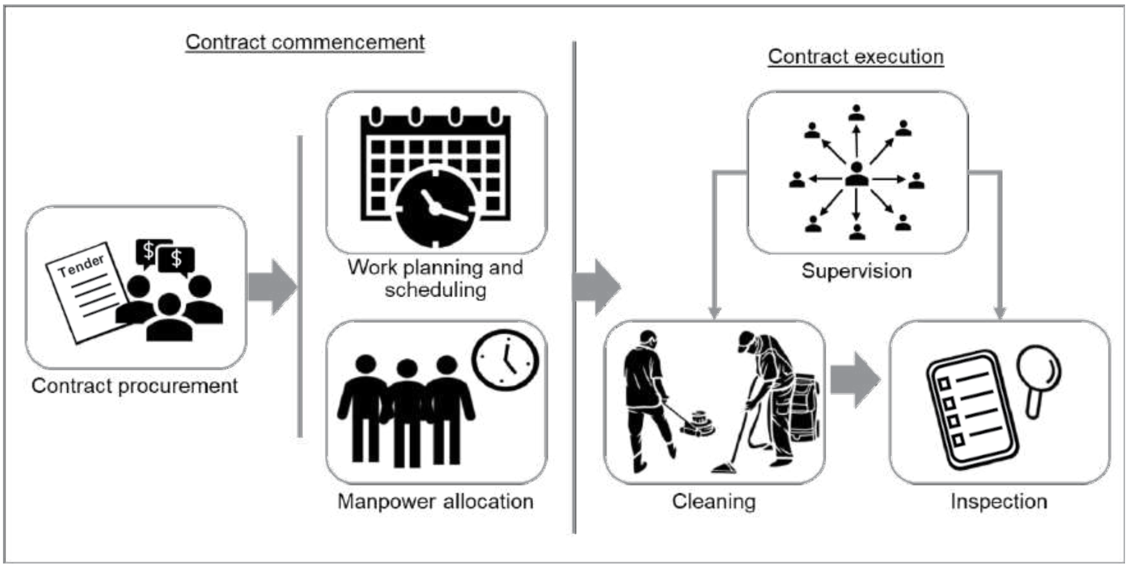
7. BUSINESS OVERVIEW (*Cont'd*)

The process flow for the provision of cleaning services is as follows:



Contract procurement

The process starts with contract procurement secured through a tendering or submission of proposal process.

Work planning and scheduling

After the contract has been secured, we will carry out work planning and scheduling. Depending on the contract, we will plan and schedule various types of cleaning services including daily, periodic and hygiene cleaning. Where relevant we will also plan and schedule special cleaning either based on the contractual arrangement or through ad hoc requests by our customers for specialised furniture cleaning and treatment, thorough floor and carpet cleaning, external façade and window cleaning of high-rise buildings, swimming pools and event cleaning.

Manpower allocation

Based on our work plan and schedule, we will allocate manpower resources to carry out the cleaning services. For cleaning services in Malaysia, this manpower comprises in-house staff and third-party sub-contractors, while in Singapore manpower comprises in-house staff. They are organised into teams where each team is composed of supervisors and cleaners. Our cleaning teams are on duty during the days and hours stated in the contract. Any additional supply of services provided on an ad hoc basis is subject to the conditions and rates stipulated in the contract.

Cleaning

We will carry out cleaning services according to the stipulated schedule. The cleaning services provided may be categorised by their frequency, and examples include the following:

- Daily tasks such as cleaning floors, doors, walls, partitions, lifts and specific office equipment, cleaning washrooms and replenishing washroom consumables, and emptying waste bins;
- Monthly tasks such as cleaning high walls and ceilings as well as polishing elevators;
- Semi-annual tasks such as thoroughly cleaning floors; and
- Annual tasks such as shampooing carpets and cleaning pavements with water jets.

Our cleanroom cleaning services are similar to that of the general cleaning services, with the following additional requirements:

- Personnel must be properly attired in cleanroom garments, gloves, boots, eyewear, masks and head coverings, and trained in Good Manufacturing Practices ("**GMP**");
- Use of mop heads, sponges, wipes and buckets as well as high efficiency particular air (HEPA) vacuum cleaners designed for cleanroom environment; and
- Personnel follows cleaning techniques used for cleanrooms.

Supervision

During the cleaning process, supervisors will supervise the cleaning progress and ensure all cleaning tasks are carried out accordingly and in a safe manner. For customers of the cleanroom cleaning services, supervisors will ensure that the cleaning and sanitisation of premises and equipment comply with GMP requirements. In addition, the supervisors will keep a record of all cleaning services undertaken.

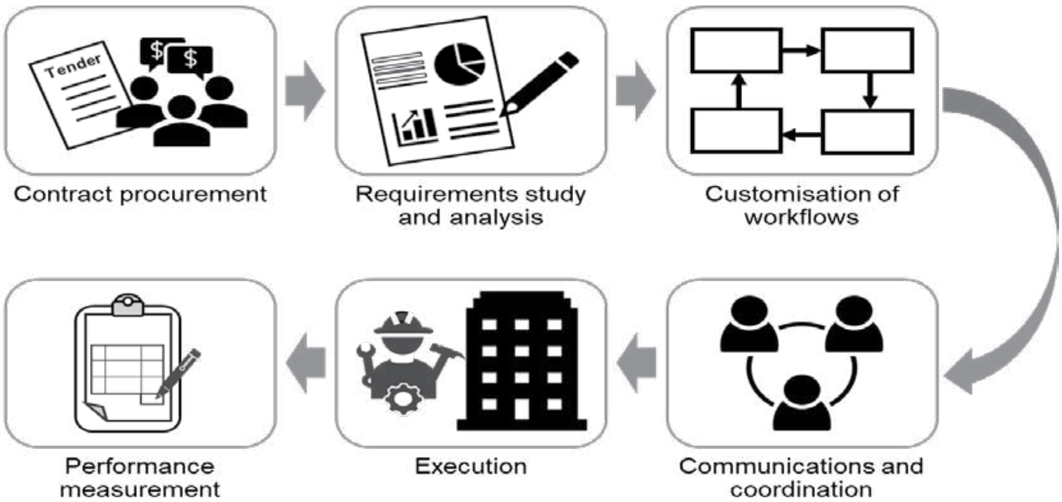
Inspection

Supervisors will conduct a thorough inspection to ensure the outcome is satisfactory and meets the cleanliness, tidiness and hygiene requirements and standards. If cleaning services performed are found to be unsatisfactory, immediate corrective action will be taken whereby the cleaning team will be required to redo the cleaning task to attain the desired result.

7.9.3 FM services

7.9.3.1 Static FM

The general process flow for our FM services is as follows:



Contract procurement

The initial phase begins with contract procurement, whereby the contracts for total FM services are secured through a tendering or submission of proposal process.

Requirements study and analysis

Upon securing a contract, we will study and analyse the business requirements to gain a thorough understanding of the customer. Some of the procedures to be undertaken include:

- reviewing and understanding the customer's requirements;
- identifying the stakeholder as well as stakeholder requirements;
- reviewing the internal and external factors that may impact the organisation and considering various critical issues that could potentially arise; and
- identifying the support requirements of the customer's business activities.

During this stage, we will also study the technical aspects of the facility. For technical maintenance services that are provided in-house by our technicians such as maintenance of machinery and equipment, we will study the operating manual and other relevant documentation.

Customisation of workflows

Based on the information gathered, we will customise our workflows and processes based on the specific considerations of our customers. This includes amongst others, preventative maintenance plans, special projects, asset management and event scheduling. We will consider various aspects including the statutory and customer requirements as well as the budget allocated. The workflows and processes must be developed holistically with input from end users to ensure they fully support the customer's facility maintenance needs and align with the objectives of the customer's organisation.

Communications and coordination

Once the workflows and processes have been established, we will communicate and coordinate the workflows and processes among the facility management team, across the departments within the customer organisation as well as with external vendors. All relevant stakeholders should be kept well-informed about the facility management activities that affect them. We will also maintain contractor and vendor relationships as well as communicate and coordinate all planned maintenance and service requests accordingly.

Execution

Our FM contract varies in the scope of work across different contracts. This is mainly due to the different types of facilities available in each building and the areas of coverage of each FM contract.

Most of our FM contracts include the following scope of work:

- maintenance of mechanical and electrical machinery and equipment such as elevators, switchboards, lightings, air-conditioning, pumps, fans and blowers;
- maintenance of plumbing, drainage and sewerage;
- fabric maintenance of common areas including facades, walls, roofs, doors and structures; and
- maintenance of active and passive fire protection systems.

Maintenance work comprises preventive maintenance carried out on a regular or periodic basis, and corrective maintenance carried out on an ad hoc to prevent escalation of imminent or minor problems, or emergency basis requiring immediate attention and repair.

While we can carry out many of the repair and preventive maintenance works, for some specialised equipment the manufacturer or supplier's specialists are called in to carry out preventive, corrective and major maintenance according to warranties and service contracts, and as required. Examples of specialised equipment include process equipment such as air compressors, drier and vacuum systems, generator sets, water and sewage treatment systems, active and passive fire protection systems, and public address systems. In such cases, we will provide support where necessary.

As at the LPD, one of our FM contracts is based on an IBS contract that includes the above FM scope of work as well as value-added services such as those indicated below:

- cleaning services;
- asset life cycle management (machinery and equipment), warranties, major shutdowns, procurement and materials management as well as maintenance of information systems and technologies for relevant equipment and machinery;
- management of the customer's sub-contractors for outsourced equipment maintenance services; and
- waste handling.

With all of our FM contracts, except for mobile FM contracts, we have personnel stationed at our customers' sites. This is to ensure the uninterrupted functioning of the building for the comfort and safety of occupants and visitors.

All our FM contracts are service based and any purchases of replacement machines, equipment, parts, components, materials and consumables are charged back to our customers. Any requirement to engage additional workers beyond our normal maintenance contract will also be charged to our customers. The engagement of specialised technical personnel is mainly paid for by our customers.

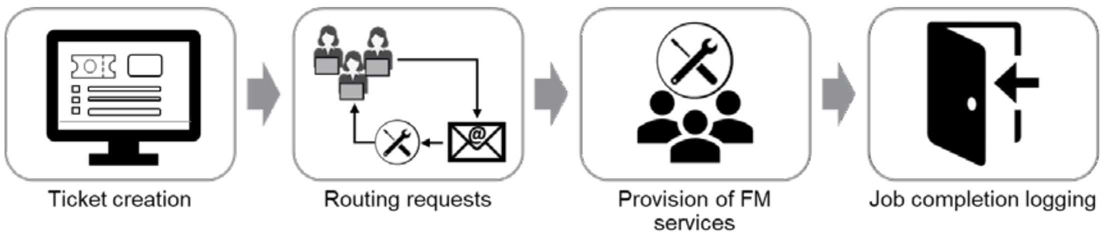
Performance measurement

We will collect and track relevant information such as maintenance records, emergency repairs and warranty information for machinery and equipment covered by the contract, manpower rates and hours, inventory levels as well as equipment downtime. This information will allow complete visibility into all aspects of facility management operations, allowing for the establishment of operational benchmarks. We will measure the metrics of our facility management operations against the set benchmark to identify any gaps or inefficiencies. Upon identifying any gaps or inefficiencies, we will review existing workflows and processes to identify the root cause and take immediate steps to eliminate the gaps or inefficiencies.

7.9.3.2 Mobile FM

For the Financial Years and Period Under Review and up to the LPD, our mobile FM services are mainly for chain F&B and retail outlets. The scope of work is less extensive compared to static FM services. In mobile FM services, we do not have personnel stationed at our customer's premises. Instead, our technical personnel are assigned to a specified area and they are sent to provide mobile FM services at any customers' premises in that area, as and when required. Our technical personnel are sent to customers' premises to provide preventive and corrective maintenance as and when scheduled or when requested by our customers.

The process flow for mobile FM services is as follows:



Ticket creation

A ticket is created to send our technical personnel to customers' premises to provide preventive maintenance or corrective maintenance:

- Preventive maintenance: A ticket is generated as and when scheduled services for a particular outlet is due, based on our contract with the respective customer; and
- Corrective maintenance: If an issue such as a breakdown of machinery and equipment occurs, the outlet manager will raise a ticket to their internal helpdesk. If the breakdown involves machinery and equipment that is covered by our mobile FM services contract, the ticket will be routed to our helpdesk agent.

In addition to tickets received from outlet managers to attend to breakdowns, we will also generate tickets for a scheduled inspection, testing and maintenance of outlet assets specified in the contract, as and when the scheduled services are due.

Routing requests

Tickets are assigned to the technical staff with the appropriate skill set who is available and closest to the outlet that requires attention by our helpdesk agents. As at the LPD, we have 57 technical staff based throughout Malaysia to provide mobile FM services for all customer outlets in Malaysia, and 6 helpdesk agents responsible for managing and allocating tickets in their respective areas of responsibility.

Provision of technical support

Our technical staff will provide on-site troubleshooting to repair or replace the faulty machinery and equipment, or carry out preventive maintenance.

Job completion logging

The technical staff assigned to the job will update our helpdesk regarding the status of the repair and maintenance job. Our helpdesk will then log on to our customer's system to update the status of the ticket accordingly. For tickets that have been resolved, our helpdesk will contact the relevant outlet for verification before closing the ticket in the ticketing system.

7.10 MARKETING ACTIVITIES

We operate in the building support services industry. The common factor among our 3 business segments (i.e. Cooling Energy Segment, cleaning and FM services) is that they are all related to the built environment, especially for buildings. The synergistic nature of our business provides us with the platform to cross-market and sell our services to existing customers to secure higher sales from each customer. In addition, our marketing messages and activities are targeted at decision-makers and technical personnel involved in the functionality of buildings.

Our marketing strategy and activities are focused on growing and expanding our principal business activities, and are as follows:

7.10.1 Market positioning

- We position ourselves to provide energy cost savings through energy efficiencies of our newly constructed cooling energy systems and management of cooling energy for space cooling.

  Our newly constructed centralised cooling energy system comprising either DCS or chiller plant provides economies of scale to save on electricity costs compared to individual air conditioning systems for each defined enclosed space. We carry out an energy audit to establish the benchmark to compare the electricity cost savings from our retrofitting and/or upgrading and O&M of the cooling energy systems.

- We position ourselves as a facilitator of environmental sustainability through our EPCC and management of cooling energy systems. This helps our customers reduce their carbon footprint and uphold their environmental responsibilities in carrying out their commercial activities.

  Space cooling is one of the highest users and drivers of demand for electricity in the functionality of buildings, and consequently reducing electricity consumption in operating cooling energy systems would reduce electricity costs and carbon footprint.

  We highlight our capability in reducing the energy consumption and related costs in the cooling energy of our customer's buildings and facilities. We estimated that between January 2017 (when we first started to collect the data) and November 2023, our cooling energy system projects that involved the upgrading and/or retrofit of existing cooling energy systems followed by providing O&M services have collectively saved approximately 52,441 MWh of electricity and avoided approximately 32,619 tonnes of CO_2 emissions.

- We position ourselves as a synergistic building support service provider covering cooling energy, cleaning and FM services.

  Our synergistic services provide convenience to our customers in dealing with us as a single service provider for several services to provide continuity for various aspects of building support services. We emphasise the comprehensive range of our cooling energy services that includes EPCC of new, and retrofitting and upgrading of existing cooling energy systems, and cooling energy management services, as well as provision of cleaning and FM services. In addition to general cleaning for commercial, industrial and residential properties, we also provide specialised cleaning including cleaning of cleanrooms in manufacturing plants. Our FM services include a comprehensive range of mechanical, electrical and process utility (MEP) works. We also provide mobile FM where we can attend to repair and maintenance requirements within specified time frames through our technical teams.

  This comprehensive range of services means that we can customise services offered to fulfil the needs of individual prospective customers, as well as cross-sell various services to the same customer.

- We showcase our in-house engineering capabilities in carrying out the engineering and design of cooling energy systems. Our in-house engineering capability supports the complete cooling energy system lifecycle, from the energy audit, initial conceptualisation, engineering and design phase, to construction and installation, and subsequent operations and maintenance. As at the LPD, we have a total of 36 in-house engineers including those involved in our Cooling Energy Segment and the provision of FM services. As at the LPD, 5 of our engineers are certified under the ASEAN Energy Management Scheme (AEMAS) by the Malaysian Green Technology and Climate Change Corporation (MGTC), and 5 of our engineers are qualified as Registered Electrical Energy Managers (REEM).

- We position ourselves as a brand-independent cooling energy system specialist to provide optimum energy efficiency in carrying out our EPCC works and cooling energy management services for our customers.

  We are brand-independent as we are not tied to any third-party brands or suppliers, and we are free to use the most appropriate products and services to meet energy efficiency requirements and specifications for cooling energy systems.

- We position ourselves in providing uninterrupted cooling energy and other building support services through our on-site personnel as well as connectivity to our CC.

  Our personnel are on-site at all control rooms during operating hours. We also provide a second level of oversight for some of our customers' cooling energy systems that are connected to our CC at our head office in Kuala Lumpur.

  The CC enables us to continuously monitor and manage the connected cooling energy systems under our management, as well as enables us to control some machinery and equipment in the event of emergencies.

7.10.2 Marketing activities

- We use the **direct distribution channel** to work directly with property owners, developers, business operators and building management bodies who are the ultimate decision-makers for our products and services. Through working directly with our customers, we also actively market our full range of capabilities to expand the range of services that we provide to them.

- We proactively **cross-sell relevant services** to our existing customers. For example, we will offer cooling energy management to customers who engage us for the EPCC of cooling energy systems. We could also market our cleaning and FM services to our cooling energy management customers. As an example, we have been providing the Muar IBS Contract to the operator of a semiconductor manufacturing facility at Muar, Johor since 2008, we subsequently secured 2 EPCC contracts from the customer (the first in 2010 and the second in 2022, the Muar Manufacturing Facility Chiller EPCC Project) to retrofit and upgrade the semiconductor manufacturing facility's cooling energy system.

- As at the LPD, our marketing activities are headed by Lee Kok Choon KC and Sheldon Wee Tah Poh, who lead our business development department of 2 full-time business development personnel. They are supported by our engineers and other management professionals in preparing tender and quotation submissions, and in direct negotiations as many of our business activities are technical, especially for our Cooling Energy Segment and FM services.

  During the Financial Years and Period Under Review and up to the LPD, we have participated in the following exhibitions and tradeshows to market our services and meet with prospective customers:

Year	Event	Location
2020	BuildTech Asia 2020 Virtual Exhibition	Singapore(1)
2021	ASEAN Super 8 Virtual Connect Exhibition	Malaysia(1)
2022	Heating, Ventilation, Air Conditioning and Refrigeration Exhibition	Vietnam
2022	Asia Urban Energy Assembly(2)	Thailand

Notes:

(1) The exhibition was organised as a virtual event and we set up a virtual exhibition booth.

(2) Our Head of Project Department was invited to deliver a speech at this event.

.11 MAJOR CUSTOMERS

.11.1 Top 5 customers for the Financial Years and Period Under Review

Our top 5 customers for the Financial Years and Period Under Review are listed in the following tables:

FYE 2020

	Customer	Country	Main Types of Products and Services	Revenue (RM'000)	Proportion of Group Revenue (%)	Length of Business Relationship[(1)] (No. of Years)
1	WCT Berhad[(2)]	Malaysia	EPCC of cooling energy system	11,016	14.93	1
2	Institute of Technology Petronas Sdn Bhd[(3)]	Malaysia	EPCC of DCP	8,909	12.08	2
3	Customer Group A[(4)]	Malaysia	Cooling energy management and cleaning services	8,194	11.11	5
4	Micron Semiconductor (M) Sdn Bhd[(5)]	Malaysia	Cleaning and FM services	5,769	7.82	12
5	Perbadanan Pengurusan Pusat Perdagangan Amcorp[(6)]	Malaysia	Cooling energy management services	5,102	6.92	5
	Sub-total			**38,990**	**52.86**	
	Total Group revenue			**73,757**		

Notes:

(1) Length of the relationship as at FYE 2020.

(2) We have a subsisting contract with WCT Berhad for the Damansara Mixed Development Chiller EPCC Project – Phase 1. This project is expected to be completed by the end of December 2023.

(3) We had a subsisting contract with Institute of Technology Petronas Sdn Bhd for the Seri Iskandar DCP EPCC Project. This project was completed in October 2020.

(4) We have subsisting contracts with Customer B (a part of Customer Group A) for the Muar Education Facilities CEMS Contract (which will expire in January 2037) and the Melaka Shopping Mall CEMS Contract (which will expire in January 2028).

(5) We have subsisting contracts with Micron Semiconductor (M) Sdn Bhd for the Muar IBS Contract. The subsisting contract will expire in July 2024.

(6) We have a subsisting contract with Perbadanan Pengurusan Pusat Perdagangan Amcorp for the PJ Shopping Mall and Office CEMS Contract. The subsisting contract will expire in March 2032.

FYE 2021

	Customer	Country	Main Types of Products and Services	Revenue (RM'000)	Proportion of Group Revenue (%)	Length of Business Relationship[1] (No. of Years)
1	WCT Berhad[2]	Malaysia	EPCC of cooling energy system	13,558	15.89	2
2	TYKB Engineering Sdn Bhd[3]	Malaysia	Building construction services	9,900	11.61	1
3	Customer Group A[4]	Malaysia	Cooling energy management and cleaning services	7,906	9.27	6
4	ALLY Leasehold Real Estate Investment Trust ("**ALLY REIT**")[5]	Thailand	Cooling energy management services	5,731	6.72	#
5	Micron Semiconductor (M) Sdn Bhd[6]	Malaysia	Cleaning and FM services	4,979	5.84	13
	Sub-total			**42,074**	**49.33**	
	Total Group revenue			**85,285**		

Notes:

\# Business relationship commenced in FYE 2021.

(1) Length of the relationship as at FYE 2021.

(2) We have a subsisting contract with WCT Berhad for the Damansara Mixed Development Chiller EPCC Project – Phase 1. This project is expected to be completed by the end of December 2023.

(3) We had a contract with TYKB Engineering Sdn Bhd for the International School Project. This project was completed in January 2022.

(4) We have subsisting contracts with Customer B (a part of Customer Group A) for the Muar Education Facilities CEMS Contract (which will expire in January 2037) and the Melaka Shopping Mall CEMS Contract (which will expire in January 2028).

(5) We have a subsisting contract with ALLY REIT for the Bangkok Mixed Development CEMS Contract. The subsisting contract will expire in February 2037.

(6) We have subsisting contracts with Micron Semiconductor (M) Sdn Bhd for the Muar IBS Contract. The subsisting contract will expire in July 2024.

FYE 2022

	Customer	Country	Main Types of Products and Services	Revenue (RM'000)	Proportion of Group Revenue (%)	Length of Business Relationship[(1)] (No. of Years)
1	Customer Group A[(2)]	Malaysia	Cooling energy management and cleaning services	8,579	9.08	7
2	WCT Berhad[(3)]	Malaysia	EPCC of cooling energy system	8,076	8.55	3
3	Customer C[(4)]	Malaysia	Cleaning services	7,922	8.39	2
4	Nando's Chickenland Malaysia Sdn Bhd[(5)]	Malaysia	FM services	7,168	7.59	2
5	Micron Semiconductor (M) Sdn Bhd[(6)]	Malaysia	Cleaning and FM services	5,253	5.56	14
	Sub-total			**36,998**	**39.17**	
	Total Group revenue			**94,438**		

Notes:

(1) Length of the relationship as at FYE 2022.

(2) We have subsisting contracts with Customer B (a part of Customer Group A) for the Muar Education Facilities CEMS Contract (which will expire in January 2037) and the Melaka Shopping Mall CEMS Contract (which will expire in January 2028).

(3) We have a subsisting contract with WCT Berhad for the Damansara Mixed Development Chiller EPCC Project – Phase 1. This project is expected to be completed by the end of December 2023.

(4) We have subsisting contracts with Customer C for the Pahang High-level Cleaning Contract (which will expire in November 2024) and the Pahang F&B Outlets Contract (which will expire in December 2023 and is pending renewal as at the LPD).

(5) We had a contract with Nando's Chickenland Sdn Bhd for the F&B Chain MFM Contract. This contract has expired in November 2023. However, we have continued to provide services pending renewal of this contract.

(6) We have subsisting contracts with Micron Semiconductor (M) Sdn Bhd for the Muar IBS Contract. The subsisting contract will expire in July 2024.

FPE 2023

	Customer	**Country**	**Main Types of Products and Services**	**Revenue (RM'000)**	**Proportion of Group Revenue (%)**	**Length of Business Relationship[(1)] (No. of Years)**
1	Bank Pembangunan Malaysia Berhad[(2)]	Malaysia	EPCC of cooling energy system	9,909	13.81	1
2	Customer C[(3)]	Malaysia	Cleaning services	7,434	10.36	3
3	Micron Semiconductor (M) Sdn Bhd[(4)]	Malaysia	EPCC of cooling energy system, and cleaning and FM services	7,424	10.34	15
4	Customer Group A[(5)]	Malaysia	Cooling energy management and cleaning services	4,896	6.82	8
5	Customer D[(6)]	Singapore	Cleaning services	3,364	4.69	1
	Sub-total			**33,027**	**46.02**	
	Total Group revenue			**71,767**		

Notes:

(1) Length of the relationship as at FPE 2023.

(2) We have subsisting contracts with Bank Pembangunan Malaysia Berhad for the Kuala Lumpur Office Building Chiller & Airside Equipment EPCC Project. The certificate of practical completion for this contract is expected to be obtained by January 2024.

(3) We have subsisting contracts with Customer C for the Pahang High-level Cleaning Contract (which will expire in November 2024) and the Pahang F&B Outlets Contract (which will expire in December 2023 and is pending renewal as at the LPD).

(4) We have subsisting contracts with Micron Semiconductor (M) Sdn Bhd for the Muar IBS Contract, which will expire in July 2024. In addition, we have a subsisting contract with Micron Semiconductor (M) Sdn Bhd for the Muar Manufacturing Facility Chiller EPCC Project, which is expected to be completed by December 2023.

(5) We have subsisting contracts with Customer B (a part of Customer Group A) for the Muar Education Facilities CEMS Contract (which will expire in January 2037) and the Melaka Shopping Mall CEMS Contract (which will expire in January 2028).

(6) We have 3 subsisting purchase orders with Customer D to provide cleaning services for 3 pharmaceutical manufacturing facilities in Singapore. The 3 subsisting purchase orders will expire in December 2023.

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7.11.2 Dependence on customers

We are not dependent on the following customers that accounted for more than 10.00% of the total revenue for the Financial Years and Period Under Review for the following reasons:

- Our business with the Institute of Technology Petronas Sdn Bhd, WCT Berhad and Bank Pembangunan Malaysia Berhad is project-based, whereby we are engaged for Seri Iskandar DCP EPCC Project, Damansara Mixed Development Chiller EPCC Project – Phase 1 and Kuala Lumpur Office Building Chiller & Airside Equipment EPCC Project respectively. Revenue contribution from these customers is based on progress billings as we carry out and progressively complete the respective DCP and cooling energy system, and cease after we complete the projects, unless we subsequently secure new projects from the same customers. As at the LPD, we do not have on-going business with the Institute of Technology Petronas Sdn Bhd;

- Similarly, our business with TYKB Engineering Sdn Bhd was project-based namely for the International School Project. Revenue contribution from this customer was based on progress billings as we carried out and progressively completed the school, and has ceased after the project was completed during FYE 2021, and we will not earn revenue from them unless we secure new projects from them;

- More than 99.00% of our revenue from Customer Group A is based on long-term contracts between KJ Technical Services and Customer B, namely the Muar Education Facilities CEMS Contract which will expire in January 2037, and the Melaka Shopping Mall CEMS Contract which will expire in January 2028. These contracts provide some assurance of continuing business relationship with Customer B for the duration of the contracts. In addition, the proportion of our Group's revenue contributed by Customer Group A declined during the Financial Years and Period Under Review, from 11.11% to 9.27%, 9.08% and 6.82% for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively as revenue from other customers increased;

- Customer C accounted for more than 10.00% of our total revenue in 1 of the Financial Years and Period Under Review, namely FPE 2023 when they accounted for 10.36% of our total revenue. Our revenue from Customer C is based on the Pahang High-level Cleaning Contract and the Pahang F&B Outlets Contract, which will expire in November 2024 and December 2023, respectively. We will not earn revenue from Customer C after November 2024 unless we secure new contracts from them, or unless they renew one or both of these contracts. As at the LPD, the Pahang F&B Outlets Contract is pending renewal.

- Micron Semiconductor (M) Sdn Bhd accounted for more than 10.00% of our total revenue in 1 of the Financial Years and Period Under Review, namely FPE 2023 when they accounted for 10.34% of our total revenue. This was due to the Muar Manufacturing Facility Chiller EPCC Project, which is based on progress billings as we carry out and progressively complete the cooling energy system, and will cease after we complete the project. Following the completion of this project (which is expected by December 2023), unless we secure additional EPCC of cooling energy systems contracts from Micron Semiconductor (M) Sdn Bhd, we expect that our revenue from them moving forward will be mainly from providing cleaning and FM services under the Muar IBS Contract, which we do not expect to account for more than 10.00% of our total revenue in the future (based on their revenue contribution in FYE 2020, FYE 2021 and FYE 2022 which was mainly based on the Muar IBS Contract).

