

The Group requires 2 (31.5.2022 - 2; 30.11.2022 – 2; 30.11.2021 - 2 and 30.11.2020 - 2) months of advanced rental payments from the customer. The lease does not include residual value guarantee and variable lease payments that depend on an index or rate.

As at the reporting date, the future minimum rentals receivable under the non-cancellable operating lease is as follows

	Audited 30.11.2020 RM	**Audited 30.11.2021** RM	**Audited 30.11.2022** RM	**Audited 31.5.2022** RM	**Audited 31.5.2023** RM
Within 1 year	648,000	546,000	546,000	546,000	-
Between 1 and 2 years	1,323,000	546,000	546,000	546,000	-
	1,971,000	1,092,000	1,092,000	1,092,000	-

(b) The freehold land and freehold building have been charged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 17 to the combined financial statements.

(c) The fair value of the investment property is within level 3 of the fair value hierarchy and is arrived at by reference to market evidence of transaction prices for similar properties and is performed by a registered valuer having appropriate recognised professional qualification and recent experience in the locations and category of properties being valued. The most significant input into this valuation approach is the price per square foot of comparable properties. Adjustments are then made for differences in location, size, tenure and accessibility/visibility, market conditions and other factors in order to arrive at a common basis.

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

7. RIGHT-OF-USE ASSETS

	<---------- 1.12.2019	----------	---------->			
	As Previously Reported	Initial Application of MFRS 16	As Restated	Additions	Depreciation Charges	At 30.11.2020
Audited	RM	RM	RM	RM	RM	RM
30.11.2020						
Carrying Amount						
Motor vehicles	-	159,110	159,110	352,480	(206,231)	305,359
Offices	-	60,458	60,458	-	(21,253)	39,205
Hostels	-	93,226	93,226	-	(21,370)	71,856
Site stores	-	294,635	294,635	-	(161,003)	133,632
	-	607,429	607,429	352,480	(409,857)	550,052

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

7. RIGHT-OF-USE ASSETS (CONT'D)

Audited	At 1.12.2020 RM	Additions RM	Modification of Lease Liabilities RM	Derecognition Due to Lease Modification RM	Depreciation Charges RM	At 30.11.2021 RM
30.11.2021						
Carrying Amount						
Motor vehicles	305,359	742,525	-	(216,502)	(108,867)	722,515
Offices	39,205	69,472	-	(29,638)	(40,828)	38,211
Hostels	71,856	-	11,711	(41,786)	(41,781)	-
Site stores	133,632	-	332,708	(17,531)	(153,068)	295,741
	550,052	811,997	344,419	(305,457)	(344,544)	1,056,467

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

7. RIGHT-OF-USE ASSETS (CONT'D)

Audited	At 1.12.2021 RM	Additions RM	Modification of Lease Liabilities RM	Derecognition Due to Lease Modification RM	Reclassification RM	Depreciation Charges RM	At 30.11.2022 RM
30.11.2022							
Carrying Amount							
Motor vehicles	722,515	264,387	-	-	(4)	(213,358)	773,540
Offices	38,211	197,650	92,850	-	-	(110,579)	218,132
Site stores	295,741	1,145,298	-	(295,741)	-	(143,162)	1,002,136
	1,056,467	1,607,335	92,850	(295,741)	(4)	(467,099)	1,993,808

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

7. RIGHT-OF-USE ASSETS (CONT'D)

Audited	At 1.12.2021 RM	Additions RM	Depreciation Charges RM	At 31.5.2022 RM
31.5.2022				
Carrying Amount				
Motor vehicles	722,515	264,387	(103,402)	883,500
Offices	38,211	-	(20,844)	17,367
Site stores	295,741	-	(55,451)	240,290
	1,056,467	264,387	(179,697)	1,141,157

JATI TINGGI GROUP BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

7. RIGHT-OF-USE ASSETS (CONT'D)

Audited	At 1.12.2022 RM	Depreciation Charges RM	At 31.5.2023 RM
31.05.2023			
Carrying Amount			
Motor vehicles	773,540	(109,959)	663,581
Offices	218,132	(72,702)	145,430
Site stores	1,002,136	(286,325)	715,811
	1,993,808	(468,986)	1,524,822

	Audited 30.11.2020 RM	**Audited 30.11.2021** RM	**Audited 30.11.2022** RM	**Audited 31.5.2022** RM	**Audited 31.5.2023** RM
Represented by:-					
Cost	2,122,034	2,405,603	2,604,862	1,682,456	2,604,862
Accumulated depreciation	(1,571,982)	(1,349,136)	(611,054)	(541,299)	(1,080,040)
At 30 November/31 May	550,052	1,056,467	1,993,808	1,141,157	1,524,822