7.12 TYPES AND SOURCES OF INPUTS, MATERIALS AND SERVICES

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

Purchases of inputs, materials and services

	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	Value of Purchases (RM'000)	**Proportion of Total Purchases[(1)] (%)**	**Value of Purchases (RM'000)**	**Proportion of Total Purchases[(1)] (%)**	**Value of Purchases (RM'000)**	**Proportion of Total Purchases[(1)] (%)**	**Value of Purchases (RM'000)**	**Proportion of Total Purchases[(1)] (%)**
MALAYSIA OPERATIONS	**39,081**	**97.30**	**33,704**	**88.04**	**46,160**	**92.66**	**29,169**	**91.21**
Sub-Contracted Services	**12,184**	**30.33**	**21,661**	**56.58**	**31,102**	**62.43**	**20,634**	**64.52**
EPCC of CES	6,999	17.43	10,203	26.65	12,389	24.87	9,252	28.93
Cleaning services	1,527	3.80	2,734	7.14	8,593	17.25	6,318	19.76
Maintenance and specialised cleaning services	3,189	7.94	5,281	13.79	5,598	11.24	3,112	9.73
Civil and structural works	5	0.01	2,719	7.10	3,618	7.26	-	-
Other services	464	1.15	724	1.90	904	1.81	1,952	6.10
Inputs and Materials	**26,897**	**66.97**	**12,043**	**31.46**	**15,058**	**30.23**	**8,535**	**26.69**
Utilities	8,556	21.30	7,324	19.13	8,736	17.54	4,562	14.27
CES machinery and equipment[(2)]	17,852	44.45	4,000	10.45	5,197	10.43	3,122	9.76
Tools and consumables[(3)]	489	1.22	719	1.88	1,125	2.26	851	2.66
SINGAPORE OPERATIONS	**1,083**	**2.70**	**1,294**	**3.38**	**1,178**	**2.37**	**1,634**	**5.11**
Sub-Contracted Services	**514**	**1.28**	**610**	**1.59**	**552**	**1.11**	**973**	**3.04**
Specialised cleaning services	514	1.28	610	1.59	552	1.11	973	3.04
Inputs and Materials	**569**	**1.42**	**684**	**1.79**	**626**	**1.26**	**661**	**2.07**
Tools and consumables[(3)]	569	1.42	684	1.79	626	1.26	661	2.07

	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	Value of Purchases (RM'000)	Proportion of Total Purchases[(1)] (%)	Value of Purchases (RM'000)	Proportion of Total Purchases[(1)] (%)	Value of Purchases (RM'000)	Proportion of Total Purchases[(1)] (%)	Value of Purchases (RM'000)	Proportion of Total Purchases[(1)] (%)
THAILAND OPERATIONS	**-**	-	**3,284**	**8.58**	**2,477**	**4.97**	**1,177**	**3.68**
Sub-Contracted Services	**-**	-	**1,861**	**4.86**	**1,012**	**2.03**	**218**	**0.68**
EPCC of CES	-	-	1,861	4.86	966	1.94	-	-
Maintenance services	-	-	-	-	46	0.09	218	0.68
Inputs and Materials	**-**	**-**	**1,423**	**3.72**	**1,465**	**2.94**	**959**	**3.00**
Utilities	-	-	-	-	1,214	2.44	924	2.89
CES machinery and equipment[(2)]	-	-	1,423	3.72	251	0.50	35	0.11
Total	**40,164**	**100.00**	**38,282**	**100.00**	**49,815**	**100.00**	**31,980**	**100.00**

CES = Cooling energy system.

Notes:

(1) As a percentage of total Group purchases of input, materials and services.

(2) Cooling energy system machinery and equipment such as chillers, cooling towers pumps, pipes and valves.

(3) Tools and consumables such as mops, brooms, buckets, bin liners, hand soaps, sanitisers, paper towels, tissues and deodorisers.

Overall, purchases of subcontracted services for our Cooling Energy Segment, cleaning services, FM services and building construction business activity, including for our Malaysia, Singapore and Thailand operations, accounted for 31.61%, 63.03%, 65.57% and 68.24% of our total purchases of inputs, materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. Meanwhile, purchases of inputs and materials accounted for the remaining 68.39%, 36.97%, 34.43% and 31.76% of our total purchases of inputs, materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

Purchases of inputs, materials and services by our Malaysia operations accounted for 97.30%, 88.04%, 92.66% and 91.21% of our total Group purchases of inputs, materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. Meanwhile, purchases by our Singapore operations accounted for 2.70%, 3.38%, 2.37% and 5.11% of our total Group purchases of inputs, materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively, and our Thailand operations accounted for none, 8.58%, 4.97% and 3.68% of our total Group purchases of inputs, materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

In addition, the overall purchases of inputs, materials and services by our Malaysia, Singapore and Thailand operations were mainly from suppliers in their respective countries, as summarised in the following table:

	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
Suppliers from:	**Value of Purchases (RM'000)**	**Proportion of Total Purchases[(1)] (%)**	**Value of Purchases (RM'000)**	**Proportion of Total Purchases[(1)] (%)**	**Value of Purchases (RM'000)**	**Proportion of Total Purchases[(1)] (%)**	**Value of Purchases (RM'000)**	**Proportion of Total Purchases[(1)] (%)**
Malaysia operations	**39,081**	**97.30**	**33,704**	**88.04**	**46,160**	**92.66**	**29,169**	**91.21**
Malaysia	36,438	90.72	33,580	87.72	45,871	92.08	29,016	90.73
Other countries	2,643	6.58	124	0.32	289	0.58	153	0.48
Singapore operations	**1,083**	**2.70**	**1,294**	**3.38**	**1,178**	**2.37**	**1,634**	**5.11**
Singapore	1,083	2.70	1,294	3.38	1,178	2.37	1,634	5.11
Other countries	-	-	-	-	-	-	-	-
Thailand operations	**-**	**-**	**3,284**	**8.58**	**2,477**	**4.97**	**1,177**	**3.68**
Thailand	-	-	3,284	8.58	2,477	4.97	1,177	3.68
Other countries	-	-	-	-	-	-	-	-
Total	**40,164**	**100.00**	**38,282**	**100.00**	**49,815**	**100.00**	**31,980**	**100.00**

With respect to our purchases of subcontracted services, our largest purchase comprised subcontracted services for the EPCC of cooling energy systems for our Malaysia operations, which accounted for 17.43%, 26.65%, 24.87% and 28.93% of our total purchases of inputs, materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. We engaged subcontractors from Malaysia for the provision of these services, including subcontractors to carry out mechanical, electrical and process control works related to the installation of machinery and equipment. In addition, our Thailand operations engaged subcontracted services from suppliers in Thailand for the EPCC of cooling energy systems to carry out mechanical, electrical and process control works for the retrofit of the cooling energy system in relation to the Bangkok Mixed Development CEMS Contract, which accounted for 4.86%, 2.03% and none of our total purchases of inputs, materials and services for FYE 2021, FYE 2022 and FPE 2023 respectively.

Our Malaysia operations engaged cleaning services subcontractors from Malaysia to carry out general cleaning services in situations when we experienced shortages of manpower, which accounted for 3.80%, 7.14%, 17.25% and 19.76% of our total purchases of inputs, materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

We engaged maintenance and specialised cleaning services for our Malaysia operations, which included specialists to maintain specialised equipment such as process equipment, generator sets, water and sewage treatment equipment, fire protection systems and public address systems, and skilled cleaning services such as high-rise building façade and pest control. Purchases of maintenance and specialised cleaning services for our Malaysia operations accounted for 7.94%, 13.79%, 11.24% and 9.73% of our total purchases of inputs, materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively, and were all from suppliers in Malaysia. We engaged subcontractors for specialised cleaning services for our Singapore operations which accounted for 1.28%, 1.59%, 1.11% and 3.04% of our total purchases of inputs, materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. Our Thailand operations engaged subcontractors from Thailand to provide maintenance services in relation to our Bangkok Mixed Development CEMS Contract, which accounted for 0.09% and 0.68% of our total purchases of inputs, materials and services for FYE 2022 and FPE 2023.

Our Malaysia operations engaged subcontractors in Malaysia for civil and structural works to carry out certain portions of the construction work related to the EPCC of cooling energy systems, and for our building construction business, which accounted for 0.01%, 7.10%, 7.26% and none of our total purchases of inputs, materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

In addition, our Malaysia operations purchased other services, which comprised consultant services such as independent electrical specialists from Malaysia, when required by certain customers, which accounted for 1.15%, 1.90%, 1.81% and 6.10% of our total purchases of inputs, materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

Our largest purchases of inputs and materials was for utilities comprising electricity and water, with purchases by our Malaysia operations accounting for 21.30%, 19.13%, 17.54% and 14.27% of our total purchases of inputs, materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively, and purchases by our Thailand operations accounting for none, none, 2.44% and 2.89% of our total purchases of inputs, materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. Our purchases of utilities were in relation to 5 on-going cooling energy management contracts in Malaysia and 1 on-going contract in Thailand where we are responsible for bearing the costs of electricity and water (in some contracts) used to operate the cooling energy system and generate chilled water.

Our Malaysia and Thailand operations' cooling energy system machinery and equipment for the EPCC of cooling energy systems, are purchased either as part of stand-alone EPCC contracts or as part of cooling energy management services contracts where we build or retrofit or upgrade cooling energy systems. Purchases of cooling energy system machinery and equipment for our Malaysia operations accounted for 44.45%, 10.45%, 10.43% and 9.76% of our total purchases of inputs, materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively, while our Thailand operations accounted for none, 3.72%, 0.50% and 0.11% of our total purchases of inputs, materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. Our Malaysia operations purchase most of the cooling energy system machinery and equipment from suppliers in Malaysia and a small proportion from suppliers from other countries, while all of the purchases by our Thailand operations were from suppliers in Thailand.

Our Malaysia operations purchased tools and consumables for our cleaning services and FM services, while our Singapore operations purchased them for our cleaning services. For FYE 2020, FYE 2021, FYE 2022 and FPE 2023, purchases of tools and consumables by our Malaysia operations accounted for 1.22%, 1.88%, 2.26% and 2.66% of our total purchases of inputs, materials and services respectively while purchases by our Singapore operations accounted for 1.42%, 1.79%, 1.26% and 2.07% of our total purchases of inputs, materials and services respectively. Most of the tools and consumables purchased by our Malaysia operations were from suppliers in Malaysia while all of the tools and consumables purchased by our Singapore operations were from suppliers in Singapore.

During the Financial Years and Period Under Review and as at the LPD, we have not experienced any material shortages in sourcing our inputs, materials and services. The inputs and materials that we purchase are not commodities, and consequently they are not directly subjected to global price fluctuations as a result of global demand and supply conditions.

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7.13 MAJOR SUPPLIERS

7.13.1 Top 5 suppliers for the Financial Years and Period Under Review

Our top 5 suppliers for the Financial Years and Period Under Review are listed in the following tables:

FYE 2020

	Supplier	Country	Main Types of Products and Services Purchased	Amount (RM'000)	Proportion of Group Purchases (%)	Length of Relationship[(2)] (No. of Years)
1	York (Malaysia) Sales & Service Sdn Bhd	Malaysia	Supply of and maintenance services for chillers	9,070	22.58	9
2	Carrier (Malaysia) Sdn Bhd	Malaysia	Supply of chillers, AHU and FCU	3,372	8.40	9
3	Ideal Workz Sdn Bhd	Malaysia	Sub-contractor for mechanical and electrical works	2,838	7.07	7
4	A.C.R. Equipment (HK) Ltd	Hong Kong	Supply of chillers	2,593	6.46	#
5	Ablecon Power System Sdn Bhd	Malaysia	Supply of electrical equipment	1,566	3.90	1
Sub-total				**19,439**	**48.41**	
Total Group purchases [(1)]				**40,164**		

Notes:

\# Business relationship commenced in FYE 2020.

(1) Total purchases of input materials and services.

(2) Length of the relationship as at FYE 2020.

FYE 2021

	Supplier	Country	Main Types of Products and Services Purchased	Amount (RM'000)	Proportion of Group Purchases (%)	Approximate Length of Relationship[(2)] (No. of Years)
1	New Malaysia Air Conditioning & Engineering Sdn Bhd	Malaysia	Sub-contractor for mechanical and electrical works	7,226	18.88	2
2	Built Wright Construction Sdn Bhd	Malaysia	Sub-contractor for civil and structural works	2,719	7.10	#
3	Maxi Search Sdn Bhd	Malaysia	Sub-contractor for cleaning services	1,976	5.16	2
4	McEnergy Evolution Co., Ltd.	Thailand	Sub-contractor for mechanical and electrical works	1,777	4.64	#
5	Truwater Cooling Towers Sdn Bhd	Malaysia	Supply of cooling towers	1,629	4.26	6
Sub-total				**15,327**	**40.04**	
Total Group purchases [(1)]				**38,282**		

Notes:

Business relationship commenced in FYE 2021.

(1) Total purchases of input materials and services.

(2) Length of the relationship as at FYE 2021.

FYE 2022

	Supplier	Country	Main Types of Products and Services Purchased	Amount (RM'000)	Proportion of Group Purchases (%)	Approximate Length of Relationship[(2)] (No. of Years)
1	New Malaysia Air Conditioning & Engineering Sdn Bhd	Malaysia	Sub-contractor for mechanical and electrical works	8,845	17.76	3
2	Maxi Search Sdn Bhd	Malaysia	Sub-contractor for cleaning services	6,587	13.22	3
3	Built Wright Construction Sdn Bhd	Malaysia	Sub-contractor for civil and structural works	3,620	7.27	1
4	Carrier (Malaysia) Sdn Bhd	Malaysia	Supply of chillers, AHU and FCU	1,432	2.87	11
5	Gandahan Sdn Bhd	Malaysia	Sub-contractor for mechanical works	975	1.96	7
Sub-total				**21,459**	**43.08**	
Total Group purchases [(1)]				**49,815**		

Notes:

(1) Total purchases of input materials and services.

(2) Length of the relationship as at FYE 2022.

FPE 2023

	Supplier	Country	Main Types of Products and Services Purchased	Amount (RM'000)	Proportion of Group Purchases (%)	Length of Relationship[(2)] (No. of Years)
1	Maxi Search Sdn Bhd	Malaysia	Sub-contractor for cleaning services	6,005	18.78	4
2	York (Malaysia) Sales & Service Sdn Bhd	Malaysia	Supply of and maintenance services for chillers	3,230	10.10	12
3	Daikin Group[(3)]	Malaysia	Supply of chillers, AHU and ACSU	1,691	5.29	2
4	New Malaysia Air Conditioning & Engineering Sdn Bhd	Malaysia	Sub-contractor for mechanical and electrical works	1,210	3.78	4
5	Windmate Engineering Sdn Bhd	Malaysia	Sub-contractor for mechanical works	678	2.12	2
Sub-total				**12,814**	**40.07**	
Total Group purchases [(1)]				**31,980**		

Notes:

(1) Total purchases of input materials and services.

(2) Length of the relationship as at FPE 2023.

(3) Comprises Daikin Applied (Malaysia) Sdn Bhd and Daikin Malaysia Sales & Service Sdn Bhd.

Under the terms of 7 of our subsisting cooling energy management contracts in Malaysia that involve the supply of chilled water as at the LPD (5 of which are on-going and 2 which have been secured but are pending commencement of the supply of chilled water), we are responsible for bearing the cost of electricity used to operate the cooling energy system and generate chilled water. The cost of electricity is factored into the fixed monthly charges or chilled water supply charges of these contracts. The cost of electricity used to provide cooling energy management services described above that amounted to RM8.18 million, RM7.07 million, RM8.75 million and RM4.81 million for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. We do not purchase any other products or services from Tenaga Nasional Berhad save for electricity required for the day-to-day running of our operational facilities. As such, we have not included Tenaga Nasional Berhad as 1 of our top 5 suppliers for the Financial Years and Period Under Review.

7.13.2 Dependence on suppliers

Notwithstanding the values of the purchases from New Malaysia Air Conditioning & Engineering Sdn Bhd, York (Malaysia) Sales & Service Sdn Bhd and Maxi Search Sdn Bhd accounted for more than 10.00% of the total purchases for any individual year during the Financial Years and Period Under Review, we are not dependent on these 3 suppliers as we deal with our suppliers on a contract-to-contract basis according to the requirements of the relevant contracts and through tender process as and when necessary. In addition, we are not dependent on them or any other individual supplier for our input materials and sub-contracted services due to the following reasons:

- We are brand-independent with respect to cooling energy systems as we are not tied to any third-party brands or suppliers, and we use products and services from different suppliers in providing our services.

- We do not rely on any of these suppliers for the respective materials or services that they provide, as they are widely available and we have alternative sources of supply.

- Our main material purchases are cooling energy system machinery and equipment such as chillers, cooling towers, pumps, heat exchangers and switchgears; and tools and consumables such as power tools, cleaning equipment, chemicals, hygiene supplies and consumables. The cooling energy system machinery and equipment that we purchase are for general space cooling applications, while tools and consumables are off-the-shelf types that are available from a range of different suppliers. Consequently, these materials are available from a range of different suppliers and we can purchase them from alternative suppliers should the need arise. During the Financial Years and Period Under Review, we purchased them from the following suppliers:

    - cooling energy systems machinery and equipment from approximately 14 different suppliers; and
    - tools and consumables from approximately 60 different suppliers.

- During the Financial Years and Period Under Review, we have engaged 9 different sub-contractors in Malaysia to provide mechanical and electrical works.

- We engaged 2 different sub-contractors in Malaysia to provide general cleaning services during the Financial Years and Period Under Review. We are not dependent on these sub-contractors as we had 630 employees to carry out cleaning services in Malaysia as at the LPD, and we could engage other sub-contractors to provide general cleaning services should the need arise. As at the LPD, we are phasing-out Maxi Search Sdn Bhd as a sub-contractor for general cleaning services as we increase the number employees to carry out cleaning services in Malaysia. However, we may engage Maxi Search Sdn Bhd or other sub-contractors to provide some general cleaning services if there be a need to do so.

7.14 RESEARCH AND DEVELOPMENT

We do not carry out any research and development as they are not relevant to our business. This is mainly because we provide services and used products, tools, equipment, machines and technologies provided or supplied by third parties.

7.15 TECHNOLOGY USED

We do not use any specialised technology for our cooling energy management services, EPCC of cooling energy systems, cleaning services, FM services, building construction and other business activities.

7.16 SEASONALITY

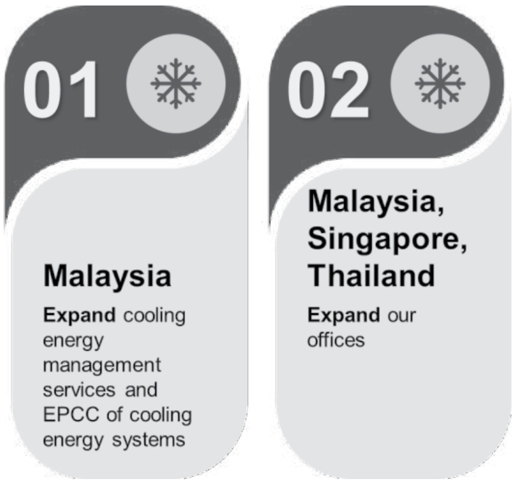
Our business is not affected by any seasonal factors. This is mainly predicated on the nature of our work where some are based on a continuous provision of services throughout the year while others are project-based as and when we secure contracts.

7.17 BUSINESS STRATEGIES AND PLANS

7.17.1 Overview

Our business strategies and plans to grow our business are summarised in the following diagram:

Our business strategies and plans



We intend to implement the business strategies and plans listed above between 2024 and 2026, as described in the following sections.

7.17.2 Expand Cooling Energy Segment in Malaysia

We intend to expand our cooling energy management services in Malaysia by making additional funds available to finance the EPCC of cooling energy systems as part of our cooling energy management services for suitable customers. We will use our in-house technical resources to carry out the EPCC work, and subsequently deploy our personnel to operate and maintain the cooling energy system for a certain period of time.

In addition, we also intend to expand our EPCC of cooling energy systems business on a standalone basis (i.e. without the provision of cooling energy management services subsequently) by securing new contracts, whereby we intend to utilise in-house resources to implement new contracts secured. In this connection we intend to invest in the construction of new DCS or chiller plants or upgrading and/or retrofitting of existing cooling energy systems for potential customers, including amongst others, those with large commercial or industrial buildings.

As at the LPD, we have a total of 8 on-going tenders under our Cooling Energy Segment which are pending outcome, of which 7 of them are for EPCC of cooling energy systems with an estimated total contract value of approximately RM121.38 million. The remaining tender is for cooling energy management services and its contract value is subject to variation that cannot be estimated ahead of time. Please refer to Section 12.6 of this Prospectus for additional information on the nature of these variations.

As such, we have earmarked RM40.42 million or approximately 68.66% of the gross proceeds from our IPO for the expansion of our Cooling Energy Segment in Malaysia (i.e. to finance the EPCC of cooling energy systems as part of our cooling energy management services and to expand our EPCC of cooling energy systems business on a stand-alone basis), details of which are as follows:

Details of utilisation	**IPO proceeds (RM'000)**
Preliminary expenses(1)	2,082
Purchases of major equipment(2)	16,213
Purchases of other components and materials(3)	12,528
Engaging sub-contractors and specialists(4)	9,594
Total	**40,417**

Notes:

(1) Include mobilisation, insurance, placements with financial institutions as a form of security collateral for procurement of bank guarantees for projects performance bond and projects tender bond, engagement of external consultants to design and advise on civil and structural works, and payment of levy and stamp duty.

(2) Includes chillers, pumps and cooling towers for EPCC of cooling energy systems.

(3) Include other equipment, components and materials such as electrical panels, valves, plate heat exchangers, instruments, variable speed drives, piping and cabling for cooling energy systems.

(4) To carry out certain portions of the construction and installation works, such as mechanical, electrical, controls, civil and structural works. We also intend to engage specialists with the required technical skills, experience and access to specialised tools for the installation of control systems.

As we have been in discussions with various potential customers to secure new contracts, the total amount of funds required for the contracts to be secured may differ from the amount highlighted above. Any excess amount required for the expansion of our Cooling Energy Segment in Malaysia will be funded by internally generated funds and/or bank borrowings. Conversely, if the actual cost of such expansion is lower than the earmarked amount, the surplus will be used for working capital purposes.

We intend to utilise these IPO proceeds to expand our cooling energy business activities in Malaysia over 36 months from our Listing, subject to securing suitable contracts from prospective customers.

7.17.3 Expand offices in Malaysia, Singapore and Thailand

We intend to expand or renovate our offices in Malaysia, Singapore and Thailand where we currently operate. The IPO proceeds we plan to allocate for this purpose is segmented as follows:

Details of utilisation	IPO proceeds (RM'000)
Expansion of office in Malaysia	2,000
Expansion of office in Thailand	1,500
Expansion of office in Singapore	1,000
Total	**4,500**

If the actual cost of expansion of its offices in Malaysia, Thailand and Singapore is higher than the earmarked amount, the shortfall will be funded out of the amount allocated for working capital purposes. Conversely, if, the actual cost of such expansion is lower than the earmarked amount, the surplus will be used for working capital purposes.

Malaysia

Our existing head office is currently operating from rented office units in Wisma E&C, Kuala Lumpur, Malaysia. Given our business expansion plans, we intend to move to and renovate other larger office units in the Klang Valley, Malaysia with an estimated aggregate built-up area of approximately 10,000 sq. ft.

The breakdown of the costs is as follows:

Details of utilisation	RM'000
Office rental	600(2)
Renovation and fit out works(1)	1,400
Total	**2,000**

Notes:

(1) Comprising, amongst others, office workstations, furniture and fittings.
(2) Comprising 12-month rental and 3-month deposits.

As at the LPD, we are in the midst of identifying a suitable office premise as our new head office. We expect to finalise the location of the new head office and execute the relevant tenancy agreement in the fourth quarter of 2024 and thereafter, commence renovation and fit out works in the fourth quarter of 2024 which is expected to take approximately 3 months. We intend to move to the new Group head office in the first quarter of 2025.

Thailand

KJTN Engineering is currently operating from the office of its Thailand shareholder in Samutsakorn, Thailand, one of the provinces neighbouring Bangkok. To enhance its market presence, we intend to move to and renovate a new office in Bangkok, Thailand with estimated aggregate built-up area of approximately 4,306 sq. ft. The location of the new office is expected to be within the city centre in Bangkok and can be easily accessed via public transport.

The breakdown of the costs is as follows:

Details of utilisation	RM'000
Office rental	700[(2)]
Renovation and fit out works[(1)]	800
Total	**1,500**

Note:

(1) Comprising, amongst others, office workstations, furniture and fittings.
(2) Comprising 12-month rental and 3-month deposits.

As at the LPD, we are in the midst of identifying suitable office premises for our new Thailand office. We expect to finalise the location of the new Thailand office and execute the relevant tenancy agreement in the fourth quarter of 2024 and commence renovation and fit out works also in the fourth quarter of 2024 which is expected to take approximately 3 months. We intend to move to our new Thailand office in the first quarter of 2025.

Singapore

Our existing Singapore office is currently operating from a rented office unit in Tradehub 21, Singapore with build-up area of approximately 2,110 sq. ft. Our Group currently has 10 employees stationed at our existing Singapore office and KJ FEM also stores some cleaning services consumables and equipment at this facility. Given space constraints, our Group intends to renovate and upgrade our existing Singapore office to increase usable working and storage space.

The total costs of renovation and fit out works which include, amongst others, office workstations, storage racks, furniture and fittings are estimated to be approximately RM1.00 million.

Our Group expects to commence renovation and fit out works in the fourth quarter of 2024 which is expected to take approximately 3 months.

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7.18 MATERIAL INTERRUPTIONS TO OUR BUSINESS

We did not experience any material interruptions to our business during the past 12 months before the LPD, except for those related to COVID-19.

7.18.1 COVID-19

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

During the first movement control order ("**MCO**") period (MCO 1.0), we closed our operational facilities in Malaysia on 18 March 2020. ETC Cleaning Services continued its operations as it was classified as essential services and subsequently received a letter of approval to operate from MITI dated 28 April 2020. During MCO 1.0, KJ Technical Services, KJ Engineering, KJ Energy Management and Astute MFM employees worked from home, except for employees who were required to work on-site for customers who were classified as essential services, while following the relevant standard operating procedure ("**SOP**") and guidelines. Subsequently, KJ Technical Services and KJ Engineering resumed operations of our operational facilities after receiving a written acknowledgement from MITI dated 10 May 2020 and 11 May 2020 respectively. DCS Power and KJ Facilities Management did not carry out business operations during this period. AUNOA Solutions was not our subsidiary during this period, and KJ Energy Services was not incorporated until 1 June 2022.

In general, during the various MCO phases and during the National Recovery Plan (from 4 May 2020 to 31 March 2022), our operations followed the relevant SOP and guidelines.

On 1 April 2022, Malaysia entered the 'Transition to Endemic' phase and all our operating subsidiaries in Malaysia operated at normal workplace capacity while following the relevant SOP and guidelines.

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

From 7 April 2020, Singapore entered into the Circuit Breaker Period in order to pre-empt escalating COVID-19 infections. The Circuit Breaker Period started on 7 April 2020 and ended on 1 June 2020.

KJ FEM was not required to cease operations during the Circuit Breaker Period as KJ FEM falls under the essential services and was exempted from suspension of workplace activities and have operated during the Circuit Breaker Period, subject to the compliance of the COVID-19 applicable Singapore laws and regulations, including the SOP and guidelines.

From 22 November 2021, Singapore has entered into the "transition phase" to COVID-19 resilience. With effect from 13 February 2023, Singapore lowered its disease outbreak response system condition framework (DORSCON), a colour-coded framework that shows the current disease situation, from yellow to green. Workplace safe management measures have been fully lifted from 13 February 2023.

7.18.1.3 Effects of COVID-19 on our Business Operations in Thailand

On 25 March 2020, the government of Thailand announced the Declaration of an Emergency Situation in all areas of Thailand (the "**Declaration of an Emergency**") under Section 9 of the Emergency Decree on Public Administration in Emergency Situations B.E. 2548 (2005) (the "**Emergency Decree**"). Afterwards, the government of Thailand issued various regulations and practical guidelines under the Emergency Decree and the Declaration of an Emergency to prevent and control the spread of COVID-19 (the "**Regulations**"), which at the time was declared as a dangerous communicable disease under the Communicable Diseases Act B.E. 2558 (2015).

The Regulations did not require that the business operations of KJTN Engineering and KJ Technical Services (Thailand) be ceased. However, that both companies were required to comply with the SOP and guidelines in force at a particular time, such as wearing face masks, working from home and social distancing within the workplace.

From 1 October 2022, Thailand has entered into a surveillance phase after the revocation of the Declaration of an Emergency and the Regulations, whereby the former controlled actions under the Regulations are either being relaxed or cancelled.

7.18.1.4 Effects on our supply chain

From 18 March 2020 and up to the LPD, we experienced some COVID-19 related supply chain delays that resulted in some interruptions in implementing 2 EPCC of cooling energy system projects, which are as follows:

- In FYE 2020, delivery of some pumps, instrumentation and piping for the Damansara Mixed Development Chiller EPCC Project - Phase 1 was delayed by approximately 3 months, which affected project implementation but did not result in material delays.

- In FYE 2021, delivery of some chillers and FCU for the Bangsar Mixed Development Chiller EPCC Project was delayed by approximately 2 months, which affected project implementation but did not result in material delays.

Save for the above, from 18 March 2020 and up to the LPD, we did not face any other supply chain delays that were related to COVID-19. We did not experience any other delays or interruptions in the delivery of cooling energy systems machinery and equipment that resulted in a slowdown, delays or interruptions in carrying out our EPCC of cooling energy systems and cooling energy management services. We also did not experience any material delays or shortages in sourcing tools and consumables that we use to provide our cleaning and FM services.

7.18.1.5 Effects on our financial performance

Our revenue for FYE 2021 was affected by, amongst others, measures taken to control the spread of COVID-19. In FYE 2021, we had collective decrease in revenue amounting to RM0.80 million from 5 cooling energy management services contracts that were under the F+CW mode of operation, due to lower demand for chilled water during certain periods of FYE 2021 as activities in the buildings were suspended or reduced in accordance with COVID-19 control measures. In addition, we had decrease in revenue of RM0.47 million from 1 contract under the F+V+MCP mode of operation as discounts were granted for certain months of FYE 2021 when activities in the buildings were suspended or reduced.

COVID-19 did not have any material adverse effect on our revenue for FYE 2022 and FPE 2023.

7.19 EMPLOYEES

The number of employees in our Group as at 31 December 2022 is as follows:

Category	No. of employees		
	Permanent	**Contract**	**Total employee**
Director	2	-	2
Key Senior Management	4	-	4
Management[(1)]	18	-	18
Contracts and Procurement	5	-	5
Finance	11	-	11
Human Resource	9	-	9
Quality, Health, Safety and Environment	2	-	2
Administrative	18	1	19
Business Development	2	-	2
Engineering[(2)]	7	-	7
Project Management	11	2	13
Operation Management	15	1	16
Site Operation[(3)]	123	33	156
Cleaning	250	-	250
Total	**477**	**37**	**514**

The number of employees in our Group as at the LPD is as follows:

Category	No. of employees		
	Permanent	**Contract**	**Total**
Director	2	-	2
Key Senior Management	4	-	4
Management[(1)]	18	-	18
Contracts and Procurement	5	-	5
Finance	20	-	20
Human Resource	10	-	10
Quality, Health, Safety and Environment	3	-	3
Administrative	18	-	18
Business Development	2	-	2
Engineering[(2)]	6	-	6
Project Management	21	1	22
Operation Management	24	2	26
Site Operation[(3)]	118	16	134
Cleaning[(4)]	831	-	831
Total	**1,082**	**19**	**1,101**

Geographical location	No. of employees			
	As at 31 December 2022		As at the LPD	
	Local(5)	Foreign	Local(5)	Foreign
Malaysia	296	13	320	558
Singapore	128	65	134	80
Thailand	12	-	9	-
Total	**436**	**78**	**463**	**638**

Notes:

(1) Including directors of subsidiaries who are employees of our Group.

(2) Responsible for the detailed design and engineering works in the Group.

For the avoidance of doubt, we have a total of 36 in-house engineers as at the LPD, the details of which are as set out in Section 7.4.3 of this Prospectus.

(3) Site operation employees refer to our site engineers, supervisors, chargemen, administrators, technicians, operators, mobile technicians and general workers that carry out the operation and maintenance works for our Cooling Energy Segment and FM services.

(4) Includes 630 and 201 employees carrying out cleaning services in Malaysia and Singapore, respectively.

(5) Refers to the citizens of the respective countries.

Foreign workers in Malaysia

From 1 July 2021 to 31 December 2021, the Immigration Department of Malaysia has initiated a recalibration program for the purposes of regularising foreign workers who have breached immigration laws for overstaying or working without a valid work permit ("**Recalibration Program**").

Our Group has a total of 9 foreign workers employed under the Recalibration Program. On 14 November 2022, the work permits for the said 9 foreign workers have been issued. However, 2 work permits had expired due to the expiry of the relevant foreign workers' passports in November 2022 and December 2022 respectively. On 30 May 2023, valid work permits were issued to the 2 foreign workers by the Immigration Department of Malaysia.

As at the LPD, all 9 foreign workers employed under the Recalibration Program have received valid work permits.

As at the LPD, ETC Cleaning Services has not been penalised and has not received any penalty in relation to the 9 foreign workers employed under the Recalibration Program.

As at the LPD, none of our employees are member of any union nor have there been any major industrial disputes in the past.

7.20 ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are devoting ourselves to achieving the ESG goals to build sustainability, social responsibility, and effective corporate governance into all aspects of our business and operations.

7.20.1 Environment

Our Group is working to incorporate measures within our amenities that would render our business model to reduce energy consumption and carbon emission efficiently and effectively as well as to improve overall environmental concerns.

(i) Energy efficiency & emissions

As a building support services provider, we embrace decarbonisation as a strategic goal. We are committed to using resources efficiently and promoting the delivery of energy-efficient and environmentally responsible solutions to our customers. Key initiatives that have been taken to address energy efficiency and emissions are as follows:

- Many of the cooling energy systems that we either carry out the EPCC or upgrade and/or retrofit incorporate our in-house developed energy management system to optimise cooling energy system performance while minimising operating and energy usage costs.

  Between January 2017 and November 2023, our cooling energy system projects in Malaysia and Thailand have collectively saved approximately 52,441 MWh of electricity and avoided approximately 32,619 tonnes of CO_2 emissions.

- We promote energy conservation in our offices by using LED lightings and turn-off lights when the same are not in use. Currently, we are identifying operating activities that generate carbon emissions under the scopes 1, 2 and 3 emissions. We have commenced data collection of operating activities such as fuel consumption, electricity consumption, travel activities by employees and determining the methodology and calculation of carbon emission.

(ii) Environmental management

KJ Technical Services first received ISO 14001:2015 Environmental Management System certification in 2018 and collectively for some of our subsidiaries (namely KJ Engineering, KJ Facilities Management, KJ Energy Management, KJ FEM and ETC Cleaning Services) in 2020. Our environmental management is guided by our Quality, Health, Safety and Environment ("**QHSE**") Policy, customised to local laws and regulations of the countries in which we are operating. For the Financial Years and Period Under Review and up to the LPD, no action or penalty has been taken against our Group with regards to non-compliance with environmental regulations.

7.20.2 Social

(i) Occupational, safety and health

We are committed to maintaining a safe and conducive workplace for our employees. In accordance with Occupational Safety and Health Act 1994, we have a dedicated QHSE Department that is responsible for the overall planning, formation, and dissemination of safety guidelines for all project sites. We also established a KJTS Group Health, Safety and Environment ("**HSE**") Committee who is responsible for conducting quarterly HSE meetings to discuss health and safety matters and performance.

(ii) Diversity and equal opportunities

We have a non-discrimination policy where we are committed to not discriminating against any employee based on, amongst others, race, age and gender. As at the LPD, we have a total of 878 employees in Malaysia comprising, 26% of Bumiputera, 3% of Chinese, 6% of Indian, 1% of others and 64% of non-Malaysian. We have a total of 214 employees in Singapore comprising 21% of Malay, 24% of Chinese, 9% of Indians, 8% of others and 38% of non-Singaporean while all of the 9 employees in Thailand are of Thai nationality. From an age group perspective, we have 40% of employees aged under 30 years old, 45% of employees aged between 30 and 50 years old and 15% of employees aged above 50 years old. From gender perspective, we have 26% female and 74% male employees.

(iii) Employment

We build practices that promote a sustainable and productive workforce. We provide employee benefits such as medical benefits, insurance coverage, annual leaves, sponsorship on trainings and allowances that formulate retention strategy. We encourage the selection of potential employees with different backgrounds and practice non-discrimination during the recruitment process.

(iv) Training and education

We are dedicated to providing continuous training and development programs to our people who are the key factor in contributing to our business growth and success. For the Financial Years and Period Under Review and up to the LPD, we invested approximately RM0.25 million in capability development, with a total of 4,609 training hours provided to our employees.

(v) Customers' privacy

We recognise that protecting data privacy is fundamental to maintaining the trust of our customers and growing our business. We established governance measures to protect the confidentiality and security of our customers' information and ensure compliance with privacy legislation. For instance, our employees are required to sign a non-disclosure agreement as a condition of employment as a commitment to respect our customer's privacy, protect each other's privacy and protect our business information.

(vi) Procurement practices

Procurement is a vital business function, which practices dictates the quality, specification and design as well as cost factor of our products and services. As we strive to deliver excellent building support services, we have established procurement procedures to achieve this goal:

- We scrutinise pre-qualification and due diligence process to ensure our suppliers and sub-contractors meet our expectations.
- We evaluate the performance of our suppliers and sub-contractors upon fulfilment of orders, completion of works or receipt of complaints from our customer or our Group.
- Where available and agreeable by our customers, our team sources 100% of our supplies and services locally in supporting the local economy and community.

(vii) Technology innovation

Many of the cooling energy systems that we either carry out the EPCC or upgrade or retrofit and manage incorporate our in-house developed energy management system that provides active monitoring and management of the cooling energy system. The energy management systems onsite are also linked to our CC.

Data from the connected energy management systems are sent to our CC, which is monitored 24 hours per day, 7 days per week. Our CC can monitor system performance and react to alerts to support our on-site O&M personnel. In some situations, our CC can remotely control some on-site machinery and equipment to intervene, if necessary.

In addition, our CC collects operational and energy usage data that enables us to carry out big data analytics to improve the effectiveness, efficiency and safety of the cooling energy system, as well as facilitate predictive maintenance to minimise potential costly system failure. Big data analytics also help us continuously improve our design and specification of cooling energy systems when we carry out EPCC, upgrading and retrofitting works.

(viii) Customer satisfaction

We have in place customer complaint management procedures with an expected timeline to attain complaints received from customers. In addition, we seek continuous product and service improvement by engaging our customers through customer feedbacks and satisfaction surveys. The result of the customer satisfaction surveys is subsequently discussed in the management review meetings.

(ix) Local communities and engagement

From 1 January 2021 up to the LPD, we made donation contribution with the total amount of RM16,500.00 to Lovehome Charity Foundation which is a non-profit organisation that cares for unfortunate orphans and disabled persons and Police Administrative and Civilian Staff Union which is a police union.

7.20.3 Governance

We embrace the principles and practices as set out in the Malaysian Code of Corporate Governance in conducting the business and affairs of our Group. We remain committed to adopting the principles of integrity, transparency and professionalism to safeguard shareholders, investments and protect the interests of all.

(i) Financial stability

We set out a mission to deliver energy focused, technical management services, with long-term, reliable and guaranteed performance-based solutions that bridge divides across borders and cultures. We have grown to provide building support services on a regional scale. With our roots steadily planted in Malaysia, we have expanded our business operations into Singapore and Thailand, continuously engaging reforms from new perspectives, challenging the industry and its status quo.

Business and financial performance are crucial and fundamental to the sustainability of running a company. For our sustainable financial growth, we are always seeking ways to expand and diversify our customer base, both regionally and internationally.

(ii) Anti-corruption

We have put in place policies and procedures to promote and maintain compliance with the Malaysian Anti-Corruption Commission Act 2009 and the Whistleblower Protection Act 2010.

(iii) Anti-competitive behaviour

We comply with the principle of fair competition and transaction integrity in all business interaction, rejection of corruption and unfair competition and respect for intellectual property rights to create a harmonious business environment.

VITAL FACTOR CONSULTING
Creating Winning Business Solutions

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Selangor Darul Ehsan, Malaysia
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Fax: (603) 7931-2188
Website: www.vitalfactor.com

8 December 2023

The Board of Directors
KJTS Group Berhad
Suite 3.03, Level 3, Wisma E&C
No. 2, Lorong Dungun Kiri
Damansara Heights
50490 Kuala Lumpur

Dear Sirs and Madams

Independent Assessment of the Building Support Services Industry

We are an independent business consulting and market research company based in Malaysia. We commenced our business in 1993 and, among others, our services include the provision of business plans, business opportunity evaluations, commercial due diligence, feasibility studies, financial and industry assessments, and market studies. We have also assisted in corporate exercises since 1996, having been involved in initial public offerings, takeovers, mergers and acquisitions, and business regularisations for public listed companies on the Bursa Malaysia Securities Berhad (Bursa Securities) where we acted as the independent business and market research consultants. Our services for corporate exercises include business overviews, independent industry assessments, management discussion and analysis, and business and industry risk assessments.

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

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

Yours sincerely

Wooi Tan
Managing Director

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

VITAL FACTOR CONSULTING
Creating Winning Business Solutions

Date of Report: 8 December 2023

INDEPENDENT ASSESSMENT OF THE BUILDING SUPPORT SERVICES INDUSTRY

1. INTRODUCTION

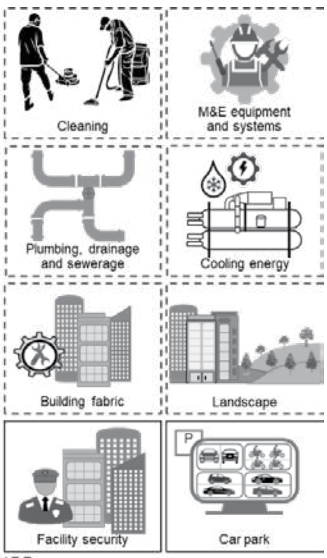
- KJTS Group Berhad together with its subsidiaries, (herein referred to as KJTS Group) is mainly involved in the provision of building support services focusing on cooling energy, cleaning and facilities management (FM) services. In Malaysia, KJTS Group is involved in all three segments of its business, while in Singapore, it is involved in the provision of cleaning services. The above shall form the focus of this report.

- This report focuses on larger enterprises that provide cooling energy, cleaning and/or FM services, and where relevant, statistics mentioned in this report refer to Malaysia unless stated otherwise. All Gross Domestic Product (GDP) figures are nominal GDP unless stated as real GDP.

2. BUILDING SUPPORT SERVICES INDUSTRY

2.1 Industry structure

- Building support services are mainly focused on the provision of some combinations of operations, management, repair and maintenance as well as retrofitting and upgrading works. These are aimed at supporting the functionality, comfort, safety and aesthetics of the built environment, especially buildings. Some of the areas covered by building support services include the following:
  - **cleaning**;
  - **mechanical and electrical (M&E) equipment and systems** such as air-conditioning, lighting, elevators, escalators, travelators, fire protection systems, security systems, electrical services, pumps and fans;
  - **plumbing, drainage and sewerage;**
  - **cooling energy** comprising large-scale space cooling systems designed to chill an entire large building referred to as chiller plants, or several nearby large buildings, referred to as district cooling systems (DCS);
  - **building fabric** referring to surfaces of buildings such as roofs, walls, windows and doors;
  - **landscaping** referring to open and green areas, patios and decking within the built environment;
  - **facility security** focusing on the physical security of premises; and
  - **car park.**



KJTS Group is involved in these segments
M&E = Mechanical and electrical.

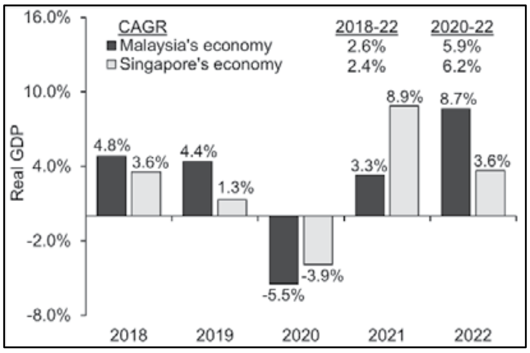
- Larger building support service providers are focused on multi-tenanted buildings including high-rise residential and commercial buildings such as serviced apartments, purpose-built offices, shopping centres, hospitality properties, institutions such as healthcare and education centres, hostels and workers' accommodations. It also includes mainly larger manufacturing premises. However, it excludes plant, machinery and equipment involved in manufacturing or processing activities. KJTS Group is involved in the provision of building support services comprising cooling energy, cleaning and FM.

3. GDP OF MALAYSIA AND SINGAPORE

- Building support services cover the residential, commercial and industrial sectors where growth and robust activities within these sectors will sustain as well as provide opportunities for operators within the industry. As such, the overall well-being of the economies of Malaysia and Singapore would impact operators like KJTS Group which operates within the building support services industry in the two countries.

- GDP measures the gross value added to the output of goods and services in a country or sector during a specified period. Real GDP is a measure of "real" changes in output over time, due to changes in the quantity of goods and services produced, rather than changes in their prices due to inflation or deflation.

Real GDP of Malaysia and Singapore's Economies



CAGR= Compound annual growth rate. (Sources: Department of Statistics, Malaysia (DOSM) and Singapore Department of Statistics (SDOS).

- Between 2020 and 2022, the real GDP of Malaysia and Singapore grew at a CAGR of 5.9% and 6.2% respectively, indicating a recovery from the impact of the COVID-19 pandemic. For the first 9 months of 2023, the real GDP of Malaysia grew by 3.9%, while that of Singapore grew by 0.7%, compared to the corresponding period in 2022 *(Sources: DOSM and SDOS)*.

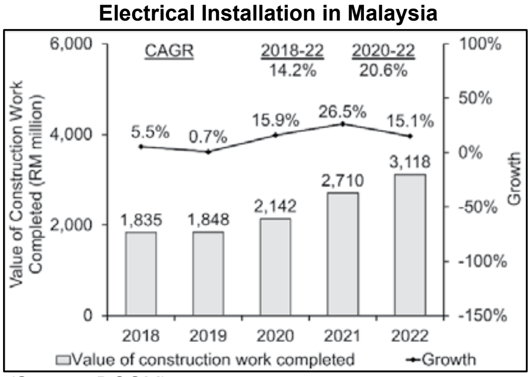
- In 2023, the Malaysian economy is estimated to grow by 4.0%, with a forecasted real GDP growth between 4.0% and 5.0% in 2024 *(Source: Ministry of Finance (MoF))*. Meanwhile, in Singapore, the economy is projected to grow by 1.0% in 2023, and between 1.0% and 3.0% in 2024 *(Source: Ministry of Trade and Industry (MITI), Singapore)*.

4. PERFORMANCE OF BUILDING SUPPORT SERVICES

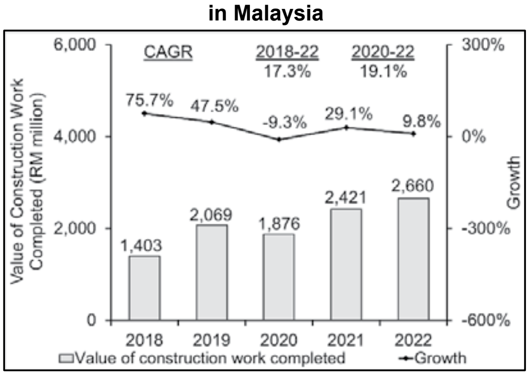
4.1 Malaysia

4.1.1 Cooling energy services

Value of Construction Work Completed for Electrical Installation in Malaysia



Value of Construction Work Completed for Plumbing, Heat and Air-conditioning Installation in Malaysia



(Source: DOSM)

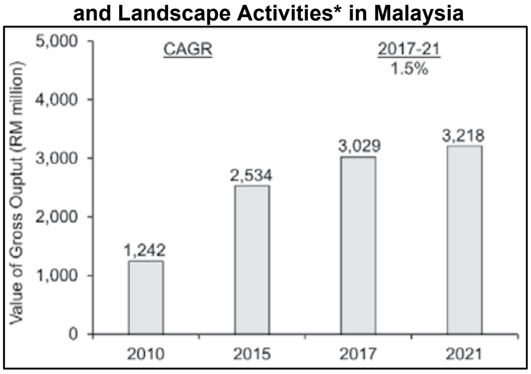
- In Malaysia, the construction of cooling energy systems forms part of the specialised construction industry, which includes electrical installation as well as plumbing, heat and air-conditioning installation, among others. Between 2020 and 2022, the value of construction work completed for the electrical installation segment experienced a CAGR of 20.6%. Similarly, the plumbing, heat and air-conditioning segment also witnessed growth with a CAGR of 19.1% during the same period. Growth in both segments was partially attributed to the implementation of small-scale projects *(Source: Bank Negara Malaysia (BNM))*. For the first 9 months of 2023, the value of construction work completed for the electrical installation segment grew by 18.4%, while the plumbing, heat and air-conditioning segment grew by 50.1%, compared to the corresponding period in 2022 *(Source: DOSM)*.

4.1.2 Services for buildings and landscape activities

- KJTS Group is involved in the provision of cooling energy, cleaning and FM services which are part of the supporting services for buildings that also involve landscape activities.

- In Malaysia, the value of gross output for services to buildings and landscape activities has been growing at a CAGR of 1.5% between 2017 and 2021. Positive growth provides opportunities to operators in the provision of building support services.

Value of Gross Output for Services to Buildings and Landscape Activities* in Malaysia



*Latest available statistics. *Includes combined facilities support, cleaning, and landscape care and maintenance service activities. (Source: DOSM)*

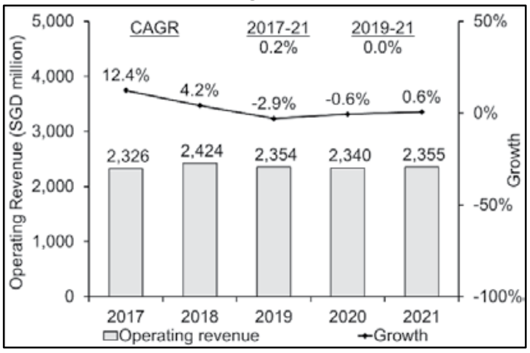
4.2 Singapore

4.2.1 Cleaning services

- KJTS Group is involved in the provision of cleaning services in Singapore. In Singapore, the operating revenue of cleaning services declined between 2018 and 2020, and recovered to grow by 0.6% in 2021.

- Since September 2015, all licensed cleaning businesses in Singapore have been required to pay progressive wages to local cleaners who are Singapore citizens or permanent residents under the Progressive Wage Model (PWM). Between 2023 and 2028, the basic monthly wages of all local outsourced cleaners will get a yearly increase every July. Since September 2022, progressive wages have been extended to local in-house cleaners *(Source: Ministry of Manpower, Singapore)*. Additionally, eligible local outsourced and in-house cleaners are entitled to a bonus of at least two weeks of basic monthly wages in a given year. This impacts the operation costs for operators involved in providing cleaning services in Singapore, including KJTS Group.

Operating Revenue of Cleaning Activities in Singapore



Latest available statistics. (Source: SDOS)

- To assist employers in adjusting to the wage increases, the Singapore government has implemented the progressive wage credit scheme to co-fund eligible wage increases from 2022 to 2026, providing support to employers in meeting the wage requirements imposed under the PWM.

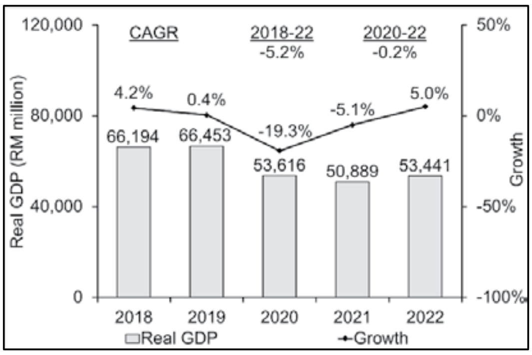
5. DEMAND DEPENDENCIES

5.1 Building construction industry

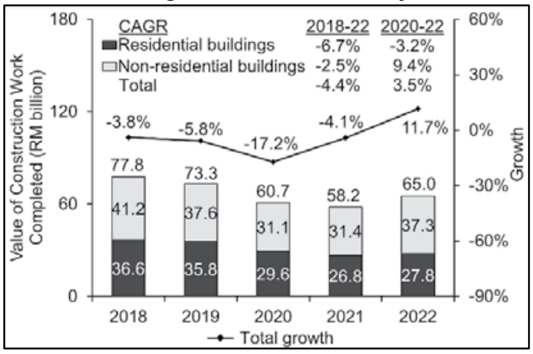
- The demand for building support services is closely tied to the construction industry, specifically building construction. The construction of buildings will initially require the installation of building facilities such as cooling energy systems, and other machinery and equipment, which will subsequently require FM for machinery and equipment as well as other features and functions of the buildings including cleaning. As such, the growth of the building construction industry will drive the demand for building support services, including cooling energy, cleaning and FM services.

5.1.1 Malaysia

Real GDP of the Construction Industry in Malaysia



Value of Construction Work Completed for Building Construction in Malaysia



(Source: DOSM)

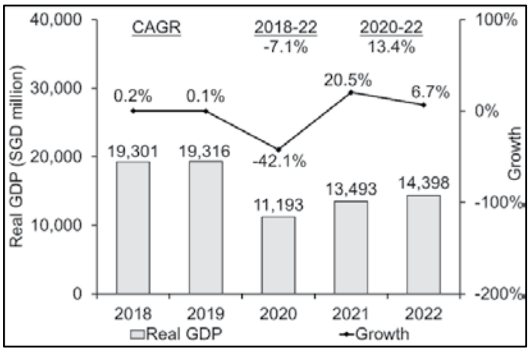
- In 2022, the real GDP of the construction industry in Malaysia grew by 5.0% following a broad-based pickup in activities across all subsectors. Similarly, the value of construction work completed for building construction recorded a growth of 11.7% in 2022, where the non-residential and residential subsectors grew by 18.7% and 3.4% respectively. The non-residential subsector rebounded strongly on the back of faster progress of large commercial real estate and industrial projects *(Source: Bank Negara Malaysia (BNM))*. Nevertheless, both of these sectors have not recovered to pre-COVID-19 levels.

- In 2023, the construction industry is estimated to grow by 6.3%, mainly driven by the civil engineering and specialised construction activity subsectors in the first half, and growth across all subsectors in the second half of the year *(Source: MoF)*. For the first 9 months of 2023, the real GDP of the construction industry in Malaysia grew by 7.0%, while the value of construction work completed for building construction grew by 4.5%, compared to the corresponding period in 2022 *(Source: DOSM)*.

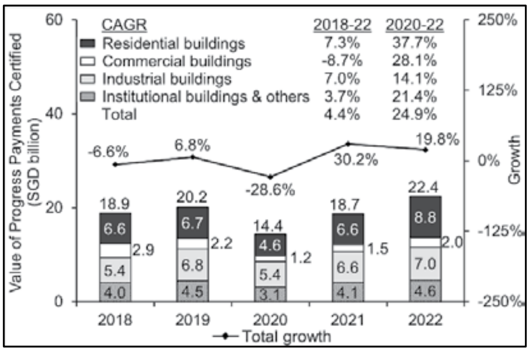
- The continuing growth in the construction industry particularly for building construction will help sustain and provide opportunities for operators involved in the building support services industry. KJTS Group is involved in the provision of building support services for commercial, institutional and industrial buildings in Malaysia.

5.1.2 Singapore

Real GDP of the Construction Industry in Singapore



Value of Progress Payments Certified for Building Work* in Singapore



** Comprises residential, commercial, industrial, institutional and other types of building work. (Source: SDOS)*

- Between 2020 and 2022, the real GDP of the construction industry in Singapore grew at a CAGR of 13.4%. Similarly, during the same period, the value of progress payments certified for building work in Singapore experienced a CAGR of 24.9% where all segments of building work including residential, commercial, industrial, institutional and others, witnessed positive growth. For the first 9 months of 2023, the real GDP of the construction industry in Singapore grew by 7.3%, while the value of progress payments certified for building work in Singapore grew by 19.6%, compared to the corresponding period in 2022. *(Sources: SDOS)*. While the real GDP of the industry has not recovered to pre-COVID-19 levels, the value of progress payments certified for building work exceeded the pre-COVID-19 level in 2019.

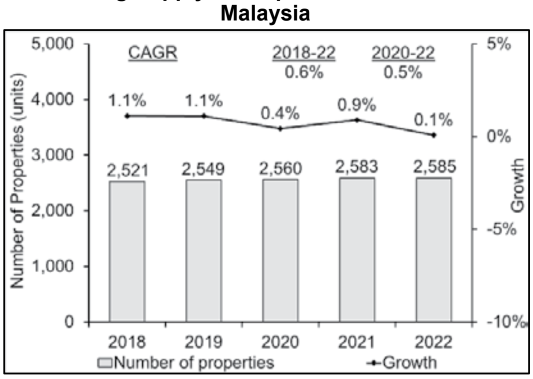
- As the overall construction industry including building construction continues to grow, this will provide opportunities for operators involved in the provision of building support services in Singapore including KJTS Group.

5.2 Supply of industrial and commercial properties

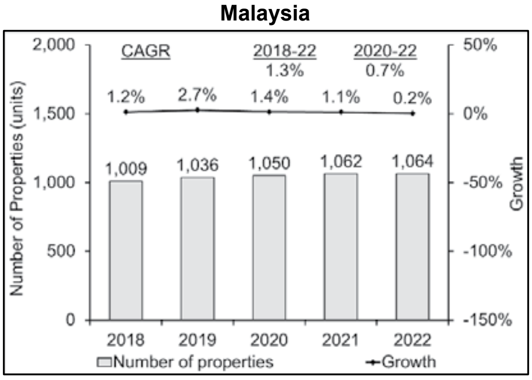
- The existing supply of industrial and commercial properties forms the base addressable market while future supplies provide growth opportunities to operators in the building support services.

5.2.1 Malaysia

Existing Supply of Purpose-Built Offices in Malaysia



Existing Supply of Shopping Complexes in Malaysia



(Source: National Property Information Centre (NAPIC))

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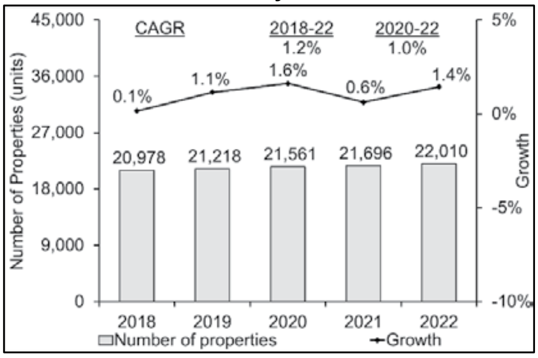
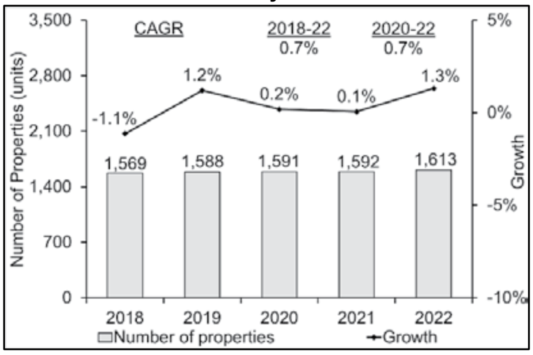
Existing Supply of Industrial Detached Units in Malaysia



Existing Supply of Industrial Complexes in Malaysia



(Source: NAPIC)

- Between 2020 and 2022, the existing supply of purpose-built offices, shopping complexes, industrial detached units and industrial complexes experienced positive CAGR. As of the third quarter (Q3) of 2023, the existing supply of purpose-built offices, shopping complexes, industrial detached units and industrial complexes grew by 0.5%, 0.1%, 0.8% and 0.1% respectively, compared to Q3 2022 *(Source: NAPIC)*. This augurs well for operators in the provision of building support services.

- In terms of future supply, between 2020 and 2022, purpose-built offices and industrial detached units grew, while shopping complexes and industrial complexes declined. When comparing the future supply at the end of Q3 2023 to Q3 2022, purpose-built offices grew by 2.6%, while shopping complexes, industrial detached units and industrial complexes declined by 4.2%, 5.6% and 6.3% respectively *(Source: NAPIC)*.

Future Supply of Selected Commercial and Industrial Properties in Malaysia

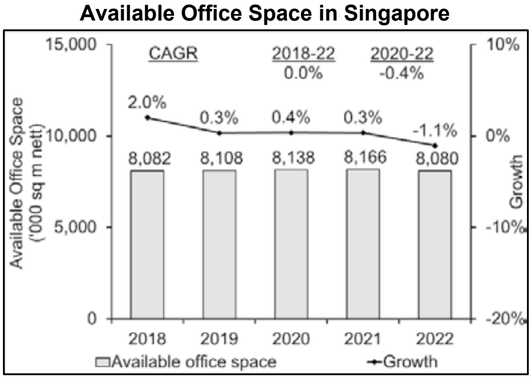
	Purpose-built offices (units)	Shopping complexes (units)	Industrial detached units (units)	Industrial complexes (units)
2018	89	77	5,864	54
2019	66	54	6,874	37
2020	63	55	6,388	37
2021	56	54	6,569	36
2022	79	49	6,529	35
CAGR (2018-22)	-2.9%	-10.7%	2.7%	-10.3%
CAGR (2020-22)	12.0%	-5.6%	1.1%	-2.7%

Future supply= incoming supply + planned supply. (Source: NAPIC)

5.2.2 Singapore

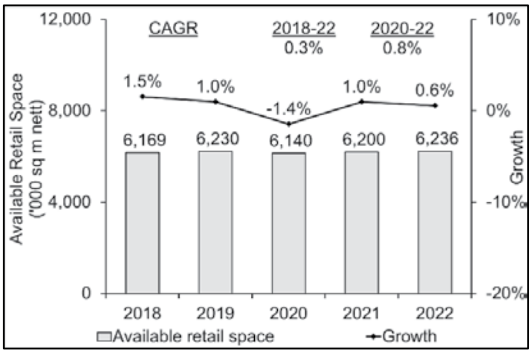
- Between 2020 and 2022, the available stocks for retail and single-user factory spaces grew, while office spaces declined. As of the end of Q3 2023, the available stocks for retail and single-user factory spaces grew by 0.7% and 2.0% respectively, while office spaces declined by 0.7%, compared to Q3 2022 *(Source: SDOS)*.

Available Office Space in Singapore

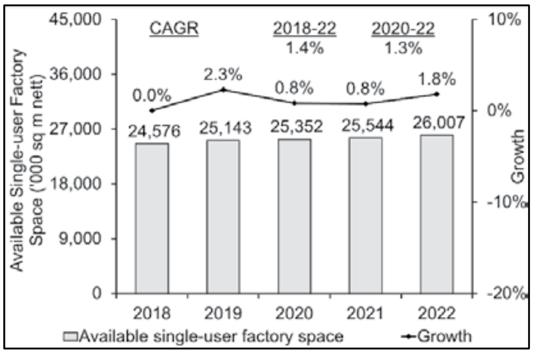


Sq m= Square metres. (Source: SDOS)

Available Retail Space in Singapore



Available Single-user Factory Space in Singapore



Sq m= Square metres. (Source: SDOS)

- In terms of supply, office, retail and single-user factory spaces experienced growth between 2020 and 2022. As of the end of Q3 2023, the supply of office and retail spaces grew by 17.2% and 38.5% respectively, while single-user factory space declined by 32.7%, compared to Q3 2022 *(Source: SDOS)*.

Supply of Selected Commercial and Industrial Properties in Singapore

	Office Space ('000 sq m gross)	Retail Space ('000 sq m gross)	Single-user Factory Space ('000 sq m gross)
2018	857	453	2,215
2019	918	405	1,893
2020	788	445	2,014
2021	916	460	1,998
2022	1,068	513	2,053
CAGR (2018-22)	5.7%	3.2%	-1.9%
CAGR (2020-22)	16.4%	7.4%	1.0%

Sq m= Square metres; Supply= under construction + planned supply. (Source: SDOS)

6. COMPETITIVE LANDSCAPE

- The following companies are involved in building support services in Malaysia, listed in descending order of revenue. The selection criteria is that they must provide cooling energy and/or FM services in Malaysia. They may also be involved in other business activities. This list is not exhaustive and serves to indicate the financial performance of some of the operators involved in cooling energy and/or FM services in Malaysia.

Company	FYE (1)	CE	FM	Rev (2) (RM mil)	Seg Rev (RM mil)	GP (2) (RM mil)	NP (2) (RM mil)	GP (2) Margin	NP (2) Margin
* UEM Edgenta Bhd (3)	Dec-22		√	2,523.6	1,651.6(a)	331.5	45.7	13.1%	1.8%
* AWC Bhd (4)	Jun-23		√	381.3	259.8(a)	79.3	10.8	20.8%	2.8%
* Damansara Holdings Bhd (5)	Dec-22(5)		√	280.9	264.1(a)	59.5	-34.5	21.2%	-12.3%
* Kinergy Advancement Bhd (6)	Dec-22		√	187.0	173.8(a)	28.1	2.8	15.0%	1.5%
^ TNB Engineering Corp. S/B(7)	Dec-22	√		167.9	121.7(c)	0.1	1.9	0.1%	1.1%
* Widad Group Bhd (8)	Dec-22		√	160.4	67.2(b)	27.5	-6.1	17.1%	-3.8%
* GFM Services Bhd (9)	Dec-22		√	140.8	140.8	55.5	18.3	39.4%	13.0%
^ Malakoff Utilities S/B (10)	Dec-22	√	√	124.6	124.6	12.6	1.3	10.1%	1.0%
KJTS Group	**Dec-22**	**√**	**√**	**94.4**	**94.4(d)**	**22.7**	**7.2**	**24.1%**	**7.6%**
^ Gas District Cooling (M) S/B(11)	Dec-22	√		86.3	83.4(c)	19.5	13.2	22.6%	15.3%

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Company	FYE (1)	CE	FM	Rev (2) (RM mil)	Seg Rev (RM mil)	GP (2) (RM mil)	NP (2) (RM mil)	GP (2) Margin	NP (2) Margin
^ SSRV (M) S/B (12)	Dec-22		√	65.1	65.1	11.7	0.2	18.0%	0.2%
^ Cofreth (M) S/B (13)	Mar-22	√	√	18.8	18.8	4.4	1.2	23.4%	6.4%
^ Tunas Cool Energy S/B (14)	Dec-22	√		13.7	13.7	4.2	-0.1	31.1%	-1.0%

** Listed on Bursa Malaysia Securities Bhd (Bursa Securities); ^ Private company; CE= Provision of cooling energy services including EPCC of cooling energy systems; FM = Provision of facilities management services; FYE= Financial Year Ended; Rev= Revenue; Seg= Segmental; GP= Gross Profit; NP= Net Profit; Bhd= Berhad; S/B= Sendirian Berhad; Corp.= Corporation; mil=million.* ***Notes:*** *(a) Derived from integrated facilities management (IFM) and/or engineering services; (b) Derived from IFM and concession arrangements which include construction and maintenance of facilities and infrastructure; (c) Derived from cooling energy services; (d) Derived from building support services comprising cooling energy, cleaning and FM services; (e) Derived from asset management services.*

Notes:

(1) *Latest available audited financial information from annual reports, Companies Commission of Malaysia, and KJTS Group.*
(2) *At Group or company level, which may include other business activities, products or services.*
(3) *Involved in the provision of asset management services including healthcare support, property and facility solutions, infrastructure services as well as asset consultancy. A subsidiary of UEM Group Bhd (immediate holding company) and Khazanah Nasional Bhd (ultimate holding company).*
(4) *Involved in providing IFM services, waste management system solutions, M&E engineering services for the building industry and, construction solutions for rails.*
(5) *Involved in property development and management services, IFM and project management consultancy. Based on the 18-month financial period ended on 31 December 2022. Subsequently delisted on 24 May 2023.*
(6) *Involved in the provision of electrical and mechanical engineering services, and sustainable energy solutions.*
(7) *Principally engaged as a turnkey contractor for projects specialising in DCS and co-generation including operation and maintenance works. A subsidiary of Tenaga Nasional Berhad.*
(8) *Involved in construction activities, IFM and concession.*
(9) *Involved in IFM, consultancy services and asset management of concessions.*
(10) *Involved in building, owning and operating electricity distribution system and DCS, where they charge end-users based on their usage of electricity and chilled water respectively. A subsidiary of Malakoff Corporation Bhd.*
(11) *Involved in owning and operating DCS for generating and sale of chilled water and electricity. A subsidiary of Petroliam Nasional Berhad.*
(12) *Involved in building and FM services.*
(13) *Involved in FM, operations and maintenance of M&E systems, M&E contracting and energy services.*
(14) *Involved in supplying cooling energy activities. A subsidiary of Sin Heng Chan (Malaya) Bhd.*

- The following companies are involved in cleaning services in Singapore, listed in descending order of revenue. The selection criteria is that they must provide cleaning services for commercial and/or industrial buildings in Singapore. They may also be involved in other business activities. This list is not exhaustive and serves to indicate the financial performance of some of the operators involved in cleaning services in Singapore.

Company	FYE (1)	Rev (2) (RM mil)	Seg Rev (3) (RM mil)	GP (2) (RM mil)	NP (2) (RM mil)	GP (2) Margin	NP (2) Margin
# Hygieia Group Ltd (4)	Dec-22	202.4	201.6	27.4	-5.1	13.6%	-2.5%
* LS 2 Holdings Ltd (5)	Dec-22	191.2	188.9	n.a.	2.0	n.a.	1.1%
KJTS Group	**Dec-22**	**94.4**	(6) **18.9**	**22.7**	**7.2**	**24.1%**	**7.6%**
^ IPM. Pte Ltd (7)	Dec-22	72.2	n.a.	n.a.	1.2	n.a.	1.7%

*# Listed on the Stock Exchange of Hong Kong Limited; * Listed on the Singapore Exchange Securities Trading Limited (SGX-ST); ^ Private company; FYE=Financial Year Ended; Rev=Revenue; Seg=Segmental; GP=Gross Profit; NP=Net Profit; Ltd=Limited; Pte Ltd= Private Limited; mil=million; n.a.=not available.* ***Note:*** *(a) The exchange rate for SGD to MYR was based on the 2022 average rate of SGD1=RM3.1915 quoted by BNM, except for KJTS Group which was based on the audited financial information.*

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Notes:
(1) Latest available audited financial information from annual reports, Accounting and Corporate Regulatory Authority (ACRA) of Singapore and KJTS Group.
(2) At the Group level, which may include other business activities, products or services.
(3) Derived from cleaning services and/or other building support services.
(4) Involved in general cleaning works in Singapore and Thailand.
(5) Involved in the provision of cleaning services, including waste management services.
(6) Derived from cleaning services in Singapore
(7) Integrated Property Management Pte Ltd: Involved in general cleaning services for residential, commercial and industrial buildings. A subsidiary of Bonvests Holdings Limited.

- The net profit margin differs among operators involved in building support services in Malaysia and cleaning services in Singapore as operators may have other differing business activities, different industry focus and target customer groups, and individual strengths and weaknesses.

7. MARKET SIZE AND SHARE

2022	Market Size (RM mil)	KJTS Group	
		Rev (RM mil)	Market Share (4)
Construction of cooling energy systems (Malaysia)	2,659.6 (1)	13.7	Less than 1%
Cleaning and FM services (Malaysia)	3,217.6 (2)	31.8	1%
Cleaning services (Singapore)	7,515.0 (3)	18.9	Less than 1%

mil= million; Rev= Revenue.
Notes:
(1) Based on the value of construction work completed for plumbing, heat and air-conditioning system in Malaysia. No further segmentation available. (Source: DOSM)
(2) Based on the value of gross output for services to buildings and landscape activities in 2021, the latest available statistics, used as a proxy for 2022. No further segmentation available. (Source: DOSM)
(3) Based on the operating revenue for cleaning activities in Singapore in 2021, being the latest available statistics, used as a proxy for 2022 (Source: SDOS). The exchange rate for SGD to MYR used was based on the 2022 average rate of SGD1=RM3.1915 quoted by BNM.
(4) KJTS Group's revenue divided by market size (Source: KJTS Group and Vital Factor analysis).

8. BARRIERS TO ENTRY, REGULATIONS AND OPERATORS IN THE INDUSTRY

- Some of the barriers to entry into the building support services industry include licensing and certification as well as regulatory requirements. In addition, the availability of experienced and technical resources combined with track record are factors that may pose barriers to new entrants. As service providers, capital requirements are generally not a major barrier to entry. The number of operators within the industry as of the date of this report would provide some indication of the level of barriers to entry:
  - 13,181 local M&E contractors are registered with the Construction Industry Development Board of Malaysia (CIDB) focusing on air-conditioning and air distribution systems, of which 1,875 of them are Grade 7 contractors. 689 local contractors are registered as CIDB FM contractors, of which 472 of them are Grade 7 contractors. Grade 7 has the most stringent conditions with no limit to the value of projects undertaken;
  - there are 328 energy service companies (ESCO) registered with the Energy Commission of Malaysia (EC); and
  - In Singapore, there are 1,492 entities with a cleaning business licence.

  (Sources: CIDB, EC and National Environment Agency (NEA) of Singapore)

In Malaysia, KJTS Group is a CIDB Grade 7 building, civil engineering, M&E engineering, and FM contractor, and is registered with the EC as an ESCO. In Singapore, KJTS Group is licensed with NEA Singapore for cleaning services. Save for the above, there are no material laws or regulations that may affect the demand and supply conditions for the Group's business as a provider of building support services in Malaysia and cleaning services in Singapore.

9. INDUSTRY CONSIDERATION FACTORS

- The building support services industry depends upon, among others, the existing and future supply of buildings as a platform for business sustainability and growth. When comparing the future supply in Malaysia between the end of Q3 2023 and Q3 2022, purpose-built offices grew by 2.6%, while shopping complexes, industrial detached units and industrial complexes declined by 4.2%, 5.6% and 6.3% respectively *(Source: NAPIC)*. In Singapore, the supply of office and retail spaces grew by 17.2% and 38.5% respectively, while single-user factory space declined by 32.7% in Q3 2023 compared to Q3 2022 *(Source: SDOS)*.

- In addition, the performance of the construction industry, especially building construction, will impact the building support services industry. In 2022, the real GDP of the construction industry in Malaysia grew by 5.0% and is estimated to grow by 6.3% in 2023. In 2024, the construction industry is forecasted to grow by 6.8% following better performance across all subsectors *(Source: MoF)*. For the first 9 months of 2023, the real GDP of the construction industry grew by 7.0% compared to the corresponding period in 2022. In Singapore, the real GDP of the construction industry grew by 6.7% in 2022, and 7.3% for the first 9 months of 2023 compared to the corresponding period in 2022 *(Source: SDOS)*. Nevertheless, given the building support services industry's dependency on the property and construction sectors, it continues to face challenges arising from factors such as property overhang, poor take-up rates of new properties, constraints in loan provision, high-interest rates and economic slowdown.

- The inflow of foreign direct investments (FDI) into Malaysia and Singapore will also create opportunities for operators involved in the building support services industry. As multinational companies establish new commercial and industrial facilities, demand for building support services such as cooling energy, cleaning and FM will potentially grow. In Malaysia, FDI experienced a CAGR of 13.3% between 2020 and 2022 amounting to RM879.1 billion in 2022 *(Source: DOSM)*. In Singapore, FDI experienced a CAGR of 11.2% between 2020 and 2022 amounting to SGD 2,663.4 billion in 2022 *(Source: SDOS)*.

- The trend towards environmental sustainability and the drive to reduce the carbon footprint associated with commercial and industrial activities, coupled with potential cost savings, will contribute to the increasing demand for cooling energy management services and energy-efficient cooling systems within the building support services industry. Based on the latest available information in 2021, 288 energy management gold standard (EMGS) certifications were issued to end-users based on excellence in energy management in Malaysia *(Source: Ministry of Natural Resources, Environment and Climate Change (NRECC))*. Additionally, between 2020 and 2022, the total number of green building index (GBI) certified buildings in Malaysia grew at a CAGR of 6.5%. As of 30 September 2023, there were a total of 662 GBI-certified buildings and 1,168 registered GBI projects in Malaysia.

- In 2023, the Ministry of Economy introduced the National Energy Transition Roadmap which outlined energy efficiency saving targets of 22% and 23% for the industrial and commercial sectors by 2040 and 2050 respectively, and 15% and 20% for the residential sector by 2040 and 2050 respectively, as well as initiatives to enhance energy efficiency. This will benefit operators in the building support services industry focusing on cooling energy services.

9. RISK FACTORS

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

9.1 RISKS RELATING TO OUR BUSINESS

9.1.1 Our business depends on securing new contracts to grow our business and failure to secure projects in a timely manner may affect our future financial performance

Our EPCC of cooling energy systems business is project-based, and there can be no assurance that we will be able to continuously secure new projects, nor any assurance that the new projects that we secure will be on commercial terms favourable to us. We will not secure any projects with commercial terms that are unfavourable to us. Failure to secure contracts promptly may adversely affect the financial performance and growth of our business. For example, revenue contribution from WCT Berhad in relation to the Damansara Mixed Development Chiller EPCC Project – Phase 1 was RM11.02 million (14.93% of total Group revenue), RM13.56 million (15.89%), RM8.08 million (8.55%) and RM0.48 million (0.67%) for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. The Damansara Mixed Development Chiller EPCC Project – Phase 1 project is expected to be completed by the end of 2023. The completion of this project is not expected to have a significant impact on our revenue and GP moving forward as the estimated revenue contribution from this project for FYE 2023 (representing the contract value after taking into account variation orders, and less the revenue already recognised up to FYE 2022) is approximately RM1.75 million.

In FYE 2021, we had a building construction project for the part construction of an international school which has since been completed. Revenue contribution from this International School Project was nil, RM9.90 million (11.61%), nil and nil for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. Moving forward, we will not be involved in stand-alone building construction projects as it is not one of our core businesses.

Our business is also dependent on recurrent revenue-based contracts for the provision of cooling energy management, cleaning and FM services. For the Financial Years and Period Under Review, recurrent revenue constitutes more than half of our total revenue. As such, our business is dependent on securing more similar recurrent revenue contracts to replace contracts as they expire, from time to time to grow our business. For example, the F&B Chain MFM Contract has expired in November 2023 and we have continued to provide services pending renewal of this contract as at the LPD (FYE 2022 revenue of RM7.17 million and FPE 2023 revenue of RM3.18 million), the Pahang F&B Outlets Contract will expire in December 2023 and is pending renewal as at the LPD (FYE 2022 revenue of RM5.95 million and FPE 2023 revenue of RM6.19 million), the Muar IBS Contract will expire in July 2024 (FYE 2022 revenue of RM5.25 million and FPE 2023 revenue of RM2.82 million) and the Pahang High-level Cleaning Contract will expire in November 2024 (FYE 2022 revenue of RM1.97 million and FPE 2023 revenue of RM1.06 million). Failure to secure new recurrent revenue contracts may adversely affect the financial performance and growth of our business. Please refer to Sections 7.5.1.4, 7.5.2, 7.5.3.1 and 7.5.3.2 of this Prospectus for further details of on on-going contracts with estimated annual charges of more than RM1.00 million.

The total value of EPCC of cooling energy systems contracts that we have secured and are on-going that have not been invoiced as at the LPD, which represents our order book, amounted to RM32.53 million, representing the value of our order book as at the LPD. Please refer to Sections 7.5.1.5 and 12.6 of this Prospectus for further details of these ongoing projects.

9.1.2 Our recurrent and lump sum project-based revenue contracts may be terminated early thus impacting our financial performance

Our recurrent revenue contracts to provide cooling energy management, cleaning and FM services may be terminated earlier than the expiry date, while our subsisting EPCC of cooling energy systems contracts may be terminated or suspended before the specified scope of works is completed. These contracts may be terminated early by the formal issuance of termination notice or otherwise, resulting from the default or material non-performance of obligations by us or our customer, by a customer being in financial distress, through court orders or by mutual agreement. The early termination of a contract may result in foregone potential revenue and profits compared to if the contract was completed in full, which may have an adverse impact on our financial performance.

In addition, the early termination of cooling energy management services contracts where we wholly or partially financed the new construction or upgrading and/or retrofitting of cooling energy systems may occur before the capital repayments are sufficient to recoup our initial capital financing. While these contracts customarily include a stipulation that our customers must pay us a specified sum if they choose to terminate the contract early, there can be no assurance that the payment will be made or the payment is sufficient for us to recoup the unrecovered capital financing at the time of the contract termination. This may have an adverse effect on our financial performance and prospects.

A number of our recurrent revenue contracts are for several years into the future. As at the LPD, we have subsisting cooling energy management services contracts that have estimated annual recurrent revenue of more than RM1 million per contract with duration period of at least 5 years that have expiry dates that fall within the following periods:

Number of contracts	Contract expiry date*
2(1)	Between 1 January 2028 and 31 December 2032
5(2)	Between 1 January 2033 and 31 December 2038

Notes:

* Based on contract expiry date as agreed in the respective contracts, without taking into consideration optional contract extension or renewal, if any.

(1) Comprising 2 on-going contracts.

(2) Comprising 4 on-going contracts and 1 contract that has been secured but has not commenced as at the LPD.

The duration of our subsisting recurrent revenue contracts with expiry dates as set out above gives rise to the possibilities of business uncertainties as well as unforeseen circumstances and force majeure events affecting us and/or our customers' abilities to meet our respective contractual obligations. As such, there are risks that one or more of these recurrent revenue contracts may be terminated before their expiry dates, which may affect our business and financial performance or unable to realise future revenues.

During the Financial Years and Period Under Review, we experienced 2 contract suspensions for the EPCC of DCS and airside equipment relating to the same project. The suspensions were due to the project owner suffering financial distress and being placed under administration. The total contract values amounted to RM9.94 million, of which have invoiced and collected RM0.37 million as of the LPD. As at the LPD, we do not have any receivables outstanding in relation to these two contracts, nor have we made any impairments or write-offs.

While we may have contracts for carrying out our recurrent and project-based works, there is no assurance that these contracts will not be suspended or terminated early, which may adversely impact our business and financial performance.

9.1.3 Our business and financial performance may be affected by decreases in electricity tariffs

As at the LPD, 8 of our subsisting cooling energy management services contracts (6 of which are on-going and 2 which have been secured but are pending commencement of the supply of chilled water) involve operating and maintaining DCS or chiller plants to generate chilled water. As at the LPD, with the exception of 1 subsisting contract (PJ Shopping Mall and Office CEMS Contract based on the F+V+MCP mode of operation), our compensation for the supply of chilled water for the other 7 contracts is based on the quantity of chilled water supplied multiplied by the chilled water tariff. The chilled water tariff is subject to price adjustment mechanism which includes, amongst others, a percentage mark-up from the prevailing electricity tariff. For the PJ Shopping Mall and Office CEMS Contract, the fixed monthly charges component is subject to price adjustment mechanism which includes, amongst others, a percentage mark-up from the prevailing electricity tariff.

In the event there is a decrease in the prevailing electricity tariff, this would result in a corresponding decrease in the value of the chilled water tariff or fixed monthly charges, due to the fixed percentage of the prevailing electricity tariff within the price adjustment mechanism, which may result in a decrease in our revenue from these contracts.

For illustrative purposes, under the Subang Shopping Mall CEMS Contract a 10.00% decrease in the prevailing electricity tariff would result in a 10.00% decrease in the chilled water tariff, and consequently 10.00% reduction in revenue from the supply of chilled water (assuming that the quantity of cooling energy supplied remains the same).

The drop in the chilled water tariff or fixed monthly charges may also reduce our gross profit, which may negatively affect our financial performance. While a decrease in electricity tariffs may reduce our operating costs, nevertheless there is no guarantee that this would outweigh the reduction in revenue from the downward adjustment in the chilled water tariff or fixed monthly charges.

An increase in the electricity tariff will not give rise to a risk as the price adjustment mechanism will result in a corresponding upward adjustment in the chilled water tariff or fixed monthly charges. In this way, the increase in electricity costs would be passed on to the customer, thereby not having a negative impact on our financial performance.

9.1.4 The actual operating costs of generating chilled water may be higher than the chilled water tariff or fixed monthly charges

We bear the operating costs of generating chilled water under 8 cooling energy management service contracts that are subsisting as at the LPD (6 of which are on-going and 2 which have been secured but are pending commencement of the supply of chilled water). The operating costs that we are responsible for bearing include electricity and potable water charges, staff costs, and the costs of preventive, corrective and major maintenance for specified cooling energy system machinery and equipment. There is a risk that the actual operating costs incurred in generating chilled water may be higher than envisaged thus compressing our gross profit margin or lead to losses from the supply of chilled water based on chill water tariff or fixed monthly charges. Such a situation may arise due to, amongst others, material errors in our calculation of operating costs during the process of securing the contract, the cooling energy system is less efficient that we anticipated resulting in higher actual electricity and/or potable water consumption, higher than anticipated repair and maintenance requirements, and higher than anticipated increases in the prices of spare parts, replacement equipment and sub-contracted services over time.

If the actual operating costs exceeded the chilled water tariff or fixed monthly charges, it would result in recurring losses over the duration of the respective contract which may adversely affect our future financial performance and prospects. If the actual operating costs were higher than anticipated but did not exceed the chilled water tariff or fixed monthly charges, our gross profit may be reduced over the duration of the respective contract which may adversely affect our future financial performance and prospects. As at the LPD, the subsisting cooling energy management services contract with the longest duration will expire on 31 July 2038.

The 8 subsisting cooling energy management service contracts mentioned above do not include any provision to change the chilled water tariff or fixed monthly charges in the event that actual operating costs exceed the tariff or charges, or are higher than we anticipated nor do they include provisions for us to unilaterally terminate the contracts on such grounds. While we can seek to renegotiate such contracts, there is no guarantee that the customer will agree to changes in the contract, including increasing the chilled water tariff or fixed monthly charges, or that such changes will be sufficient to cover the actual operating costs. If we do not meet our obligations to supply our customer with chilled water in accordance with our contract, the customer may make claims for liquidated and other damages against us, or take legal or other action against us. In addition, failure to meet our obligations to our customers may adversely affect our reputation.

During the Financial Years and Period Under Review and as at the LPD, the actual operating costs of generating chilled water for all 6 of our subsisting and on-going cooling energy management service contracts are lower than the current chilled water tariff and fixed monthly charges. Nevertheless in the future, there can be no guarantee that the actual operating costs of generating chilled water for these 6 of our subsisting and on-going cooling energy management services contracts, and all others that may become operational in the future, will be lower than chilled water and fixed monthly charges prevailing at that time.

9.1.5 Our business and financial performance may be affected by increases in the costs of new construction, retrofitting and/or upgrading cooling energy systems

We are involved in new construction, retrofitting or upgrading cooling energy systems for our EPCC of cooling energy systems projects, and for some of our cooling energy management services contracts where we wholly or partially finance the new construction or upgrading and/or retrofitting of cooling energy systems.

Our EPCC of cooling energy systems projects are based on FLS contracts where the contract value is agreed upon and specified in the contract, or F+SR contracts that comprise a fixed lump sum part and a variable part based on agreed schedule of rates. In the event of any increase in costs, we are unable to unilaterally increase the agreed contract value or schedule of rates (where applicable) without the agreement of the respective customer. As a result, if there is any unanticipated increase in the costs of implementing our EPCC of cooling energy systems projects that we are unable to pass on to our customers, we would have to absorb these costs and thus affect our profit margin.

Our cooling energy management services contracts where we wholly or partially finance the new construction or upgrading and/or retrofitting of cooling energy systems are based on F+MCP, F+V+MCP or F+CW+MCP contracts. Under these modes of operation, the MCP portion is based on the original budgeted cost of constructing, upgrading and/or retrofitting the cooling energy system, and is fixed for the duration of the contract. In the event of any increase in costs, the payback period for recouping the whole or partial financing for the cooling energy system will be longer than planned and may adversely affect our financial performance.

Our purchases of cooling energy system machinery and equipment and subcontracted services for the construction, retrofitting or upgrading cooling energy systems for our EPCC of cooling energy systems projects and relevant cooling energy management services contracts is summarised in the following table:

	FYE 2020		FYE 2021	
	Value of Purchases (RM'000)	**Proportion of Total Purchases[1] (%)**	**Value of Purchases (RM'000)**	**Proportion of Total Purchases[1] (%)**
CES M&E	17,852	44.45	5,423	14.17
Sub-con for EPCC of CES	6,999	17.43	12,064	31.51
Sub-total	**24,851**	**61.88**	**17,487**	**45.68**

	FYE 2022		FPE 2023	
	Value of Purchases (RM'000)	**Proportion of Total Purchases[1] (%)**	**Value of Purchases (RM'000)**	**Proportion of Total Purchases[1] (%)**
CES M&E	5,448	10.93	3,157	9.87
Sub-con for EPCC of CES	13,355	26.81	9,252	28.93
Sub-total	**18,803**	**37.74**	**12,409**	**38.80**

CES M&E = Cooling energy system machinery and equipment.
Sub-con for EPCC of CES = Sub-contracted services for EPCC of cooling energy systems.

Note:

(1) As a percentage of total Group purchases of input, materials and services.

Increases in costs may arise from, amongst others, increases in the costs of labour, building materials, cooling energy system machinery and equipment, sub-contractors' fees and overheads. In general, our estimation of the costs of cooling energy systems machinery and equipment and sub-contracted services for the EPCC of cooling energy systems are based on, among others, current prices, past price trends, potential price increases, potential foreign currency exchange rate fluctuations and buffer for contingencies. Unanticipated increases in the costs of cooling energy systems machinery and equipment and sub-contracted services may increase the actual costs of constructing, retrofitting or upgrading the cooling energy system.

There can be no assurance that increases in the costs of new construction, retrofitting or upgrading cooling energy systems in the future will not adversely affect our business and financial performance.

9.1.6 Our business and financial performance may be affected if there are delays in completing EPCC projects

We are required to meet project implementation timelines and milestones when we carry out EPCC of cooling energy systems projects. Any delays in achieving the specified project implementation timeline and milestones may result in delays in the recognition of revenue, project cost overruns, negative impact on our reputation, may expose us to financial penalties from our customers such as claims for liquidated ascertain damages, and may lead our customers to reduce and/or revise our scope of work for the project, which will result in lower revenue generated from such affected projects.

Failure to meet the project implementation timeline may be due to factors such as, amongst others, unforeseen issues with site conditions, delays by other contractors involved in the project resulting in late handover of the site to us, unforeseen issues relating to engineering, safety or site conditions, delays in delivery of cooling energy system machinery and equipment, shortages of labour, adverse weather conditions, failure of our sub-contractors to meet their obligations, delay in receipt and/or renewal of requisite licences, permits and approvals, and adverse changes to government policies such as changes to foreign labour policies.

There can be no assurance that our projects will be completed on time moving forward, and consequently no assurance that our financial performance will not be adversely affected by delayed completion of projects.

9.1.7 We are subject to liquidity risk

We are subject to liquidity risk from, amongst others, negative net cash flow, where we provide capital to finance the construction or upgrading and/or retrofitting of cooling energy systems, and in the event that our customers are unable to pay us in cash and we accept payment by way of contra.

Negative net cash flow

We are subject to liquidity risk from negative net cash flows of RM2.10 million in FYE 2022 and RM1.03 million in FPE 2023. In FYE 2022, we had net cash from operating activities of RM0.02 million, which was partially offset by net cash used in investing activities and financing activities of RM1.66 million and RM0.46 million respectively. Our relatively low net cash from operating activities of RM0.02 million for the FYE 2022 was mainly due to higher cash outlay to fund our Cooling Energy Segment related projects including increase in concession receivables by RM4.03 million from the initial costs incurred to fund the installation and equipment and materials purchased for the relevant on-going cooling energy management services contracts, as well as timely payments to suppliers and sub-contractors for purchases of equipment, materials and sub-contracted services as reflected in the decrease in payables of RM4.14 million. In addition, there were higher other receivables mainly attributed to higher prepayments by RM3.86 million related to foreign workers' levy and accommodations in Malaysia to provide manpower for our cleaning services, listing expenses and prepayments to 1 supplier for 1 EPCC of cooling energy systems project.

In FPE 2023, we had cash used in operating activities of RM5.78 million and net cash used in investing activities of RM0.49 million, which was partially offset by net cash from financing activities of RM5.24 million. Our net cash used in operating activities of RM5.78 million was mainly due to increase in contract assets of RM13.94 million mainly contributed by the Kuala Lumpur Office Building Chiller & Airside Equipment EPCC Project for the EPCC of cooling energy systems. We also had increase in trade and other receivables of RM7.22 million mainly due to delays in payments from 2 existing cooling energy management services customers and 1 EPCC of cooling energy systems project, new trade receivables outstanding balance from 5 cleaning services customers that commenced in FPE 2023, and progress claims in relation to 1 EPCC of cooling energy systems project. In addition, we had increased other receivables in relation to listing expenses.

Negative cash flows result in liquidity risk as we may not have sufficient cash on hand to meet our obligations as they come due such as repaying bank borrowings and other financial obligations, and paying our suppliers and sub-contractors in a timely manner. We will be in default of our bank borrowings if we fail to repay them according to schedule. As at the LPD, our short-term borrowings amounted to RM0.94 million. Failure to pay suppliers and sub-contractors in a timely manner may cause them to take legal or other action against us, and/or slowdown or cease providing us with materials or services which may delay or affect our ability to implement projects and provide services.

Although we had positive net cash flows of RM4.45 million in FYE 2020 and RM2.76 million in FYE 2021, there can be no assurance that we will not have negative net cash flows and consequently no assurance that we will not be subject to liquidity risk in the future.

Up-front capital to finance the construction or upgrading and/or retrofitting of cooling energy systems

We are subject to liquidity risk when we provide capital to wholly or partially finance the new construction or upgrading and/or retrofitting of cooling energy systems under our F+MCP, F+V+MCP or F+V+CW+MCP business models. Under these business models, we would subsequently provide cooling energy management services for the cooling energy system under the same contract. The customer would make progressive repayments of our capital expenditure by way of fixed monthly capital repayments over a specified number of months. The cooling energy systems that we wholly or partially provide up-front capital to construct or retrofit/upgrade are recognised as our financial asset under concession receivables. The value of our concession receivables during the Financial Years and Period Under Review was RM6.08 million, RM10.49 million, RM14.52 million and RM13.53 million for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. These concession receivables represent the value of the up-front capital expenditure incurred with respect to these projects, net of monthly capital repayments received. There is a risk that our customers for these projects do not pay us the monthly capital repayments, which may cause us to impair the outstanding value of the respective customer's concession receivables resulting in an adverse effect on our financial performance.

The capital that we provide for two of the subsisting projects where we provided capital to retrofit/upgrade cooling energy systems was partially financed by term loans. If the customers for these projects do not pay the monthly capital repayments, there is also a liquidity risk as we may not be able to meet the respective bank borrowing repayments as they come due, which may result in default.

Customers unable to pay us in cash

There is a risk that our customers do not pay us in cash and we have to accept payment by way of contra. During FYE 2021, KJ Technical Services entered into two Sale and Purchase Agreements with MDSA Ventures Sdn Bhd to acquire two leasehold condominium units amounting to RM1.10 million. The purchase consideration was settled by way of contra of amount due from MDSA Resources Sdn Bhd. The carrying amount of these two leasehold condominium units as at 31 July 2023 was RM0.91 million. Receiving payment by way of contra may result in liquidity risk if we are unable to sell the properties promptly, or if their sales value is less than the value of the receivables that were settled by their acceptance. In addition, we are subject to the risk of impairment of the investment properties if their market value is less than their carrying value. Such impairment may have an adverse effect on our financial performance. There can be no assurance that we will not accept other payments by way of contra in the future.

9.1.8 We are dependent on the quality of our sub-contractors' work and any shortcomings may subject us to penalties and subsequently affect our financial performance

We engage sub-contractors to provide labour and/or carry out some of the work for our cooling energy management, cleaning and FM services. We also engage sub-contractors to provide some of the labour to carry out our EPCC of cooling energy systems projects, as well as to carry out specialist works such as civil, structural mechanical, electrical, piping and control works, as required. All our sub-contractors work under our supervision and project management. During the Financial Years and Period Under Review, purchases of sub-contracted services amounted to RM12.70 million (representing 31.61% of our total purchases of inputs, materials and services for that financial year), RM24.13 million (63.03%), RM32.67 million (65.57%) and RM21.83 million (68.24%), respectively for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023. Please refer to Section 7.12 of this Prospectus for further details on sub-contracted services.

If our sub-contractors fail to provide the required labour, carry out the required works, are unable to deliver the required services promptly, and/or deliver substandard work to us, we may be subject to claims from our customers. The customer claims against us may be in the form of, amongst others, liquidated ascertain damages, requests to make good technical and other defects arising during the defect liability or warranty periods, and penalties for failure to meet key performance indicators, depending on our contract with the customer. We have back-to-back arrangements with some of our sub-contractors for them to make good technical and other defects related to their scope of work that may arise during the defect liability period at no additional cost to us. Nevertheless, we may incur additional costs to settle customer claims and/or make good defects arising from the actions of our sub-contractors where we do not have back-to-back arrangements, which may adversely affect our financial performance and reputation.

During the Financial Years and Period Under Review and up to the LPD, we have not encountered any claims from our customers that resulted from the poor performance of our sub-contractors. Nevertheless, there is no assurance that we will not be subjected to various monetary claims resulting from the delays, non-performance and/or poor performance of our sub-contractors.

9.1.9 We may be exposed to unfavourable foreign currency exchange rate fluctuations

Our reporting currency is in RM while the functional and reporting currencies of our Singapore and Thailand subsidiaries are in SGD and THB respectively. Furthermore, our revenue from Singapore and Thailand collectively accounted for 26.96%, 28.33%, 24.80% and 21.38% of our total revenue, respectively for FYE 2020, FYE 2021, FYE 2022 and FPE 2023. Purchases from suppliers outside of Malaysia collectively accounted for 9.28%, 12.28%, 7.92% and 9.27% of our total purchases of inputs, materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. Most of our purchases from suppliers outside of Malaysia comprise purchases made in Singapore and Thailand by our subsidiaries in those countries for their respective business operations.

9. RISK FACTORS (*Cont'd*)

The breakdown of our revenue transacted in RM and foreign currencies during this period is summarised in the following table:

	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
Currency	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
RM	**53,873**	**73.04**	**61,128**	**71.67**	**71,020**	**75.20**	**56,423**	**78.62**
Foreign currencies	**19,884**	**26.96**	**24,157**	**28.33**	**23,418**	**24.80**	**15,344**	**21.38**
SGD	19,884	26.96	18,426	21.61	18,893	20.01	13,841	19.29
THB	-	-	5,731	6.72	4,525	4.79	1,503	2.09
Total revenue	**73,757**	**100.00**	**85,285**	**100.00**	**94,438**	**100.00**	**71,767**	**100.00**

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

	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
Currency	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
RM	**36,438**	**90.72**	**33,580**	**87.72**	**45,871**	**92.08**	**29,016**	**90.73**
Foreign currencies	**3,726**	**9.28**	**4,702**	**12.28**	**3,944**	**7.92**	**2,964**	**9.27**
SGD	1,083	2.70	1,294	3.38	1,178	2.37	1,634	5.11
THB	-	-	3,361	8.78	2,675	5.37	1,294	4.05
USD	2,643	6.58	47	0.12	91	0.18	(1)36	0.11
Total purchases	**40,164**	**100.00**	**38,282**	**100.00**	**49,815**	**100.00**	**31,980**	**100.00**

Note:

(1) Including purchase denominated in Euro amounting to approximately RM5,000.00.

Based on the above, we are exposed to the following:

- Our subsidiaries in Malaysia receive payment and purchase inputs from Malaysia in RM, and purchase some input materials, such as chillers and pumps from foreign suppliers that are denominated in USD;
- Our subsidiaries in Singapore and Thailand receive payment and purchase inputs from suppliers in their respective countries in SGD and THB, respectively; and
- Foreign currency exchange gains or losses arise when our assets, liabilities, revenue and earnings that are recorded by our subsidiaries in Singapore and Thailand are translated from SGD or THB, respectively into RM for financial reporting and repatriation of profits purposes.

As we are unable to ascertain the future movements of foreign exchange rates and estimate their impact on our revenue and earnings, any significant fluctuations in foreign exchange rates, particularly the SGD and THB relative to RM, may have a significant impact, whether positively or negatively, on our financial condition and results of operations. However, during the Financial Years and Period Under Review, realised and unrealised gains or losses on foreign exchange have not had a material effect on our financial condition and results of operations as they collectively amounted to less than RM30,000 for each of FYE 2020, FYE 2021, FYE 2022 and FPE 2023. Refer to Note 26 of the Accountant's Report set out in Section 13 of this Prospectus for further information. While foreign currency exchange rate fluctuations have not had a material effect on our financial performance during the Financial Years and Period Under Review, there can be no assurance that we will not be adversely affected in the future.

9.1.10 There is no guarantee that we will successfully implement our business strategies and plans

Our business strategies and plans involve, amongst others, expanding our Cooling Energy Segment in Malaysia. We plan to allocate RM40.42 million, representing 68.66% of our IPO proceeds, for this business strategy. In addition, we plan to allocate RM4.50 million, representing 7.64% of our IPO proceeds, to expand our offices in Malaysia, Thailand and Singapore. For further information on our business strategy and plans, please refer to Section 7.17 of this Prospectus.

There is a risk that we may fail to successfully implement our business strategies and plans due to, amongst others, failure to secure customers for new services, adverse market conditions, and unforeseen changes in regulatory and other requirements. Any delays or failure to successfully expand our Cooling Energy Segment in Malaysia may limit our ability to sustain as well as grow this business segment in Malaysia, and consequently affect our future financial performance and growth prospects. Any delays or failure to successfully expand our offices in Malaysia, Thailand or Singapore may adversely affect the day-to-day office activities and business operations of the respective country.

9.1.11 Our customers may make defect liability period ("DLP") claims against us which may negatively affect our financial performance

Our customers may make DLP claims against us concerning specific cooling energy system machinery and equipment that we supply and install as part of EPCC of cooling energy systems as stipulated in specific customer contracts. The DLP for our EPCC of cooling energy system contracts is defined as 12 months to 24 months upon project handover or certificate of practical completion. We are responsible for replacing or making good any manufacturing defects or faults that arise during the DLP at our cost.

The cooling energy system machinery and equipment that we supply and install as part of our EPCC of cooling energy systems are all supplied by third-party brands and are covered by back-to-back warranty provided by their respective brands, who will bear the costs of replacing or repairing the machinery and equipment. However, if a customer makes a claim during the DLP we may be required to incur the costs related to removing the affected machinery and equipment and installing the replacements, such as the costs of mobilising our personnel and engaging sub-contractors or renting machinery (if necessary).

We are not liable for any manufacturing defects or faults that may arise after the DLP period has ended. If any such defects or faults arise, the customer will make a warranty claim directly against the respective third-party brand, who will be responsible for replacing or repairing the machinery and equipment, including any costs that may arise related to removing and reinstalling the affected machinery and equipment.

There is a risk that the costs incurred by us in relation to replacing or making good DLP claims may adversely affect our financial performance.

During the Financial Years and Period Under Review and up to the LPD, we have not incurred any material costs to rectify defects or faults related to DLP. Nevertheless, there is no assurance that we will not receive any product warranty claims in the future that could result in incurring replacement costs which would adversely affect our financial performance.

9.1.12 We are dependent on our Executive Directors and Key Senior Management

We are dependent on the experience, expertise, technical knowledge and contributions of our Managing Director, Lee Kok Choon, and our Executive Director, Sheldon Wee Tah Poh in guiding our overall growth and development. We are also dependent on our Key Senior Management for the experience, expertise and technical knowledge in their respective areas of responsibility, namely Wong Nai Chien, our Chief Operating Officer, Sarmila A/P Muniandy, our Chief Financial Officer, Adrian Lim Hock Heng, our Head of Project Department, and Yap Yew Cheong, our Head of Engineering Department.

Our day-to-day business operations and the successful implementation of our business strategies may be adversely affected if we lose the services of one or more of the Executive Directors or Key Senior Management and are unable to engage a suitable replacement promptly. For further information on the profiles of our Executive Directors and Key Senior Management, please refer to Sections 5.1.2 and 5.3.2 of this Prospectus.

9.1.13 We are required to comply with health, safety and environment ("HSE") laws and regulations and any breaches may result in the suspension of our operations and/or penalties

We are required to comply with the relevant HSE laws and regulations that come into effect at the worksites where we operate, such as at DCS and chiller plants, as well as properties such as shopping complexes, offices and industrial facilities in Malaysia and the other countries where we operate, namely Singapore and Thailand. These HSE laws and regulations are concerned with, amongst others, the occupational health and safety of our employees and contract workers as they perform their jobs and the effect that the works that we carry out have on the surrounding environment.

Accidents at our worksites that result in injury or harm to our employees and contract workers, as well as failure to comply with the relevant HSE laws and regulations, may result in suspension or restrictions placed on our work as well as possibly incurring penalties. These could delay our project implementation or affect the day-to-day provision of cooling energy management, cleaning and FM services. Accidents and/or failure to comply with the relevant HSE laws could result in administrative or legal actions taken against us by our customers and/or regulatory authorities.

During the Financial Years and Period Under Review and as at the LPD, the number of workplace accidents that resulted in lost time injury was 1 for FYE 2020, 2 for FYE 2021, 1 for FYE 2022, 2 for FPE 2023 and 1 from 1 August 2023 to the LPD. During the Financial Years and Period Under Review and up to the LPD, we have not made any claims on our insurance in relation to these workplace accidents involving our staff as all of the accidents were minor. There have been no breach or failure to comply with the relevant HSE laws and regulations that resulted in any of the negative consequences listed above. Nevertheless, there can be no assurance that injury or harm to our employees or contract workers, or breach or failure to comply with relevant HSE laws and regulations, will not occur in the future.

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

Carrying out our business operations at our operational facilities and worksites involves risks and hazards including, but not limited to, workplace and other accidents, fire, flood and other natural disasters. To protect against various losses and liabilities, we generally maintain insurance coverage for some of our contracts at levels that are stipulated in such contracts or at levels that we believe are customary to the nature of our business. We maintain insurance policies covering, amongst others, comprehensive general liability, workmen's compensation, third-party liability and damages to specified facilities, machinery and equipment, where required by law or by contract. Nevertheless, we may incur losses or liabilities that exceed our policy limits or that are not covered by our insurance policies, which may have an adverse effect on our business operations and financial performance.

As at the LPD, the total active insurance coverage maintained for some of our contracts are summarised in the following table:

Type of insurances	Aggregate sum insured / Limit of liability
	RM'000
Erection all risk, contractor's all risk and industrial all risk(1)	90,941
Comprehensive general and public liability(2)	35,152
Workmen's compensation(3)	-(3)
Machinery and equipment breakdown(4)	6,363

Notes:

(1) Comprises of erection all risk, contractor's all risk and industrial all risk insurances maintained in both Malaysia and Singapore.

(2) Comprises of comprehensive general liability and public liability insurances maintained in Malaysia, Singapore and Thailand.

(3) Comprises of workmen's compensation insurances maintained in both Malaysia and Singapore ("**Workmen's Compensation Insurances**").

The limit of liability under the Workmen's Compensation Insurances are subject to the Workmen's Compensation Act 1952 of Malaysia and the Work Injury Compensation Act 2019 of Singapore or common law respectively.

(4) Comprises of machinery and equipment breakdown insurances maintained in Malaysia only.

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

9.1.15 Our business operations and financial performance may be adversely affected if COVID-19 or a similar epidemic or pandemic affects the countries where we operate in the future

Our business and financial performance were affected by the economic and other disruptions related to COVID-19 in Malaysia and Singapore. Our business operations in Thailand, which commenced in January 2021, have not been materially affected by COVID-19.

We were able to carry out our business operations in Malaysia, Singapore and Thailand while complying with the relevant standard operating procedures and guidelines, save for the periods when our operations were subject to COVID-19 related restrictions. Any adverse changes to the current status of the COVID-19 pandemic in Malaysia, Singapore or Thailand, such as increases in new daily COVID-19 infections, the emergence of more infectious and/or virulent COVID-19 variants, or the emergence of similar epidemics or pandemics in the future could result in the re-implementation of control measures including, amongst others, suspension or reduced workforce capacity for our operations. Control measures that suspend, reduce or restrict operating hours of our customers' premises could reduce demand for our cooling energy management services and building services.

Our revenue for FYE 2021 was affected by, amongst others, measures taken to control the spread of COVID-19. In FYE 2021, we had decreases in revenue from some of our cooling energy management services contracts under the F+CW mode of operation due to lower demand for chilled water during certain periods of FYE 2021 as activities in the buildings were suspended or reduced in accordance with COVID-19 control measures. Similarly, we granted discounts for certain months of FYE 2021 on one contract under the F+V+MCP mode of operation as activities in the buildings were suspended or reduced. There can be no assurance that COVID-19 or other similar epidemics or pandemics will not materially affect our revenue in the future.

From 18 March 2020 and up to the LPD, we experienced some COVID-19 related supply chain delays that resulted in some interruptions in implementing 2 EPCC of cooling energy system projects, 1 of which occurred during FYE 2020 and other during FYE 2021. The supply chain delays affected project implementation but did not result in material delays. As at the LPD, the respective customers have not made any LAD claims against us.

Save for the above, from 18 March 2020 and up to the LPD, we did not face any other supply chain delays that were related to COVID-19. Nevertheless, there can be no assurance that we will not face supply chain disruptions stemming from COVID-19 or other epidemics or pandemics in the future.

9.1.16 We may not be able to invoice our customers and receive the full amount with respect to our contract assets

We recognise revenue based on percentage of completion for our cooling energy management services contract where there is an EPCC portion, and EPCC of cooling energy systems business activities. Subject to the terms of the contracts, we would submit progress claims and reports to our customers according to the progress of work that we have performed. Subject to the certification of work by the customers or their representatives, we would be entitled to issue our invoices for progress payments based on the percentage of the certified work completed.

Our contract assets represent the value of works that we have performed but which have not yet reached the stage at which we are entitled to invoice our customers for such works completed. There is normally a timing difference between the completion of contract works, the payment application by us and the issue of payment certificates by our customers, the subsequent issue of the invoice by us and the payment for such completed works by our customers. We recorded contract assets of RM3.94 million, RM9.55 million, RM7.37 million and RM21.24 million as at FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

The value of contract assets may vary from period to period. There is generally a timing difference between each stage or milestone for the works completed and the subsequent certification of the works completed by our customers. There is no assurance that we will be able to bill and receive the full amount of contract assets as we may not be able to reach an agreement with our customers on the value of work completed. If we are unable to bill and receive the full amount of contract assets, our financial performance and position, and liquidity may be materially and adversely affected. In the event our customers face financial distress and are unable to fulfil their payment obligations, we may not be able to recover the full potential amount of our contract assets, which may have a negative impact on our financial performance.

9.2 RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

9.2.1 Our business is exposed to the risks of an economic slowdown in the countries where we have operations

Our cooling energy management, cleaning and FM businesses are dependent on the number of operational industrial and commercial properties, as these services are only relevant for operational properties. The demand for our cooling energy management, cleaning and FM services would be adversely affected if businesses that operate in these properties such as shopping malls, hotels and factories cease operations due to, amongst others, poor economic conditions, a slowdown in demand for their products and services or suffer consequences from the contagion effect of COVID-19 or other diseases.

There is no assurance that any slowdown in the economy will not materially affect our business and financial performance.

9.2.2 We are exposed to risks arising from a slowdown in the property and construction sectors in Malaysia and Singapore

Overall, the building support services industry depends upon, amongst others, existing and future supply of buildings, which are affected by the performance of the construction sectors.

As of the fourth quarter of 2022, there were 2,585 purpose-built offices, 1,064 shopping complexes, 22,010 industrial detached units and 1,613 industrial complexes in Malaysia. When comparing the future supply at the end of the third quarter ("**Q3**") 2023 to Q3 2022, purpose-built offices grew by 2.6%, while shopping complexes, industrial detached units and industrial complexes declined by 4.2%, 5.6% and 6.3% respectively, while industrial complexes showed no growth. *(Source: IMR Report)*

In 2022, the real gross domestic product ("**GDP**") of the construction industry in Malaysia grew by 5.0% following a broad-based pickup in activities. In 2023, the construction industry is estimated to grow by 6.3%, mainly driven by the civil engineering and specialised construction activity subsectors in the first half, and growth across all subsectors in the second half of the year. For the first 9 months of 2023, the real GDP of the construction industry in Malaysia grew by 7.0%, while the value of construction work completed for building construction grew by 4.5%, compared to the corresponding period in 2022. *(Source: IMR Report)*

As at the end of 2022, the available stocks for office space, retail space and single-user factory space in Singapore amounted to 8.1 million sq. m nett, 6.2 million sq. m nett and 26.0 million sq. m nett, respectively. In terms of supply, office space, retail space and single-user factory spaces experienced growth between 2020 and 2022. As of the end of Q3 2023, the supply of office and retail spaces grew by 17.2% and 38.5% respectively, while single-user factory space declined by 32.7%, compared to Q3 2022. *(Source: IMR Report)*

In 2022, the real GDP of the construction industry in Singapore increased by 6.7% and the value of progress payments certified for building work in Singapore increased by 19.8%. For the first 9 months of 2023, the real GDP of the construction industry in Singapore grew by 7.3%, while the value of progress payments certified for building work in Singapore grew by 19.6% compared to the corresponding period in 2022. *(Source: IMR Report)*

There is no assurance that the construction sectors in Malaysia and Singapore will continue to grow, and there can also be no assurance any slowdown in the property and/or construction sectors will not materially affect our business and financial performance.

9.2.3 We are subject to economic, social, political, regulatory and pandemic risks in the countries in which we operate

Economic, social, political and regulatory developments in the countries where we operate could have a materially adverse effect on our business operations, financial performance and growth prospects. These include, but are not limited to, the occurrence of war, civil war, rebellion or civil disobedience, changes in political leadership or system of government, changes in the economy, interest rate, taxation, trade, corporate ownership or investment policies, regulatory requirements, foreign exchange and profit repatriation policy, nationalisation or expropriation, global, regional or domestic economic recession or slowdown, and changes in energy policy. Our business operations, financial performance and growth prospects may also be affected if economic activities are affected by measures implemented to control the spread of COVID-19 and other diseases.

These events are beyond our control, and the occurrence of one or more of these events may have an adverse effect on our business operations, financial performance and growth prospects.

9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

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

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

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

9.3.2 There may be a potential delay to or cancellation of our Listing

The occurrence of any one or more of the following events, which is not exhaustive, may cause a delay in or cancellation of our Listing:

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

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

(ii) we are unable to meet the public shareholding spread requirement of the Listing Requirements, i.e. at least 25.00% of our enlarged number of issued Shares for which listing is sought to be held by a minimum of 200 public shareholders holding not less than 100 Shares each, at the point of our Listing.

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

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

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

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

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

(ii) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:

   (a) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or

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

Nonetheless, our Board will endeavour to ensure compliance with the various requirements for our successful Listing.

9.3.3 Volatility of share prices traded on Bursa Securities

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

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

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

Upon Listing, our Promoters will hold approximately 63.41% of our enlarged number of issued Shares. As a result, they will be able to, in the foreseeable future, effectively control our business direction and management including the election of Directors, the timing and payment of dividends as well as having voting control over our Group. Our Promoters will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law or by relevant guidelines or regulations.

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

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

9.3.5 Uncertainty of dividend payments

Our ability to declare dividends to our shareholders is dependent on, amongst others, our future financial performance, cash flow position, capital requirements and other obligations, our ability to implement our business plans and factors set out in Section 12.8 of this Prospectus. Deterioration of these factors could have an effect on our business, which in turn will affect our ability to declare dividends to our shareholders. As such, there is no assurance that we will be able to pay dividends to our shareholders.

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

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

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

Following our Listing, we will have in issue 688,000,000 Shares, of which up to 218,027,200 Shares, will be held by investors participating in our Listing (representing approximately 31.69% of our enlarged issued Shares) and not less than 63.41% will be held by the Promoters and Substantial Shareholders, namely Lee Kok Choon and Sheldon Wee Tah Poh via their direct interests in our Company. Our Shares offered pursuant to our Listing will be tradable on the ACE Market of Bursa Securities following our Listing. Notwithstanding our existing level of cash and cash equivalents, we may issue additional Shares in connection with our financing activities or otherwise. In addition, the Promoters and Substantial Shareholders could dispose of some or all of our Shares that they hold after the moratorium period pursuant to their own investment objectives. If the Promoters and Substantial Shareholders sell, or are perceived as intending to sell, a substantial amount of our Shares that they hold, the market price for our Shares could be adversely affected.

9.3.7 Forward-looking statements are subject to uncertainties and contingencies

Certain statements in this Prospectus are based on historical data, which may not be reflective of the future results. Other statements, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Company for future operations, which are forward-looking in nature, are subject to uncertainties and contingencies. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure you that such expectations will subsequently materialise. Their inclusion in this Prospectus should not be regarded as a representation or warranty by us or our advisers that such plans and objectives will be achieved.

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10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Pursuant to the Listing Requirements, subject to certain exemptions, a "related party transaction" is a transaction entered into by a listed issuer or its subsidiary, which involves the interest, direct or indirect, of a related party. A "related party" is defined as a director, major shareholder or person connected with such director or major shareholder (including a director or major shareholder within the preceding 6 months before the transaction was entered into). "Major shareholder" means a shareholder with a shareholding of 10% or more (or 5% or more where such person is the largest shareholder in the company) of all the voting shares in the company.

Save for the Acquisition as set out in Section 6.3 of this Prospectus and as disclosed below, there were no existing and/or potential transactions, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, major shareholders and/or persons connected with them which are material to our Group during the Financial Years and Period Under Review and up to the LPD:

				Transaction value								
No.	**Transacting parties**	**Nature of relationship**	**Nature of transaction**	**FYE 2020 (RM'000)**	**%**	**FYE 2021 (RM'000)**	**%**	**FYE 2022 (RM'000)**	**%**	**FPE 2023 (RM'000)**	**%**	**Between 1 August 2023 up to the LPD (RM'000)**
1.	KJ Technical Services and Lee Kok Choon	**Interested Director and major shareholder** Lee Kok Choon(1)	Acquisition of 45.00% shares in DCS Energy by KJ Technical Services from Lee Kok Choon(7)	-	-	-	-	405	1.14(16)	-	-	-
2.	KJ Technical Services and DCS Energy	**Interested Director and major shareholder** Lee Kok Choon(1)	Supply of chilled water by KJ Technical Services to DCS Energy(8)	1,511	2.05(12)	1,321	1.55(12)	1,433	1.52(12)	-	-	-

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

				Transaction value								
No.	**Transacting parties**	**Nature of relationship**	**Nature of transaction**	**FYE 2020 (RM'000)**	**%**	**FYE 2021 (RM'000)**	**%**	**FYE 2022 (RM'000)**	**%**	**FPE 2023 (RM'000)**	**%**	**Between 1 August 2023 up to the LPD (RM'000)**
			Back charge to KJ Technical Services of electricity and water charges incurred by DCS Energy in connection with the supply of chilled water by KJ Technical Services	1,001	1.62[(13)]	767	1.17[(13)]	907	1.26[(13)]	-	-	-
3.	KJ Technical Services and Wee Lee Capital Ventures Sdn Bhd	**<u>Interested Directors and major shareholders</u>** Lee Kok Choon[(1)] Sheldon Wee Tah Poh[(2)]	Acquisition of 51.00% shares in AUNOA Solutions by KJ Technical Services from Wee Lee Capital Ventures Sdn Bhd[(9)]	51	0.23[(16)]	-	-	-	-	-	-	-

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

				Transaction value								
No.	**Transacting parties**	**Nature of relationship**	**Nature of transaction**	**FYE 2020 (RM'000)**	**%**	**FYE 2021 (RM'000)**	**%**	**FYE 2022 (RM'000)**	**%**	**FPE 2023 (RM'000)**	**%**	**Between 1 August 2023 up to the LPD (RM'000)**
4.	KJ Engineering and ACR Chiller Rental Sdn Bhd	**Interested Directors and major shareholders** Lee Kok Choon(1) Sheldon Wee Tah Poh(2) **Interested person connected with Director and major shareholder** Sasha Joanne Povananthiran(3)	Disposal of used chillers by KJ Engineering to ACR Chiller Rental Sdn Bhd in relation to the Damansara Heights Chiller EPCC Project (which was completed in October 2022)	-	-	200	0.23(12)	-	-	-	-	-

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

				Transaction value								
No.	**Transacting parties**	**Nature of relationship**	**Nature of transaction**	**FYE 2020 (RM'000)**	**%**	**FYE 2021 (RM'000)**	**%**	**FYE 2022 (RM'000)**	**%**	**FPE 2023 (RM'000)**	**%**	**Between 1 August 2023 up to the LPD (RM'000)**
			Rental of chillers by KJ Engineering from ACR Chiller Rental Sdn Bhd in relation to the Muar Manufacturing Facility Chiller EPCC Project (for a rental period of 3 months which expired in March 2023) and the Putrajaya Office Building Cooling Towers EPCC Project (for a rental period of 3 months which expired in March 2023)	-	-	-	-	-	-	252	0.45[(13)]	-

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

				Transaction value								
No.	**Transacting parties**	**Nature of relationship**	**Nature of transaction**	**FYE 2020 (RM'000)**	**%**	**FYE 2021 (RM'000)**	**%**	**FYE 2022 (RM'000)**	**%**	**FPE 2023 (RM'000)**	**%**	**Between 1 August 2023 up to the LPD (RM'000)**
5.	KJTN Engineering and T.N. Asset Corporation Co., Ltd	**Interested directors and major shareholders** Kitti[(4)] Kijja[(4)] **Interested major shareholders** Pimporn[(5)] Suvimol[(5)]	Rental of office spaces by T.N. Asset Corporation Co., Ltd. to KJTN Engineering[(10)]	-	-	12	0.09[(14)]	13	0.09[(14)]	8	0.07[(14)]	4

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

				Transaction value								
No.	**Transacting parties**	**Nature of relationship**	**Nature of transaction**	**FYE 2020 (RM'000)**	**%**	**FYE 2021 (RM'000)**	**%**	**FYE 2022 (RM'000)**	**%**	**FPE 2023 (RM'000)**	**%**	**Between 1 August 2023 up to the LPD (RM'000)**
6.	KJTN Engineering and TN Group Corporation Co., Ltd ("**TN Group**")[(6)]	**Interested directors and major shareholders** Kitti Chungsawanant ("**Kitti**")[(4)] Kijja Chungsawanant ("**Kijja**")[(4)] **Interested major shareholders** TN Group[(6)] Pimporn Chungsawanant ("**Pimporn**")[(5)] Suvimol Chungsawanant ("**Suvimol**")[(5)]	Purchase of pumps by KJTN Engineering from T.N. World Supply Co., Ltd. in relation to the Bangkok Mixed Development CEMS Contract (for the retrofit of the chiller plant portion which was completed in FYE 2022)	-	-	126	0.19[(13)]	-	-	-	-	-
			Purchase of fans by KJTN Engineering from T.N. World Supply Co., Ltd in relation to the Bangkok Mixed Development CEMS Contract (for the retrofit of the chiller plant portion which was completed in FYE 2022)	-	-	-	-	-	-	2	0.02[(14)]	-

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

				Transaction value								
No.	**Transacting parties**	**Nature of relationship**	**Nature of transaction**	**FYE 2020 (RM'000)**	**%**	**FYE 2021 (RM'000)**	**%**	**FYE 2022 (RM'000)**	**%**	**FPE 2023 (RM'000)**	**%**	**Between 1 August 2023 up to the LPD (RM'000)**
			Charges for engineer support services by T.N. Metal Works Co., Ltd. to KJTN Engineering in relation to the Bangkok Mixed Development CEMS Contract (for the retrofit of the chiller plant portion which was completed in FYE 2022)	-	-	30	0.05[(13)]	13	0.02[(13)]	-	-	-

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

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020 (RM'000)	%	FYE 2021 (RM'000)	%	FYE 2022 (RM'000)	%	FPE 2023 (RM'000)	%	Between 1 August 2023 up to the LPD (RM'000)
			Charges by Venz Info and Services Co., Ltd to KJTN Engineering on: (i) Telephone service fee; (ii) Internet service fee; (iii) Management fees for accounting, finance and support units; and (iv) Insurance premium. This transaction will not recur after our Listing.	-	-	5	0.04(14)	5	0.03(14)	5	0.04(14)	3

Note: Columns "FYE 2020 (RM'000)" through "Between 1 August 2023 up to the LPD (RM'000)" fall under the heading "Transaction value".

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

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value: FYE 2020 (RM'000)	%	FYE 2021 (RM'000)	%	FYE 2022 (RM'000)	%	FPE 2023 (RM'000)	%	Between 1 August 2023 up to the LPD (RM'000)
			Purchase of cooling tower and installation from Esmac Asia Co., Ltd by KJTN Engineering in relation to the Bangkok Mixed Development CEMS Contract (for the retrofit of the chiller plant portion which was completed in FYE 2022)	-	-	-	-	203	0.28[13]	-	-	-

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

				Transaction value								
No.	**Transacting parties**	**Nature of relationship**	**Nature of transaction**	**FYE 2020 (RM'000)**	**%**	**FYE 2021 (RM'000)**	**%**	**FYE 2022 (RM'000)**	**%**	**FPE 2023 (RM'000)**	**%**	**Between 1 August 2023 up to the LPD (RM'000)**
			Back charge of administrative expenses by T.N. Metal Works Co., Ltd to KJTN Engineering This transaction will not recur after our Listing.	-	-	1	0.01[14]	42	0.28[14]	11	0.10[14]	*
			Rental of tools and computer by KJTN Engineering from T.N. Metal Works Co., Ltd This transaction will not recur after our Listing.	-	-	-	-	-	-	*	*	*
			Payment of interest expense by KJTN Engineering to TN Group[11]	-	-	-	-	5	2.02[15]	12	7.14[15]	15

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

				Transaction value								
No.	**Transacting parties**	**Nature of relationship**	**Nature of transaction**	**FYE 2020 (RM'000)**	**%**	**FYE 2021 (RM'000)**	**%**	**FYE 2022 (RM'000)**	**%**	**FPE 2023 (RM'000)**	**%**	**Between 1 August 2023 up to the LPD (RM'000)**
			Back charge of administrative expenses and charges by TN Group to KJTN Engineering on: (i) Telephone service fee; (ii) Internet service fee; and (iii) Management fees for accounting, finance and support units. This transaction will not recur after our Listing.	-	-	-	-	-	-	4	0.04[(14)]	9

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

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value: FYE 2020 (RM'000)	%	FYE 2021 (RM'000)	%	FYE 2022 (RM'000)	%	FPE 2023 (RM'000)	%	Between 1 August 2023 up to the LPD (RM'000)
			Back charge of administrative expenses by Envotech Engineering Co., Ltd to KJTN Engineering This transaction will not recur after our Listing.	-	-	-	-	-	-	1	0.01(14)	3

Notes:

* Less than RM500 or 0.01%.

(1) Lee Kok Choon is a Director and major shareholder of our Company, KJ Technical Services and KJ Engineering.

<u>In respect of his interest in DCS Energy</u>

He is a director and former major shareholder (45.00%) of our associated company, DCS Energy. He disposed of his entire shareholding in DCS Energy to KJ Technical Services on 17 August 2022. Details of the said disposal is set out in Note (7) below.

<u>In respect of his interest in Wee Lee Capital Ventures Sdn Bhd</u>

Lee Kok Choon is also a director and major shareholder (50.00%) of Wee Lee Capital Ventures Sdn Bhd.

In respect of his interest in ACR Chiller Rental Sdn Bhd

Lee Kok Choon is a major shareholder (30.50%) of ACR Chiller Rental Sdn Bhd.

(2) Sheldon Wee Tah Poh is a Director and major shareholder of our Company, KJ Technical Services and KJ Engineering.

In respect of his interest in Wee Lee Capital Ventures Sdn Bhd

Sheldon Wee Tah Poh is also a director and major shareholder (50.00%) of Wee Lee Capital Ventures Sdn Bhd.

In respect of his interest in ACR Chiller Rental Sdn Bhd

Sheldon Wee Tah Poh and his spouse, Sasha Joanne Povananthiran invested in 30.50% equity interest in ACR Chiller Rental Sdn Bhd, which is held in the name of Sasha Joanne Povananthiran.

(3) Sasha Joanne Povananthiran is the spouse of Sheldon Wee Tah Poh, our Director and major shareholder. Her interests in ACR Chiller Rental Sdn Bhd is set out in Note (2) above.

(4) Kitti and Kijja are directors and major shareholders of our subsidiary, KJTN Engineering by virtue of their shareholdings in TN Group and Wongpramol Co., Ltd, the details of which are as set out in Section 6.4 of this Prospectus.

In respect of their interest in (i) T.N. Metal Works Co. Ltd; (ii) T.N. World Supply Co., Ltd; (iii) Venz Info and Services Co., Ltd and (iv) Esmac Asia Co., Ltd, respectively

Kitti and Kijja were also directors and major shareholders of (i) T.N. Metal Works Co., Ltd; (ii) T.N. World Supply Co., Ltd; (iii) Venz Info and Services Co., Ltd and (iv) Esmac Asia Co., Ltd, respectively by virtue of their shareholdings in TN Group and Wongpramol Co., Ltd prior to the Amalgamation Effective Date (as defined in Note (6) below).

In respect of their interest in T.N. Asset Corporation Co., Ltd

Kitti and Kijja are also directors and major shareholders of T.N. Asset Corporation Co., Ltd.

In respect of their interest in Envotech Engineering Co., Ltd

Kitti and Kijja are directors and major shareholders of Envotech Engineering Co., Ltd.

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

(5) Pimporn and Suvimol are major shareholders of our subsidiary, KJTN Engineering by virtue of their shareholdings in TN Group and Wongpramol Co., Ltd, the details of which are as set out in Section 6.4 of this Prospectus.

In respect of their interest in (i) T.N. Metal Works Co. Ltd; (ii) T.N. World Supply Co., Ltd; (iii) Venz Info and Services Co., Ltd and (iv) Esmac Asia Co., Ltd, respectively

Pimporn was a director and major shareholder and Suvimol was a major shareholder of (i) T.N. Metal Works Co., Ltd; (ii) T.N. World Supply Co., Ltd; (iii) Venz Info and Services Co., Ltd and (iv) Esmac Asia Co., Ltd, respectively by virtue of their shareholdings in TN Group and Wongpramol Co., Ltd prior to the Amalgamation Effective Date (as defined in Note (6) below).

In respect of their interest in T.N. Asset Corporation Co., Ltd

Pimporn and Suvimol are directors and major shareholders of T.N. Asset Corporation Co., Ltd.

In respect of their interest in Envotech Engineering Co., Ltd

Pimporn is a director and major shareholder and Suvimol is a major shareholder of Envotech Engineering Co., Ltd by virtue of their shareholdings in TN Group and Wongpramol Co.,Ltd.

(6) TN Group is a major shareholder of KJTN Engineering.

On 3 April 2023 ("**Amalgamation Effective Date**"), 7 companies comprising (i) TN Group Corporation Co., Ltd; (ii) T.N. Metal Works Co., Ltd; (iii) T.N. World Supply Co., Ltd; (iv) Venz Info and Services Co., Ltd; (v) Venz Industrial Co., Ltd; (vi) Esmac Asia Co., Ltd; and (vii) Eurovent Co., Ltd ("**Amalgamated Companies**") have amalgamated to form the new entity named "TN Group Corporation Co., Ltd". As a result of the aforesaid amalgamation, all rights, duties and liabilities of the Amalgamated Companies have been transferred and will remain with TN Group effective on the Amalgamation Effective Date.

TN Group is a major shareholder of Envotech Engineering Co., Ltd.

(7) KJ Technical Services had on 17 August 2022, acquired 405,000 ordinary shares representing 45.00% of equity interest in DCS Energy from Lee Kok Choon for a total purchase consideration of RM405,000.00 ("**Acquisition of DCS Energy**"). The purchase consideration for the Acquisition of DCS Energy of RM405,000 was arrived at on a willing-buyer willing-seller basis after taking into consideration the original cost of investment of Lee Kok Choon in DCS Energy of RM405,000.00.

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

(8) In June 2012, DCS Energy subcontracted to KJ Technical Services for the supply of chilled water for a shopping mall at Johor Bahru ("**Project**"). The contract was entered into prior to the appointment of Lee Kok Choon to the board of directors of DCS Energy in March 2016 and his acquisition of 45.00% shares in DCS Energy in October 2016. The transaction is recurrent in nature during the tenure of the Project, which commenced in June 2012 and was completed in October 2022.

DCS Energy became our associated company following the Acquisition of DCS Energy which was completed on 17 August 2022.

(9) KJ Technical Services had on 16 October 2020, acquired 51,000 ordinary shares representing 51.00% of equity interest in AUNOA Solutions from Wee Lee Capital Ventures Sdn Bhd for a total purchase consideration of RM51,000.00. The purchase consideration of RM51,000.00 was arrived at on a willing-buyer willing-seller basis after taking into consideration the original cost of investment of Wee Lee Capital Ventures Sdn Bhd in AUNOA Solutions of RM51,000.00.

(10) KJTN Engineering is currently operating from the office of its Thailand shareholder in Samut Sakorn, Thailand, being one of the neighbouring provinces of Bangkok. The office spaces were rented by KJTN Engineering from 1 February 2022 to 31 December 2021 pursuant to a lease agreement dated 8 February 2021, and was subsequently extended for the period from 1 January 2022 to 31 December 2022 by an addendum to the lease agreement dated 8 January 2022 entered into between the parties. On 3 May 2023, KJTN Engineering entered into a new lease agreement for the period from 1 January 2023 to 31 December 2023. The monthly rental rate is THB8,500.00 (equivalent to approximately RM1,130.55 based on an exchange rate of THB100:RM13.3006 as at the LPD), which is within the prevailing market rental rates.

After the Listing, we intend to move to and renovate a new office in Bangkok, Thailand to enhance our market presence. The tenancy for the office spaces will be automatically renewed at the monthly rental rate of THB8,500.00 (equivalent to approximately RM1,130.55 based on an exchange rate of THB100:RM13.3006 as at the LPD) on an annual basis or when either party issues a 1 month notice of tenancy termination. The tenancy for the office spaces will be valid until the relocation of our office in Thailand of which the details are as set out in Section 4.7 and Section 7.17.3 of this Prospectus, as we will terminate the tenancy for the office spaces upon such relocation. The tenancy may also be terminated by our Group if we submit a written notice to the landlord at least 1 month prior to the end of the tenancy period. As at the LPD, we are in the midst of identifying suitable office premises. We intend to complete the expansion and renovation of our new office in Thailand within 12 months from the Listing, which will be funded through our IPO proceeds.

(11) Arising from the loans extended by TN Group to KJTN Engineering amounting to THB11.00 million (equivalent to approximately RM1.46 million based on an exchange rate of THB100:RM13.3006) to KJTN Engineering as at the LPD. The annual interest rate charged on the loan in THB amount was 2.50% per annum, which is the same interest rate that is charged on the loans extended by TN Group to its subsidiaries and affiliates. The annual interest rate extended by TN Group to its subsidiaries and affiliates was subsequently changed to be pegged to the interest rates in Thailand on the date of the relevant drawdown date for new loans and upon renewal of the existing loans. For information, there is no other comparable information in view that TN Group is not involved in moneylending business and hence, does not lend to third parties. This transaction is recurrent in nature and will subsist after our Listing.

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

(12) Calculated based on our Group's revenue for each of the respective financial years/period.

(13) Calculated based on our Group's cost of sales for each of the respective financial years/period.

(14) Calculated based on our Group's administrative expenses for each of the respective financial years/period.

(15) Calculated based on our Group's finance costs for FYE 2022 and FPE 2023.

(16) Calculated based on our Group's NA for each of the respective financial years/period.

Our Board (save for the interested Directors) has reviewed all the material related party transactions set out above, and is of the view that the material related party transactions were carried out in the best interest of our Company on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the interest of our minority shareholders, save for the disposal of used chillers to ACR Chiller Rental Sdn Bhd as well as the purchase of cooling towers from and payment of installation fees to Esmac Asia Co., Ltd whereby the Board (save for the interested Directors) is unable to ascertain whether the transactions were transacted on an arm's length basis notwithstanding that they were transacted on terms favourable to our Group as there are no comparable information in the market for such transactions given the nature of the used chillers based on their then existing conditions, and the cooling towers being customised products that are specifically designed and built in accordance to the needs of a project, and by extension the installation services provided in connection thereto are considered unique services.

Save as disclosed above, our Board confirmed that there are no material related party transactions that we had entered into with related parties but not yet effected up to the date of this Prospectus.

Upon Listing, our Audit and Risk Management Committee will review the terms of any related party transactions and ensure that any related party transactions (including any recurrent related party transactions) are carried out on an arm's length basis and on terms not more favourable to the related party than those generally available to the third parties and are not detrimental to our minority shareholders.

Further, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions are deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate. The interested person shall abstain from voting on resolution(s) pertaining to the respective transaction. Under the Listing Requirements, related party transactions may be aggregated to determine its materiality if the transactions occur within a 12-month period, are entered into with the same party or with parties related to one another or if the transactions involve the acquisition or disposal of securities or interests in one corporation / asset or of various parcels of land contiguous to each other.

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

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

In the event that there are any proposed related party transactions that involve the interest, direct or indirect, of our Directors, the interested Director(s) shall disclose his interest to our Board, of the nature and extent of his interest including all matters in relation to the proposed related party transaction that he is aware or should reasonably be aware of, which is not in our best interest. The interested Director(s) shall also abstain from any Board's deliberation and voting on the relevant resolution(s) in respect of such proposed related party transaction.

We will seek shareholders' approval where required and will make disclosures in our annual report of the aggregate value of the recurrent related party transactions entered into by us based on the nature of the transactions made, names of the related parties involved and their relationship with us during the financial year and in the annual reports for the subsequent financial years.

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

10.2 OTHER TRANSACTIONS

10.2.1 Transactions entered into that are unusual in their nature or conditions

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party for the Financial Years and Period Under Review and up to the LPD.

10.2.2 Loan and financial assistance made to or for the benefit of, or from related parties

(i) Outstanding loans and advances made to or for the benefit of related parties

Our Board has confirmed that there are no outstanding loans and advances made by us to or for the benefit of any related party for the Financial Years and Period Under Review and up to the LPD.

As at the LPD, there are no financial assistance made by our Group to or for the benefit of any related party.

Moving forward, as a public company, we will not be providing any such financial assistance to or for the benefit of related parties unless such loans and financial assistance are permitted under laws and the Listing Requirements and brought to the Audit and Risk Management Committee and our Board for deliberation and approval.

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

(ii) Outstanding loans and advances from related parties

Save as disclosed below, our Board has confirmed that there are no outstanding loans and advances due to any related party for the Financial Years and Period Under Review and up to the LPD:

			Outstanding amount								
			As at 31 December						As at 31 July		
Parties	**Nature of relationship**	**Nature of transaction**	**2020 (RM'000)**	**%(1)**	**2021 (RM'000)**	**%(1)**	**2022 (RM'000)**	**%(1)**	**2023 (RM'000)**	**%(1)**	**As at the LPD (RM'000)**
Astute MFM and Angelina Corrina Fernandez ("**Angelina**")	Angelina is a director and major shareholder of Astute MFM.	Loan from Angelina to Astute MFM for working capital(2)	-	-	189	0.66	206	0.66	352	0.76	352
Astute MFM and Kevin Gerard Quinn ("**Kevin**")	Kevin is a director and former major shareholder of Astute MFM.	Loan from Kevin to Astute MFM for working capital(2)	-	-	-	-	406	1.14	516	1.12	564
ETC Cleaning Services and Tan Hui Sean	Tan Hui Sean is a director and former major shareholder of ETC Cleaning Services.	Loan from Tan Hui Sean to ETC Cleaning Services for working capital(2)(3)	424	1.93	500	1.74	750	2.39	750	1.62	750
ETC Cleaning Services and Chin Kong Weng	Chin Kong Weng is a director and former major shareholder of ETC Cleaning Services.	Loan from Chin Kong Weng to ETC Cleaning Services for working capital(2)(3)	98	0.45	198	0.69	198	0.63	198	0.43	198

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

Parties	Nature of relationship	Nature of transaction	Outstanding amount: As at 31 December 2020 (RM'000)	%[(1)]	2021 (RM'000)	%[(1)]	2022 (RM'000)	%[(1)]	As at 31 July 2023 (RM'000)	%[(1)]	As at the LPD (RM'000)
DCS Power and Lee Kok Choon	Lee Kok Choon is our Director and major shareholder, and he is also a director and major shareholder of DCS Power.	Loan from Lee Kok Choon to DCS Power for working capital[(2)]	1	-*	-	-	-	-	-	-	-
KJTN Engineering and TN Group	TN Group is a major shareholder of KJTN Engineering.	Loan from TN Group to KJTN Engineering for working capital[(4)]	-	-	-	-	572	1.61	1,183	2.56	1,463
KJTN Engineering and Kitti	Kitti is a director and major shareholder of KJTN Engineering by virtue of his shareholdings in TN Group and Wongpramol Co., Ltd.	Loan from Kitti to KJTN Engineering for working capital[(2)]	-	-	1	-*	-	-	-	-	-

Notes:

* Negligible

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

(1) Calculated based on our Group's NA for each of the respective financial years/period.

(2) The loans to us were short-term in nature and not made on an arm's length basis as they were unsecured, interest-free and repayable on demand. However, these terms were not unfavourable to our Group.

(3) KJ Technical Services has agreed to repay the loans to Tan Hui Sean and Chin Kong Weng in 12 equal monthly instalments commencing 2 January 2023 or such other date as may be mutually agreed by the parties, subject always to ETC Cleaning Services having sufficient cash flow to make such repayment, under the share sale agreement dated 14 October 2022 entered into between KJ Technical Services (as purchaser) and Tan Hui Sean and Chin Kong Weng (as vendors) in relation to the acquisition of an additional 33.00% of equity interest in ETC Cleaning Services. As at the LPD, KJ Technical Services has not repaid the loans to Tan Hui Sean and Chin Kong Weng. The parties have mutually agreed to extend the date of the first monthly instalment to 2 January 2024 or such other date as may be mutually agreed by the parties.

(4) TN Group has provided a loan amounting to THB11.00 million (equivalent to approximately RM1.46 million based on an exchange rate of THB100:RM13.3006) to KJTN Engineering as at the LPD. The loan is short term in nature. The annual interest rate charged on the loan in THB amount was 2.50% per annum, which is made on arm's length basis as it is the same interest rate that is charged on the loan extended by TN Group to its subsidiaries and affiliates. The annual interest rate extended by TN Group to its subsidiaries and affiliates was subsequently changed to be pegged to the interest rates in Thailand on the date of the relevant drawdown date for new loans and upon renewal of the existing loans. For information, there is no other comparable information in view that TN Group is not involved in moneylending business and hence, does not lend to third parties.

The outstanding loans as at the LPD as disclosed above will subsist after our Listing. Moving forward after our Listing, our Audit and Risk Management Committee will review the terms of any future loans and/or financial assistance from related parties to our Group and ensure that these transactions are carried out on an arm's length basis and on commercial terms which are not more favourable to the related parties than those generally available to third parties and not unfavourable to our Group, and are not detrimental to our minority shareholders as well as in compliance with the Listing Requirements.

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

(iii) Guarantees

The details of the financial assistance (including guarantees of any kind) given to secure financing and leasing facilities of our Group as at the LPD are as set out below.

KJ Technical Services

Guarantors	Banks	Details of guarantees	Purpose of facilities	Outstanding amount of facilities as at the LPD (RM'000)
Lee Kok Choon and Sheldon Wee Tah Poh	Malayan Banking Berhad	Guarantees for a banking facility of up to RM5.50 million	For working capital purposes	-
		Guarantees for banking facility of up to RM3.75 million	For working capital purposes	184
		Guarantees for foreign exchange contracts	To hedge forward exchange exposure	-[(1)]
	CIMB Bank Berhad	Guarantees for a banking facility of up to RM11.16 million	For working capital purposes and to hedge forward exchange exposure	5,157
Lee Kok Choon	Public Bank Berhad	Guarantee for a hire purchase facility of up to RM0.10 million	Hire purchase of motor vehicle for site operation use	53
			Total	**5,394**

Note:

(1) Not applicable as KJ Technical Services has not utilised the facility.

In conjunction with the Listing, we have applied to CIMB Bank Berhad, Malayan Banking Berhad and Public Bank Berhad to obtain a release and/or discharge of the guarantees provided by Lee Kok Choon and/or Sheldon Wee Tah Poh by substituting the same with corporate guarantees to be provided by our Company and/or other securities from our Group acceptable to the said financiers.

Until such release and/or discharge are obtained from the respective financiers, the directors and shareholders of KJ Technical Services will continue to guarantee such banking and leasing facilities extended to our Group.

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

As at the LPD, we have received conditional approvals from CIMB Bank Berhad, Malayan Banking Berhad and Public Bank Berhad to discharge the relevant personal guarantees by substituting the same with corporate guarantees from our Company and/or other securities from our Group acceptable to the said financiers.

ETC Cleaning Services

Guarantors	Banks	Details of guarantees	Purpose of facilities	Outstanding amount of facilities as at the LPD (RM'000)
Tan Hui Sean and Chin Kong Weng	Bank Simpanan Nasional	Guarantees for a BSN Micro-I (Tawarruq) facility of up to RM0.05 million	For working capital purposes	26
Chin Kong Weng	Public Bank Berhad	Guarantee for a hire purchase facility of up to RM0.08 million	Hire purchase of motor vehicle for site operation use	26
		Guarantee for a hire purchase facility of up to RM0.10 million	Hire purchase of motor vehicle for site operation use	65
		Guarantee for a hire purchase facility of up to RM0.10 million	Hire purchase of motor vehicle for site operation use	68
		Guarantee for a hire purchase facility of up to RM0.10 million	Hire purchase of motor vehicle for site operation use	74
		Guarantee for a hire purchase facility of up to RM0.14 million	Hire purchase of motor vehicle for site operation use	110
			Total	**369**

Tan Hui Sean and/or Chin Kong Weng, directors and former shareholders of ETC Cleaning Services, have agreed to continue to guarantee the banking facilities extended to ETC Cleaning Services under the share sale agreement dated 14 October 2022 in relation to the acquisition by KJ Technical Services of 33.00% of equity interest in ETC Cleaning Services for a period up to 12 months from the date our Company is listed or until such date the said guarantees are released and/or discharged or substituted with corporate guarantees by our Company and/or other securities from our Group acceptable to the said financiers, whichever is earlier.

Notwithstanding, as at the LPD, we have received conditional approvals from Public Bank Berhad to discharge the relevant personal guarantees by substituting the same with corporate guarantees from our Company.

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

KJTN Engineering

Guarantor	Bank	Details of guarantees	Purpose of facilities	Outstanding amount of facilities as at the LPD (THB'000)
TN Group[(2)]	Bank of Ayudhya Public Company Limited	Guarantee for an overdraft facility of up to THB5.00 million (equivalent to approximately RM0.66 million[(3)])	For working capital purpose	-[(1)]
		Guarantee for a loan facility of up to THB29.00 million (equivalent to approximately RM3.86 million[(3)])	To finance the retrofit of cooling energy system as part of the Bangkok Mixed Development CEMS Contract	20,898 (equivalent to approximately RM2.78 million[(3)])
			Total	**20,898**

Notes:

(1) Not applicable as KJTN Engineering has not utilised the facility.

(2) Being guarantee by T.N. Metal Works Co., Ltd, which was subsequently substituted with the guarantee by TN Group.

On 3 April 2023, T.N. Metal Works Co., Ltd and 6 other companies have amalgamated to form the new entity named "TN Group Corporation Co., Ltd ". As a result of the aforesaid amalgamation, all rights, duties and liabilities of the amalgamated companies have been transferred to the new entity, TN Group, and on 3 April 2023, the guarantor of the guarantees in favour of Bank of Ayudhya Public Company Limited has been changed from T.N. Metal Works Co., Ltd to TN Group.

(3) Based on an exchange rate of THB100:RM13.3006 as at the LPD.

The guarantees were provided by T.N. Metal Works Co., Ltd as a security of the banking facilities pursuant to the condition imposed by Bank of Ayudhya Public Company Limited via the credit agreement dated 17 December 2021 entered into between T.N. Metal Works Co., Ltd and Bank of Ayudhya Public Company Limited in relation to the said banking facilities ("**Credit Agreement**"). After the aforesaid amalgamation, the guarantees were substituted with the guarantees by TN Group as a security of the banking facilities pursuant to the condition imposed by Bank of Ayudhya Public Company Limited via the Credit Agreement and the new guarantee agreement entered into between TN Group and Bank of Ayudhya Public Company Limited in relation to the said banking facilities on 12 May 2023. As such, TN Group will continue to guarantee the banking facilities extended to KJTN Engineering after the Listing.

11. CONFLICT OF INTEREST

11.1 INTEREST IN SIMILAR BUSINESS OF OUR GROUP AND IN BUSINESSES OF OUR CUSTOMERS OR SUPPLIERS

11.1.1 Interest in similar business

As at the LPD, save as disclosed below, none of our Directors or Substantial Shareholders has any interest, direct or indirect, in other businesses or corporations which are carrying on a similar or related trade as our Group:

Company name	Principal activities	Directors / Substantial Shareholders	Nature of interest	Remarks
Precise Strategies Sdn Bhd	General trading, property investment holding company, property and construction	Azura Binti Azman	Azura Binti Azman is our Independent Non-Executive Chairman, and she is also a director and shareholder (1.00%) of Precise Strategies Sdn Bhd.	The company has not carried out any construction activities and is not registered as a contractor with CIDB to undertake any construction works as at the LPD.
Mitra Development Sdn Bhd	Real estate activities with own or leased property not elsewhere classified and construction of buildings not elsewhere classified	Ng Kok Ken	Ng Kok Ken is our Independent Non-Executive Director, and he is also a director and major shareholder (50.00%) of Mitra Development Sdn Bhd.	The company has not carried out any construction activities and is not registered as a contractor with CIDB to undertake any construction works as at the LPD.

Our Board (save for the interested Directors) is of the view that Azura Binti Azman's interest in Precise Strategies Sdn Bhd and Ng Kok Ken's interest in Mitra Development Sdn Bhd will not give rise to any conflict of interest situation as they are not involved in the day-to-day operations of the said companies as well as our Group. Further, notwithstanding the principal activities of Precise Strategies Sdn Bhd and Mitra Development Sdn Bhd include construction, the 2 said companies have not carried out any construction activities and are not registered as a contractor with CIDB to undertake any construction works as at the LPD.

In addition, we secured a building construction project during the Financial Years and Period Under Review on a one-off basis. As at the LPD, we do not have any other subsisting building construction projects and we have not submitted any tenders for new building construction projects on a standalone basis. Moving forward, we will not carry out building construction as a standalone project.

Our Audit and Risk Management Committee will supervise any conflict of interest or potential conflict of interest situation for resolution as and when they arise. As a measure to govern and supervise any potential related party transactions, an internal framework and policy will be adopted by our Board to ensure that any potential related party transactions will be carried out on an arm's length basis. In line with its terms of reference as stated in Section 5.5.2 of this Prospectus, our Audit and Risk Management Committee will review these potential related party transactions and conflict of interest situation that may arise therefrom. Moving forward, upon Listing, our Audit and Risk Management Committee will continue to review and access the financial risk and matters relating to any potential conflict of interest situation that may arise within our Group including any transaction that raises questions of management, integrity, to ensure that transactions are carried out in the best interest of our Group.

11.1.2 Interest in customers and/or suppliers

As at the LPD, save as disclosed below, none of our Directors or Substantial Shareholders has any interest, direct or indirect, in any entity which is a customer and/or supplier of our Group:

Company name	Principal activities	Nature	Interested Director/ Substantial Shareholder	Nature of interest
ACR Chiller Rental Sdn Bhd	Renting and leasing of air chiller and air conditioners	ACR Chiller Rental Sdn Bhd is our customer for FYE 2021. The contribution of ACR Chiller Rental Sdn Bhd to our Group's revenue for FYE 2021 amounted to RM200,000, accounting for 0.23%. ACR Chiller Rental Sdn Bhd is our supplier for FYE 2023. The purchases from ACR Chiller Rental Sdn Bhd amounted to RM0.25 million for FPE 2023 and there were no transactions from 1 August 2023 up to the LPD.	Lee Kok Choon and Sheldon Wee Tah Poh, our Directors and Substantial Shareholders	Lee Kok Choon, our Managing Director and Substantial Shareholder, is a major shareholder (30.50%) of ACR Chiller Rental Sdn Bhd. Sheldon Wee Tah Poh, our Executive Director and Substantial Shareholder, and his spouse, Sasha Joanne Povananthiran invested in 30.50% equity interest in ACR Chiller Rental Sdn Bhd, which was held in the name of Sasha Joanne Povananthiran.

The Board (save for the interested Directors) is of the view that the interests of Lee Kok Choon and Sheldon Wee Tah Poh (through his spouse, Sasha Joanne Povananthiran) in ACR Chiller Rental Sdn Bhd does not give rise to a conflict of interest situation after taking into consideration the following:

(i) Lee Kok Choon and Sheldon Wee Tah Poh (through Sasha Joanne Povananthiran), are investors in ACR Chiller Rental Sdn Bhd, and are not involved in the day-to-day operation of ACR Chiller Rental Sdn Bhd. They are not directors of ACR Chiller Rental Sdn Bhd, and only attend shareholders meeting from time to time;

(ii) ACR Chiller Rental Sdn Bhd's business is not competing with our Group as we do not rent and lease air chillers and air conditioners to customers as at the LPD;

(iii) the transactions between our Group and ACR Chiller Rental Sdn Bhd were carried out on normal commercial terms which were not favourable to ACR Chiller Rental Sdn Bhd than those generally available to third parties; and

(iv) our Group is not dependent on ACR Chiller Rental Sdn Bhd for revenue, nor are we dependent on ACR Chiller Rental Sdn Bhd for supplies.

Our Audit and Risk Management Committee will supervise any conflict of interest or potential conflict of interest situation for resolution as and when they arise. As a measure to govern and supervise any potential related party transactions, an internal framework and policy will be adopted by our Board to ensure that any potential related party transactions will be carried out on an arm's length basis. In line with its terms of reference as stated in Section 5.5.2 of this Prospectus, our Audit and Risk Management Committee will review these potential related party transactions and conflict of interest situation that may arise therefrom. Moving forward, upon Listing, our Audit and Risk Management Committee will continue to review and access

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

the financial risk and matters relating to any potential conflict of interest situation that may arise within our Group including any transaction that raises questions of management, integrity, to ensure that transactions are carried out in the best interest of our Group.

Notwithstanding and for information, our Chief Operating Officer, has family relationship with one of our suppliers below:

Company name	Principal activities	Nature	Interested person	Nature of interest
LF Lansen Sdn Bhd	Construction and mechanical works	LF Lansen Sdn Bhd is our supplier as a sub-contractor for mechanical works during the Financial Years and Period Under Review and up to the LPD. The purchases from LF Lansen Sdn Bhd amounted to RM0.25 million (0.62% of our Group's purchases), RM0.35 million (0.91% of our Group's purchases), RM0.05 million (0.10% of our Group's purchases) and RM0.56 million (1.76% of our Group's purchases) for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. From 1 August 2023 up to the LPD, the purchases from LF Lansen Sdn Bhd amounted to RM0.05 million. LF Lansen Sdn Bhd is our customer as they purchased steel products from us during FYE 2022. The contribution of LF Lansen Sdn Bhd to our Group's other income for FYE 2022 amounted to RM0.07 million. There was no sale of products to LF Lansen Sdn Bhd by us for FPE 2023 and up to the LPD.	Wong Nai Chien, our Chief Operating Officer and shareholder	Wong Mei Yee, a director and major shareholder (50.00%) of LF Lansen Sdn Bhd, is the sister of Wong Nai Chien. Pee Chen Huan, a director and major shareholder (50.00%) of LF Lansen Sdn Bhd, is the spouse of Wong Mei Yee and brother-in-law of Wong Nai Chien.

The Board is of the view that the family relationship between Wong Nai Chien, Wong Mei Yee and Pee Chen Huan does not give rise to a conflict of interest situation after taking into consideration the following:

(i) Wong Nai Chien is not a director of any of the companies within our Group and his shareholding in our Company is minimal;

(ii) Wong Nai Chien does not have or intend to have any equity interest in LF Lansen Sdn Bhd;

(iii) the transactions between our Group and LF Lansen Sdn Bhd were carried out on normal commercial terms which were not favourable to LF Lansen Sdn Bhd than those generally available to third parties; and

(iv) we are not dependent on LF Lansen Sdn Bhd for revenue, nor are we dependent on LF Lansen Sdn Bhd for supplies.

11.2 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS

11.2.1 HLIB

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

The Hong Leong Group may in the future, engage in transactions with and perform services for our Group. In addition, in the ordinary course of business, any member of the Hong Leong Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with our Group, hold long or short positions, and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of our Group. This is a result of the business of the Hong Leong Group generally acting independent of each other, and accordingly, there may be situations where parts of the Hong Leong Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interest of our Group.

HLIB has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Sole Underwriter and Sole Bookrunner for our IPO.

11.2.2 Foong & Partners

Foong & Partners has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Solicitors as to the laws of Malaysia in relation to our IPO.

11.2.3 Avant Law LLC

Avant Law LLC has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Solicitors as to the laws of Singapore in relation to our IPO.

11.2.4 MSC International Law Office Company Limited

MSC International Law Office Company Limited has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Solicitors as to the laws of Thailand in relation to our IPO.

11.2.5 UHY Malaysia

UHY Malaysia has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants for our IPO.

11.2.6 Vital Factor

Vital Factor has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Independent Business and Market Research Consultants for our IPO.

12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

Our historical financial information throughout the Financial Years and Period Under Review has been prepared in accordance with MFRS and IFRS. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows. There are no accounting policies which are peculiar to our Group in regard to the nature of the business or the industry which our Group is involved in and there has been no audit qualification on our audited combined financial statements for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023.

Our Company was incorporated in Malaysia under the Act on 3 June 2022 as a private limited company and the Acquisition was completed on 13 December 2023. Our Company and our subsidiaries have been under the common control of our Promoters prior to the Acquisition and are regarded as continuing entities resulting from the Acquisition. As such, the historical financial information of our Group for the Financial Years and Period Under Review is presented based on the audited combined financial statements of our Group.

12.1.1 Historical statements of profit or loss and other comprehensive income

The following tables set out a summary of the combined statements of profit or loss and other comprehensive income and combined statements of financial position of our Group for the Financial Years and Period Under Review. The combined financial statements should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" as set out in Section 12.3 of this Prospectus and the Accountants' Report, together with its related notes, as set out in Section 13 of this Prospectus.

			Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2022**	**FPE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	73,757	85,285	94,438	50,093	71,767
Cost of sales	(61,801)	(65,309)	(71,706)	(37,863)	(56,294)
GP	**11,956**	**19,976**	**22,732**	**12,230**	**15,473**
Other income	5,423	1,777	1,040	616	759
Administrative expenses	(10,557)	(14,039)	(14,831)	(9,267)	(11,276)
Changes on impairment of financial instruments and contract assets	(21)	(255)	37	(103)	(92)
Profit from operations	**6,801**	**7,459**	**8,978**	**3,476**	**4,864**
Finance cost	(212)	(171)	(247)	(134)	(168)
Share of results of associates, net of tax	15	235	(10)	(10)	(18)
PBT	**6,604**	**7,523**	**8,721**	**3,332**	**4,678**
Taxation	(1,317)	(1,541)	(1,565)	(808)	(878)
PAT	**5,287**	**5,982**	**7,156**	**2,524**	**3,800**
Other comprehensive (loss)/income	(26)	(17)	217	97	239
Total comprehensive income for the financial year/period	**5,261**	**5,965**	**7,373**	**2,621**	**4,039**
Profit attributable to:					
Owners of the parent	5,392	5,910	6,866	1,723	4,297
Non-controlling interests	(105)	72	290	801	(497)
PAT	**5,287**	**5,982**	**7,156**	**2,524**	**3,800**

			Audited		
	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FPE 2022 RM'000	FPE 2023 RM'000
GP margin(1) (%)	16.21	23.42	24.07	24.41	21.56
EBITDA(2)	8,031	8,788	10,209	4,186	5,568
EBITDA margin(3) (%)	10.89	10.30	10.81	8.36	7.76
PBT margin(4) (%)	8.95	8.82	9.23	6.65	6.52
PAT margin(5) (%)	7.17	7.01	7.58	5.04	5.29
Basic and diluted EPS(6) (sen)	0.78	0.86	1.00	0.25	0.62
Number of Shares in issue after our IPO ('000)	688,000	688,000	688,000	688,000	688,000

Notes:

(1) Computed as GP divided by revenue.

(2) Computed as follows:

			Audited		
	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FPE 2022 RM'000	FPE 2023 RM'000
PAT	5,287	5,982	7,156	2,524	3,800
Add: Taxation	1,317	1,541	1,565	808	878
Depreciation	1,359	1,192	1,364	780	821
Finance costs	212	173	254	137	172
Less: Interest income	(144)	(100)	(130)	(63)	(103)
EBITDA	**8,031**	**8,788**	**10,209**	**4,186**	**5,568**

(3) Computed as EBITDA divided by revenue.

(4) Computed as PBT divided by revenue.

(5) Computed as PAT divided by revenue.

(6) Computed as profit attributable to owners of our Company divided by the enlarged total number of 688,000,000 Shares after our IPO.

For illustration purposes, excluding the one-off revenue from building construction and one-off other income, our Group's adjusted revenue, GP, other income and PBT for the Financial Years and Period Under Review would have been as follows:

			Audited		
	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FPE 2022 RM'000	FPE 2023 RM'000
Adjusted revenue	73,757	75,385(1)	94,438	50,093	71,767
Adjusted GP	11,956	16,413(2)	22,732	12,230	15,473
Adjusted other income(3)	144	100	90	63	71
Adjusted PBT(2)(3)	1,325	2,283	7,771	2,779	3,990

Notes:

(1) Excluding revenue from building construction of RM9.90 million for FYE 2021.

(2) Excluding GP from building construction of RM3.56 million for FYE 2021.

(3) For illustration purposes, save for interest income from licenced banks, all the remaining other income are assumed to be one-off and thus, are excluded from the computation.

12.1.2 Historical statements of financial position

The table below sets out the summary of our audited combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 July 2023, which has been extracted from the Accountants' Report in Section 13 of this Prospectus.

	Audited As at			
	31 December 2020	31 December 2021	31 December 2022	31 July 2023
	RM'000	RM'000	RM'000	RM'000
Assets				
Non-current assets				
Property, plant and equipment	1,335	1,211	1,100	1,251
Right-of-use assets	1,069	921	904	696
Investment properties	-	920	909	905
Investment in associates	222	476	867	843
Goodwill on consolidation	1,388	1,808	1,808	1,808
Concession receivables	5,013	8,983	12,385	11,302
Deferred tax assets	-	16	-	-
Tax recoverable	-	-	-	173
Total non-current assets	9,027	14,335	17,973	16,978
Current assets				
Inventories	-	-	-	84
Other investments	492	42	2	2
Concession receivables	1,070	1,512	2,138	2,229
Trade receivables	15,994	16,945	16,438	20,373
Other receivables	3,833	3,623	7,699	10,961
Contract assets	3,940	9,554	7,370	21,245
Amount due from associates	2,889	3,340	3,398	3,445
Tax recoverable	175	289	126	386
Deposits, bank and cash balances	9,293	12,104	10,047	9,046
Total current assets	37,686	47,409	47,218	67,771
Total assets	**46,713**	**61,744**	**65,191**	**84,749**

	Audited			
	As at			
	31 December 2020	31 December 2021	31 December 2022	31 July 2023
	RM'000	RM'000	RM'000	RM'000
Liabilities				
Non-current liabilities				
Bank borrowings	1,671	3,666	3,601	3,177
Lease liabilities	581	440	308	337
Employee benefit obligations	-	5	163	34
Deferred tax liabilities	24	478	22	21
Total non-current liabilities	2,276	4,589	4,094	3,569
Current liabilities				
Trade payables	9,641	10,528	10,971	13,597
Other payables	11,592	16,435	11,855	19,598
Contract liabilities	*	148	358	64
Bank borrowings	388	634	848	892
Lease liabilities	652	536	630	360
Tax payable	203	179	367	417
Total current liabilities	22,476	28,460	25,029	34,928
Total liabilities	**24,752**	**33,049**	**29,123**	**38,497**
Share capital	750	750	750	6,890
Reserves	(36)	(9)	263	466
Retained earnings	21,754	27,735	34,601	38,898
Equity attributable to owners of the parent/ NA	**22,468**	**28,476**	**35,614**	**46,254**
Non-controlling interests	(507)	219	454	(2)
Total equity	**21,961**	**28,695**	**36,068**	**46,252**
Total equity and liabilities	**46,713**	**61,744**	**65,191**	**84,749**

Note:

* Less than RM1,000.00.

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12.2 CAPITALISATION AND INDEBTEDNESS

The following table sets out our capitalisation and indebtedness at 27 November 2023, and after adjusting for the Acquisition, Public Issue and utilisation of proceeds.

	Unaudited	I	II	III
	As at 27 November 2023	After the Acquisition	After the Public Issue	After the utilisation of proceeds
	RM'000	RM'000	RM'000	RM'000
Indebtedness				
Current				
Secured and guaranteed:				
- Term loans	-	908	908	908
- Lease liabilities (under hire purchases arrangement)	-	96	96	96
Unsecured and unguaranteed:				
- Lease liabilities[(1)]	-	443	443	443
	-	1,447	1,447	1,447
Non-current				
Secured and guaranteed:				
- Term loans	-	2,913	2,913	2,913
- Lease liabilities (under hire purchases arrangement)	-	308	308	308
Unsecured and unguaranteed:				
- Lease liabilities[(1)]	-	87	87	87
	-	3,308	3,308	3,308
Secured:				
Financial guarantees[(2)]	-	4,197	4,197	4,197
Total indebtedness	**-**	**8,952**	**8,952**	**8,952**
Capitalisation				
Share capital	-[(3)]	41,828	100,695	99,120[(4)]
Total capitalisation	-[(3)]	**41,828**	**100,695**	**99,120**
Total capitalisation and indebtedness	**-**	**50,780**	**109,647**	**108,072**
Gearing ratio (times)[(5)]	**-**	**0.21**	**0.09**	**0.09**

Notes:

(1) Lease liabilities in respect of leasing of motor vehicles and tenancies for buildings. The lease liabilities arose from the recognition of right-of-use assets in accordance with MFRS 16 Leases.

(2) Financial guarantees consist of secured bank guarantees for projects performance bond and projects tender bond for various engineering, procurement, construction and commissioning of cooling energy systems and cooling energy management projects, and secured bank guarantee issued to suppliers as payment guarantee.

(3) Denote RM100 of share capital of KJTS.

(4) After deducting the estimated listing expenses of approximately RM1.58 million which are directly attributable to our IPO and set-off against our Company's share capital.

(5) Calculated based on total indebtedness divided by total capitalisation.

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

The following discussion and analysis of our financial condition and results of operations should be read together with the Accountants' Report and related notes as set out in Section 13 of this Prospectus.

12.3.1 Overview of our business operations

We are primarily involved in providing building support services comprising cooling energy, cleaning and facilities management services. Within our Cooling Energy Segment, we provide cooling energy management services and EPCC of cooling energy systems. We also carried out one-off building construction project during the Financial Years and Period Under Review. Moving forward, we will not carry out building construction as a standalone project.

Our main market is Malaysia, which accounted for the majority of our revenue during the Financial Years and Period Under Review. Our largest foreign market was Singapore, where we commenced business operations in 2019. We also have business operations in Thailand which commenced during FYE 2021.

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

12.3.2 Revenue

(a) Overview

Our main revenue streams are from providing building support services. In FYE 2021, we also had revenue from carrying out building construction.

Our Group's total revenue increased from RM73.76 million in FYE 2020 to RM85.29 million in FYE 2021, and further increased to RM94.44 million in FYE 2022. For FPE 2023, our total revenue increased by RM21.67 million or 43.27% to RM71.77 million in FPE 2023 (FPE 2022: RM50.09 million). This was mainly contributed by the growth from our building support services which accounted for 100.00%, 88.39%, 100.00% and 100.00% of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

Within the building support services, the Cooling Energy Segment was our largest revenue contributor having accounted for 61.42%, 48.71%, 46.32% and 50.21% of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. This was followed by the cleaning services which accounted for 28.15%, 27.33%, 37.91% and 39.12% of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. As for facilities management segment, revenue contribution accounted for 10.43%, 12.35%, 15.77% and 10.67% of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

For FYE 2021, there was revenue from the building construction which accounted for 11.61% of our total revenue from a one-off building construction project, and there was no revenue recognised for FYE 2020, FYE 2022 and FPE 2023 as the project was physically completed in FYE 2021.

Malaysia was our largest market, having accounted for 73.04%, 71.67%, 75.20% and 78.62% of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. Singapore was our largest foreign market as it accounted for 26.96%, 21.61%, 20.01% and 19.29% of our total revenue FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. We commenced business operations in Thailand in FYE 2021, which accounted for 6.72%, 4.79% and 2.09%, respectively of our total revenue for FYE 2021, FYE 2022 and FPE 2023.

Please refer to Section 12.3.2(c) of this Prospectus for further analysis of our revenue by business activities.

(b) Method of recognising revenue and other income

(i) Revenue from contracts with customers

Revenue is recognised when we have satisfied a performance obligation by transferring a promised goods or services to the customer, which is when the customer obtains control of the goods or services. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Our accounting policy for recognising revenue is as follows:

- Revenue from cooling energy management

  Revenue is recognised over time as the customers simultaneously received and consumed the benefits provided by our performance, and we have a present right to payment for the services. This is based on the actual customer usage relative to the agreed-upon charging rates.

- Revenue from EPCC of cooling energy systems

  Revenue is recognised over time as the customers simultaneously received and consumed the benefits provided by our performance, and we have a present right to payment for the services.

  Revenue is recognised over the period of the contract by measuring the progress towards complete satisfaction of that performance obligation. Revenue is measured on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. The stage of completion is determined by the proportion of contract costs incurred to-date relative to the estimated total contract costs.

- Revenue from cleaning services

  Revenue is recognised in the reporting period in which the services are rendered, which the customers simultaneously received and consumed the benefits provided by our performance, and we have a present right to payment for the services.

- Revenue from facilities management

  Revenue is recognised in the reporting period in which the services are rendered, which the customers simultaneously received and consumed the benefits provided by our performance, and we have a present right to payment for the services.

- Revenue from building construction

  Our Group recognises revenue from construction contracts over time when control over the asset has been transferred to the customers. The assets have no alternative use to our Group due to contractual restriction and we have an enforceable right to payment for performance completed to date. Revenue from construction contracts is measured at the transaction price agreed under the construction contracts.

Revenue from construction contracts is recognised by reference to the stage of completion. Stage of completion is measured using the input method, which is based on the total actual construction costs incurred-to-date over to the total budgeted costs for the contract.

Our Group becomes entitled to invoice customers for construction of promised asset based on achieving a series of performance-related milestones (i.e., progress billing). We previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the progress billing exceeds the revenue recognised to-date, we recognise a contract liability for the difference.

(ii) Revenue from other sources and other income

- Finance income from concession contracts

  Finance income from concession contracts are recognised as it accrues using the effective interest method in profit or loss. The notional interest income resulting from the accretion of our financial asset using effective interest method is recognised in the profit or loss.

- Interest income

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

- Dividend income

  Dividend income is recognised when the shareholder's right to receive payment is established

For the avoidance of doubt, our cooling energy management services comprise revenue from the following:

- revenue from cooling energy management for the supply of chilled water;
- revenue from facilities management for the O&M of cooling energy systems; and/or
- revenue from EPCC of cooling energy systems for the construction, retrofitting and/or upgrading of cooling energy systems.

Revenue from our cleaning services and facilities management are based on contractual agreement or on an ad hoc basis.

We have subsidiaries operating in Malaysia, Singapore and Thailand. All of the services that we provide to our customers in Malaysia, Singapore and Thailand are transacted in RM, SGD and THB respectively. The transactions recognised in KJ FEM's and KJTN Engineering's accounting systems and financial statements are denominated in SGD and THB, respectively.

The foreign currency exchange rates used in our Group's combined financial statements to translate amounts denominated in foreign currencies to RM, and to translate amounts denominated in foreign currencies to RM as at the LPD are stated in the following table:

	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023	As at the LPD
SGD						
Exchange rate relative to SGD1.00 in P&L (RM)(1)	3.0472	3.0842	3.1956	3.1476	3.3508	3.3994
Change in the value of RM relative to SGD compared to the previous FYE or FPE* (%)		1.21	3.61		6.45	N/A
Exchange rate relative to SGD1.00 in BS and CFS (RM)(2)	3.0396	3.0853	3.2740	3.2276	3.3851	3.4810
Change in the value of RM relative to SGD compared to the previous FYE or FPE* (%)		1.50	6.12		4.88	N/A
THB						
Exchange rate relative to THB100.00 in P&L (RM)(1)	13.3894	12.9139	12.5494	12.6044	13.0300	13.0942
Change in the value of RM relative to THB compared to the previous FYE or FPE* (%)		(3.55)	(2.82)		3.38	N/A
Exchange rate relative to THB100.00 in BS and CFS (RM)(2)	13.4124	12.4682	12.7200	12.1408	13.1446	13.3006
Change in the value of RM relative to THB compared to the previous FYE or FPE* (%)		(7.04)	2.02		8.27	N/A

P&L = Combined statements of profit or loss and other comprehensive income; BS = Combined statements of financial position; CFS = Combined statements of cash flows; N/A = Not applicable.

Notes:

* A positive change in value indicates that the value of the RM depreciated relative to the SGD or THB, while a negative change in value indicates that the value of the RM appreciated relative to the SGD or THB.

(1) The exchange rate used in the P&L is based on average monthly closing rates during the respective financial year, financial period or from 1 August 2023 to the LPD.

(2) The exchange rate used in the BS and CFS is based on the closing rate as of the reporting date for the respective financial year, financial period or as at the LPD.

(c) Revenue segmentation by business activities

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%*	RM'000	%*	RM'000	%*
Building Support Services	**73,757**	**100.00**	**75,385**	**88.39**	**94,438**	**100.00**
Cooling Energy Segment	45,304	61.42	41,541	48.71	43,750	46.32
Cooling energy management	*24,265*	*32.90*	*25,105*	*29.44*	*30,016*	*31.78*
EPCC of cooling energy systems[(1)]	*21,039*	*28.52*	*16,436*	*19.27*	*13,734*	*14.54*
Cleaning services	20,762	28.15	23,310	27.33	35,797	37.91
Facilities management services	7,691	10.43	10,534	12.35	14,891	15.77
Mobile FM	*791*	*1.07*	*4,500*	*5.28*	*7,705*	*8.16*
Static FM	*6,900*	*9.36*	*6,034*	*7.07*	*7,186*	*7.61*
Building Construction	**-**	**-**	**9,900**	**11.61**	**-**	**-**
Total revenue	**73,757**	**100.00**	**85,285**	**100.00**	**94,438**	**100.00**

	Audited			
	FPE 2022		FPE 2023	
	RM'000	%*	RM'000	%*
Building Support Services	**50,093**	**100.00**	**71,767**	**100.00**
Cooling Energy Segment	23,902	47.71	36,035	50.21
Cooling energy management	*17,184*	*34.30*	*14,061*	*19.59*
EPCC of cooling energy systems[(1)]	*6,718*	*13.41*	*21,974*	*30.62*
Cleaning services	17,827	35.59	28,072	39.12
Facilities management services	8,364	16.70	7,660	10.67
Mobile FM	*3,935*	*7.86*	*4,051*	*5.64*
Static FM	*4,429*	*8.84*	*3,609*	*5.03*
Building Construction	**-**	**-**	**-**	**-**
Total revenue	**50,093**	**100.00**	**71,767**	**100.00**

Notes:

* As a percentage of total revenue.

(1) Cooling energy systems comprise DCS or chiller plants. EPCC also includes retrofitting and/or upgrading of cooling energy systems.

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

Our total revenue increased by RM11.53 million or 15.63% to RM85.29 million in FYE 2021 (FYE 2020: RM73.76 million), which was contributed by higher revenue from building support services mainly cleaning services and facilities management services segments, and also a one-off building construction project.

Building Support Services

Our revenue from building support services increased by RM1.63 million or 2.21% to RM75.39 million in FYE 2021, which was contributed by our cleaning services and facilities management services segments.

(i) Cooling Energy Segment

Our revenue from the Cooling Energy Segment decreased by RM3.76 million, or 8.31%, to RM41.54 million in FYE 2021 (FYE 2020: RM45.30 million).

Cooling energy management

Revenue from the provision of cooling energy management services increased by RM0.84 million or 3.46% to RM25.11 million in FYE 2021 (FYE 2020: RM24.27 million). This was mainly attributed to the commencement of the Bangkok Mixed Development CEMS Contract in FYE 2021, with revenue of RM5.73 million pursuant to the retrofit of the chiller plant portion of the contract in FYE 2021. Subsequently, we also had revenue recognised over time from providing cooling energy management services following the completion of the retrofit portion for this project.

The increase was partially offset by the following:

- Decrease in our revenue from the Johor Hospitals CEMS Contract by RM3.70 million to RM0.51 million in FYE 2021 (FYE 2020: RM4.20 million) was derived from the provision of cooling energy management services. The revenue was higher in the previous financial year as it comprised RM4.11 million from the retrofit portion (completed in FYE 2020) and RM0.10 million from the cooling energy management services portion.

- Collective decrease in revenue by RM0.80 million from 5 cooling energy management services contracts that were under the F+CW mode of operation (JB DCS CEMS Contract, Melaka Shopping Mall CEMS Contract, Muar Education Facilities CEMS Contract, Subang Shopping Mall CEMS Contract and 1 CEMS contract for a shopping mall in Johor Bahru that expired in October 2022), due to lower demand for chilled water during certain periods of FYE 2021 as activities in the buildings were suspended or reduced in accordance with COVID-19 control measures. In addition, we had decrease in revenue from 1 contract under the F+V+MCP mode of operation (PJ Shopping Mall and Office CEMS Contract) of RM0.47 million as discounts were granted for certain months of FYE 2021 when activities in the buildings were suspended or reduced.

EPCC of cooling energy system

Revenue from EPCC of cooling energy systems decreased by RM4.60 million or 21.88% to RM16.44 million in FYE 2021 (FYE 2020: RM21.04 million). This was mainly due to the following:

- Decrease in revenue by RM8.87 million from a completed project, namely Seri Iskandar DCP EPCC Project that recorded a revenue of RM0.04 million in FYE 2021 from minor maintenance and defects rectification works performed in FYE 2021. This project was completed in October 2020 and the bulk of the EPCC works were carried out in the previous FYE 2020 (revenue of RM8.91 million).

- Decrease in revenue by RM0.78 million following the completion of the EPCC project for the retrofitting of cooling energy system for a hotel in Selangor in October 2020. We recorded a revenue of RM0.06 million in FYE 2021 (FYE 2020: RM0.84 million) from post-completion electrical and replacement of valve works carried out in FYE 2021, whereas the bulk of the retrofitting works were performed in FYE 2020.

The decrease in revenue from this segment was partially moderated by the following:

- Increase in revenue of RM2.54 million from the Damansara Mixed Development Chiller EPCC Project - Phase 1 due to higher progress billings arising from higher installation activities as work progressed including installation of the cooling towers and piping and electrical works in FYE 2021.

Revenue contributed by 2 EPCC projects that commenced in FYE 2021, namely the Damansara Heights Chiller EPCC Project (secured in March 2021) and Bangsar Mixed Development Chiller EPCC Project (secured in January 2020), with revenue contributions of RM1.68 million and RM0.78 million, respectively in FYE 2021. Although the Bangsar Mixed Development Chiller EPCC contract was secured in January 2020, we did not commence our works and make progress billings until the third quarter of FYE 2021 when we gained possession of the worksite. Worksite activity had been suspended or reduced due to COVD-19 control measures between 18 March 2020 and the third quarter of 2021.

(ii) Cleaning services

Revenue from cleaning services increased by RM2.55 million or 12.27% to RM23.31 million in FYE 2021 (FYE 2020: RM20.76 million), mainly due to the recognition of full 12 months revenue of RM4.86 million from ETC Cleaning Services in FYE 2021 compared to RM0.80 million for 3 months in FYE 2020 following the completion of the acquisition of 57.00% equity interest in ETC Cleaning Services in October 2020.

This was partially offset by a decrease in revenue by RM1.46 million from KJ FEM, our Singapore operations, which was mainly due to the expiry of 2 cleaning services contracts during FYE 2020 (both contracts to provide cleaning services for the facilities of multi-national companies) that were not renewed, which collectively contributed no revenue in FYE 2021 (FYE 2020: RM1.56 million).

(iii) FM services

Our revenue from FM services increased by RM2.84 million or 36.97% to RM10.53 million in FYE 2021 (FYE 2020: RM7.69 million). This was mainly contributed by the recognition of full 12-month revenue of RM3.93 million from the F&B Chain MFM Contract for mobile FM services in FYE 2021 for the services rendered, compared to RM0.72 million in FYE 2020 from the provision of services to the customer based on quotations followed by 1 month of revenue from the contract after it commenced in December 2020.

In addition, there was revenue contribution of RM0.50 million in FYE 2021 from a new contract for the provision of static FM services for facilities of an airline company which commenced in July 2021.

The increase was partially offset by a decrease in revenue of RM1.0 million from Muar IBS Contracts for static FM services due to changes in the new contract that came into effect from July 2021, arising from reduction in the scope of work and specific charges.

Building Construction

There was revenue of RM9.90 million from building construction in FYE 2021 (FYE 2020: nil) from the International School Project. In March 2020, we secured the International School Project on a one-off basis as a sub-contractor to carry out part of the construction works for the project, and the physical construction was completed and revenue was fully recognised in FYE 2021. As at the LPD, we do not have any other subsisting building construction projects and we have not submitted any tenders for new building construction projects on a standalone basis.

Comparison between FYE 2022 and FYE 2021

Our total revenue increased by RM9.15 million or 10.73% to RM94.44 million in FYE 2022 (FYE 2021: RM85.29 million), which was contributed by our building support services.

Building Support Services

Our revenue from building support services increased by RM19.05 million or 25.27% to RM94.44 million in FYE 2022 (FYE 2021: RM75.39 million). This was attributed to the following:

(i) Cooling Energy Segment

For FYE 2022, our revenue from the Cooling Energy Segment increased by RM2.21 million, or 5.32% to RM43.75 million (FYE 2021: RM41.54 million), mainly due to the following:

Cooling energy management

The revenue from the provision of cooling energy management services increased by RM4.91 million or 19.56% to RM30.02 million in FYE 2022 (FYE 2021: RM25.11 million). This was mainly contributed by the following:

- Commencement of 2 new cooling energy services contracts for 2 manufacturing facilities in Beranang, Selangor in June 2022, which collectively contributed revenue of RM3.38 million in FYE 2022.
- Higher revenue from 5 cooling energy management services contracts that were under the F+CW mode of operation (JB DCS CEMS Contract, Melaka Shopping Mall CEMS Contract, Muar Education Facilities CEMS Contract, Subang Shopping Mall CEMS Contract and 1 CEMS contract for a shopping mall in Johor Bahru that expired in October 2022), which collectively increased by RM1.11 million in FYE 2022. This was due to higher demand for chilled water in the respective buildings resulting from higher activity following the further easing of COVID-19 control measures in FYE 2022.
- Higher revenue from 1 contract under the F+V+MCP mode of operation (PJ Shopping Mall and Office CEMS Contract) which increased by RM0.32 million in FYE 2022 following higher activity in the buildings following easing of COVID-19 control measures.

EPCC of cooling energy system

Revenue from the EPCC of cooling energy systems decreased by RM2.70 million or 16.44% to RM13.73 million in FYE 2022 (FYE 2021: RM16.44 million) This was mainly attributed to the following:

- Lower revenue from the Damansara Mixed Development Chiller EPCC Project – Phase 1, which decreased by RM5.41 million in FYE 2022. There were lower progress billings as the major installation works were completed in FYE 2021 and we mainly carried out works such as continuing with piping and electrical works in FYE 2022.

- Lower revenue from the Damansara Heights Chiller EPCC Project which decreased by RM1.67 million in FYE 2022 as most of the work for this project was completed during FYE 2021.

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

- Higher revenue from the Bangsar Mixed Development Chiller EPCC Project, which increased by RM3.58 million in FYE 2022 due to more work was done in FYE 2022 resulting in higher progress billings.

- Commencement for 4 new projects during FYE 2022, namely the Damansara Mixed Development Chilled Water Distribution & Ductwork EPCC Project – Phase 2, Kuala Lumpur Office Building Chiller & Airside Equipment EPCC Project, Muar Manufacturing Facility Chiller EPCC Project and Putrajaya Office Building Cooling Towers EPCC Project with a total revenue of RM0.63 million from the commencement of the preliminary works for these projects.

(ii) Cleaning services

Revenue from cleaning services increased by RM12.49 million, or 53.57% to RM35.80 million in FYE 2022 (FYE 2021: RM23.31 million). This was mainly attributed to the following:

- Revenue contribution of RM7.92 million from the Pahang High-level Cleaning Contract and Pahang F&B Outlets Contract in FYE 2022 (FYE 2021: Nil) which started in December 2021 and January 2022 respectively. There was no revenue from the Pahang High-level Cleaning Contract in FYE 2021 as the work done in December 2021 was invoiced in the third quarter of 2022.

- Higher revenue from 3 existing contracts in Malaysia (2 existing contracts for 2 different fitness centre chains, and 1 existing contract for a shopping mall in Subang Jaya, Selangor) where the collective revenue increased by RM1.46 million in FYE 2022. The increase in revenue for these 3 existing contracts in Malaysia was contributed by higher minimum wages that came into effect in May 2022 which resulted in higher charges for cleaning services rendered. In addition, we provided cleaning services for additional gyms covered for the 2 fitness centre chains.

- Higher revenue from 1 existing contract in Singapore for a chain of sports equipment stores by RM0.42 million due to increase in services provided and more stores covered in FYE 2022 compared to FYE 2021.

- Commencement of 2 other major new contracts in Malaysia (1 new contract for cleaning services for a manufacturer of semiconductor manufacturing equipment in Johor and 1 new contract for an office tower in Kuala Lumpur) with revenue collectively accounted for RM1.60 million in FYE 2022 (FYE 2021: Nil).

- There were 35 other new contracts or purchase orders for the provision of cleaning services in Malaysia with revenue collectively accounted for RM0.90 million in FYE 2022 (FYE 2021: Nil).

(iii) FM services

Revenue from FM increased by RM4.36 million or 41.36% to RM14.89 million in FYE 2022 (FYE 2021: RM10.53 million). This was mainly contributed by the following:

- Higher revenue from the F&B Chain MFM Contract for mobile FM services rendered which increased by RM3.24 million in FYE 2022, mainly from completing more routine maintenance jobs, as well as corrective and repair jobs in FYE 2022 compared to FYE 2021. During FYE 2021, some of the customers' stores had suspended or lower levels of operations during some parts of the year due to COVID-19 control measures, which resulted in lower demand for our routine maintenance, corrective and repair jobs. During FYE 2022, our customers' stores operated normally throughout the year as COVID-19 control measures were further relaxed. We completed 10,313 jobs in FYE 2022 compared to 3,929 jobs in FYE 2021, representing an increase of 6,384 jobs or 162.48%.

- Higher revenue from the static FM services rendered for facilities for an airline company in Sepang, Selangor by RM0.88 million in FYE 2022, as we provided services over the full 12-month period in FYE 2022 compared to 6 months in FYE 2021.

- Higher revenue from the Muar IBS Contracts for the static FM services rendered which increased by RM0.48 million in FYE 2022 as there were more shutdown maintenance and additional services provided in FYE 2022 compared to FYE 2021. In addition, the new contract with this customer came into effect in August 2022 resulting in upward revision of manpower charges and addition of charging management fees for managing subcontracted services engaged on behalf of the customer. The management fees payable to us are calculated as a fixed percentage of the amount that the subcontractor invoices to the customer for services rendered. The preceding contract did not include such management fees.

Building Construction

There was no revenue from building construction in FYE 2022 as the International School Project was physically completed and revenue was fully recognised in FYE 2021 and there were no other building construction projects in FYE 2022 and up to the LPD.

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

Our total revenue increased by RM21.67 million or 43.27% to RM71.77 million in FPE 2023 (FPE 2022: RM50.09 million), which was contributed by higher revenue from our building support services.

Building Support Services

Our revenue from building support services increased by RM21.67 million or 43.27% to RM71.77 million in FPE 2023 (FPE 2022: RM50.09 million), which was mainly contributed by the following:

(i) Cooling energy segment

For FPE 2023, our revenue from the Cooling Energy Segment increased by RM12.13 million, or 50.76% to RM36.04 million (FPE 2022: RM23.90 million), mainly due to the following:

Cooling energy management

Our revenue from the provision of cooling energy management services decreased by RM3.12 million or 18.17% to RM14.06 million in FPE 2023 (FPE 2022: RM17.18 million). This was mainly contributed by the following:

- Lower revenue from the Bangkok Mixed Development CEMS Contract which decreased by RM2.05 million in FPE 2023, which was mainly because revenue for FPE 2022 included the remaining revenue from the retrofit portion of the contract, whereas revenue for FPE 2023 was mainly from the supply of chilled water and operations and maintenance portion of the contract.

- One CEMS contract for a shopping mall in Johor Bahru expired in October 2022 and was not renewed. This contract had contributed revenue of RM0.99 million in FPE 2022 (FPE 2023: Nil).

- Lower revenue from the Muar Education Facilities CEMS Contract mainly because the customer did not continue with additional services that they utilised during FPE 2022.

EPCC of cooling energy systems

Revenue from the EPCC of cooling energy systems increased by RM15.26 million or 227.09% to RM21.97 million in FPE 2023 (FPE 2022: RM6.72 million). This was mainly contributed by 4 projects that had commenced in FYE 2022 arising from progress billings during FPE 2023 as installation works were carried out. These projects were the Kuala Lumpur Office Building Chiller & Airside Equipment EPCC Project, Muar Manufacturing Facility Chiller EPCC Project, Putrajaya Office Building Cooling Towers EPCC Project and Damansara Mixed Development Chilled Water Distribution & Ductwork EPCC Project – Phase 2.

The increase was partially moderated by decrease in revenue from the Damansara Mixed Development Chiller EPCC Project – Phase 1 as most of the works were completed in FYE 2021 and FYE 2022.

(ii) Cleaning services

Revenue from cleaning services increased by RM10.25 million, or 57.47% to RM28.07 million in FPE 2023 (FPE 2022: RM17.83 million). This was mainly attributed to the following:

- Higher revenue from the Pahang F&B Outlets Contract mainly contributed by more staff provided to the customer during FPE 2023 compared to FPE 2022;

- 5 new cleaning services contracts in Malaysia that commenced during FPE 2023; and

- Revenue from our Singapore operations increased by RM3.07 million in FPE 2023, which was mainly contributed by 1 new customer that contributed revenue of RM3.36 million in FPE 2023 (FPE 2022: nil), 9 other new customers that collectively contributed revenue of RM0.85 million in FPE 2023 (FPE 2022: nil), and increase in revenue from 2 existing customers collectively amounted to RM0.78 million arising from increase in services provided and stores covered. This was partially moderated by the non-renewal of cleaning service contracts from 2 customers that had collectively contributed revenue of RM1.93 million in FPE 2022 (FPE 2023: nil).

(iii) FM services

Revenue from FM decreased by RM0.70 million or 8.42% to RM7.66 million in FPE 2023 (FPE 2022: RM8.36 million). This was mainly contributed by the following:

- Decrease in revenue from the Muar IBS Contracts for the static FM services in FPE 2023 mainly due to changes in the scope of services provided to the customer;

- The contract to provide static FM services for a semiconductor manufacturing facility in Seremban expired in November 2022 and was not renewed; and

- Decrease in revenue from providing static FM services for facilities for an airline company in Sepang, Selangor mainly because the customer required fewer staff to be provided in FPE 2023 compared to FPE 2022.

This was partially moderated by increase in revenue from mobile FM services by RM0.12 million which was mainly due to new contracts secured that commenced during FPE 2023.

Building Construction

We did not carry out any building construction activities during FPE 2022 and FPE 2023, and consequently do not recognise revenue from this activity.

(d) Revenue segmentation by geographical markets

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%*	RM'000	%*	RM'000	%*
Malaysia	**53,873**	**73.04**	**61,128**	**71.67**	**71,020**	**75.20**
Foreign countries	**19,884**	**26.96**	**24,157**	**28.33**	**23,418**	**24.80**
Singapore	19,884	26.96	18,426	21.61	18,893	20.01
Thailand	-	-	5,731	6.72	4,525	4.79
Total revenue	**73,757**	**100.00**	**85,285**	**100.00**	**94,438**	**100.00**

	Audited			
	FPE 2022		FPE 2023	
	RM'000	%*	RM'000	%*
Malaysia	35,771	71.41	56,423	78.62
Foreign countries	14,322	28.59	15,344	21.38
Singapore	10,773	21.51	13,841	19.29
Thailand	3,549	7.08	1,503	2.09
Total revenue	**50,093**	**100.00**	**71,767**	**100.00**

Note:

* As a percentage of total revenue.

Malaysia

Malaysia was our largest overall market during the Financial Years and Period Under Review. For FYE 2021, our revenue from Malaysia increased by RM7.26 million, or 13.47% to RM61.13 million (FYE 2020: RM53.87 million) which was mainly attributed to increases in revenue from cleaning services, FM services and building construction, which was partially moderated by a decrease in revenue from cooling energy management services and EPCC of cooling energy systems.

Our revenue from Malaysia increased by RM9.89 million, or 16.18% to RM71.02 million in FYE 2022 (FYE 2021: RM61.13 million). This was mainly attributed to increases in revenue from cooling energy management services, cleaning services and FM services, which was partially moderated by the decrease in revenue from EPCC of cooling energy systems and no revenue from building construction.

For FPE 2023, our revenue from Malaysia increased by RM20.65 million, or 57.73% to RM56.42 million (FPE 2022: RM35.77 million). This was mainly attributed to increases in revenue from EPCC of cooling energy systems and cleaning services, which was partially moderated by decrease in revenue from cooling energy management services and facilities management services.

Singapore

Singapore was our largest foreign market during the Financial Years and Period Under Review. For FYE 2021, our revenue from Singapore decreased by RM1.46 million, or 7.33% to RM18.43 million (FYE 2020: RM19.88 million), which was mainly due to the expiry of 2 cleaning services contracts during FYE 2020 to provide cleaning services for the facilities of multi-national companies that were not renewed.

Our revenue from Singapore increased by RM0.47 million, or 2.53% to RM18.89 million in FYE 2022 (FYE 2021: RM18.43 million) which was mainly contributed by higher revenue from 1 existing contract in Singapore for a chain of sports equipment stores by RM0.42 million due to increase in services provided and more stores covered in FYE 2022 compared to FYE 2021.

For FPE 2023, our revenue from Singapore increased by RM3.07 million, or 28.48% to RM13.84 million (FPE 2022: RM10.77 million), which was mainly contributed by revenue contribution from 10 new customers and increases in revenue from 2 existing customers due to increase in services provided and stores covered. This was moderated by the non-renewal of cleaning services contracts from 2 customers.

Thailand

We commenced business in Thailand with the incorporation of KJTN Engineering on 18 January 2021, which commenced business in the same year when it secured the contract to retrofit a chiller plant and subsequently provide cooling energy management services for the Bangkok Mixed Development CEMS Contract. The contract commenced in FYE 2021 with revenue of RM5.73 million.

For FYE 2022, our revenue from Thailand decreased by RM1.21 million, or 21.04% to RM4.52 million (FYE 2021: RM5.73 million). Revenue for FYE 2022 was contributed by remaining revenue from the retrofit portion of the Bangkok Mixed Development CEMS Contract, as well as from the supply of chilled water and operations and maintenance portion when these activities subsequently commenced.

Our revenue from Thailand decreased by RM2.05 million, or 57.65% to RM1.50 million in FPE 2023 (FPE 2022: RM3.55 million), which was due to lower revenue from the Bangkok Mixed Development CEMS Contract as revenue in FPE 2023 was mainly from the supply of chilled water and operations and maintenance portion of the contract, whereas revenue in FPE 2022 included the remaining revenue from the retrofit portion of the contract.

Please refer to Section 12.3.2(c) of this Prospectus for further analysis of our revenue by business activities.

12.3.3 Cost of sales

(a) Cost of sales by composition

Our cost of sales segmented by type of inputs for the Financial Years and Period Under Review is as follows:

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%*	RM'000	%*	RM'000	%*
Sub-contractor services, materials and equipment	29,714	48.08	34,085	52.19	31,702	44.21
Labour costs	22,343	36.15	22,602	34.61	27,841	38.83
Utility costs	8,473	13.71	7,331	11.23	10,259	14.31
Other overheads[(1)]	1,271	2.06	1,291	1.97	1,904	2.65
Total cost of sales	**61,801**	**100.00**	**65,309**	**100.00**	**71,706**	**100.00**

	Audited			
	FPE 2022		FPE 2023	
	RM'000	%*	RM'000	%*
Sub-contractor services, materials and equipment	15,134	39.97	28,341	50.34
Labour costs	15,676	41.4	20,365	36.18
Utility costs	5,923	15.64	6,032	10.72
Other overheads(1)	1,130	2.99	1,556	2.76
Total cost of sales	**37,863**	**100.00**	**56,294**	**100.00**

Notes:

* As a proportion of the total cost of sales.

(1) Other overheads include depreciation, travel and accommodations, disposal of fixed assets, rental of machinery, office expenses, and insurance.

(b) Cost of sales by business activities

Our cost of sales for the Financial Years and Period Under Review segmented by business activities is as follows:

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%*	RM'000	%*	RM'000	%*
Building Support Services	**61,801**	**100.00**	**58,972**	**90.30**	**71,706**	**100.00**
Cooling Energy Segment	35,651	57.69	31,262	47.87	30,389	42.38
Cooling energy management	*17,914*	*28.99*	*15,963*	*24.44*	*18,736*	*26.13*
EPCC of cooling energy systems(1)	*17,737*	*28.70*	*15,299*	*23.43*	*11,653*	*16.25*
Cleaning services	19,501	31.55	19,451	29.78	29,738	41.47
Facilities management services	6,649	10.76	8,259	12.65	11,579	16.15
Mobile FM	*579*	*0.94*	*2,944*	*4.51*	*5,783*	*8.06*
Static FM	*6,070*	*9.82*	*5,315*	*8.14*	*5,796*	*8.09*
Building Construction (2)	**-**	**-**	***6,337***	**9.70**	**-**	**-**
Total cost of sales	**61,801**	**100.00**	**65,309**	**100.00**	**71,706**	**100.00**

	Audited			
	FPE 2022		FPE 2023	
	RM'000	%*	RM'000	%*
Building Support Services	**37,863**	**100.00**	**56,294**	**100.00**
Cooling Energy Segment	16,795	44.36	25,959	46.11
Cooling energy management	*10,338*	*27.31*	*9,805*	*17.41*
EPCC of cooling energy systems(1)	*6,457*	*17.05*	*16,154*	*28.70*
Cleaning services	14,732	38.91	24,189	42.97
Facilities management services	6,336	16.73	6,146	10.92
Mobile FM	2,637	*6.96*	2,997	*5.32*
Static FM	3,699	*9.77*	3,149	*5.60*
Building Construction(2)	**-**	**-**	**-**	**-**
Total cost of sales	**37,863**	**100.00**	**56,294**	**100.00**

Notes:

* As a percentage of total cost of sales.

(1) Cooling energy systems comprise DCS or chiller plants. EPCC also includes retrofitting and/or upgrading of cooling energy systems.

(2) Cost of sales for building construction comprised sub-contractors for civil and structural works to carry out building construction works for the International School Project.

(c) Cost of sales by geographical markets

Our cost of sales for the Financial Years and Period Under Review segmented by geographical markets is as follows:

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%*	RM'000	%*	RM'000	%*
Malaysia	**42,959**	**69.51**	**46,259**	**70.83**	**51,844**	**72.30**
Foreign countries	**18,842**	**30.49**	**19,050**	**29.17**	**19,862**	**27.70**
Singapore	18,842	30.49	15,603	23.89	16,235	22.64
Thailand	-	-	3,447	5.28	3,627	5.06
Total cost of sales	**61,801**	**100.00**	**65,309**	**100.00**	**71,706**	**100.00**

	Audited			
	FPE 2022		FPE 2023	
	RM'000	%*	RM'000	%*
Malaysia	**26,239**	**69.30**	**43,059**	**76.49**
Foreign countries	**11,624**	**30.70**	**13,235**	**23.51**
Singapore	9,281	**24.51**	11,996	21.31
Thailand	2,343	**6.19**	1,239	2.20
Total cost of sales	**37,863**	**100.00**	**56,294**	**100.00**

Notes:

* As a percentage of total cost of sales.

Our cost of sales mainly consists of the following:

(i) Sub-contractor services, materials and equipment

During the Financial Years and Period Under Review, we engaged sub-contractors for our building support services activity and building construction business activity, including for our Malaysia, Singapore and Thailand operations. We engaged mainly sub-contractors for the following:

- EPCC of cooling energy systems mainly to carry out mechanical, electrical and process control works related to the installation of machinery and equipment to construct new, or to upgrade and retrofit existing cooling energy systems. This is as part of our cooling energy management services and for stand-alone EPCC of cooling energy systems.

- General cleaning services in situations when we have shortage of manpower, and specialised cleaning services for tasks that require skilled cleaning services such as cleaning high-rise building façade and pest control.

- Maintenance services to maintain specialised equipment such as process equipment, generator sets, water and sewage treatment equipment, fire protection systems, public address systems.

- Civil and structural works to carry out certain portions of the construction work related to the EPCC of cooling energy systems, and for our building construction business.

In addition, the materials and equipment that are under our costs of sales mainly include the following:

- Cooling energy systems machinery and equipment such as chillers, cooling towers, pumps, valves, heat exchangers and instruments to construct new or to upgrade and retrofit existing cooling energy systems as part of our cooling energy management services (when such works are included as part of the contract) and for stand-alone EPCC of cooling energy systems. When required, we also purchased these materials to repair or replace faulty equipment as part of our subsisting cooling energy management services.

- Tools and consumables included power tools, cleaning equipment, chemicals, hygiene supplies and consumables that are used to carry out cleaning services and FM services.

Sub-contractor services, and materials and equipment costs accounted for 48.08%, 52.19% and 44.21% of our total cost of sales for FYE 2020, FYE 2021 and FYE 2022 respectively.

For FYE 2021, our cost of sales for sub-contractor services, and materials and equipment increased by RM4.37 million, or 14.71% to RM34.09 million for FYE 2021 (FYE 2020: RM29.71 million). This was mainly attributed to the materials and equipment used for our EPCC projects, including Damansara Mixed Development Chiller EPCC Project – Phase 1 and the Damansara Heights Chiller EPCC Project, as well as for the retrofit of the chiller plant portion of the Bangkok Mixed Development CEMS Contract. In addition, there was an increase in sub-contractor costs for cleaning services by ETC Cleaning Services mainly due to the recognition of full 12 months of costs of sales in FYE 2021 compared to 3 months in FYE 2020. Furthermore, during FYE 2021 we engaged sub-contractors for civil and structural works to carry out building construction works for the International School Project.

Our costs of sales for sub-contracted services, and materials and equipment for FYE 2022 decreased by RM2.38 million, or 6.99% to RM31.70 million (FYE 2021: RM34.09 million). This was mainly attributed to the following:

- Lower costs of sales for sub-contracted services, and materials and equipment for 2 on-going EPCC of cooling energy systems projects (the Damansara Mixed Development Chiller EPCC Project – Phase 1 and the Damansara Heights Chiller EPCC Project) as remaining works were carried out as the projects neared completion resulting in less costs of sales were incurred in FYE 2022 compared to FYE 2021, and from the International School Project as the works were completed in FYE 2021.

- Lower costs of sales from the Bangkok Mixed Development CEMS Contract as we completed the remaining retrofit works in early FYE 2022 resulting in less costs of sales incurred compared to FYE 2021, and we subsequently commenced the supply of chilled water and operations and maintenance portion of the contract.

This was partially moderated by the following:

- More contracts secured and higher revenue from cleaning services in Malaysia resulting in engaging more sub-contracted cleaning services and purchasing more consumables such as hand soaps, sanitisers, paper towels and tissues, resulting in higher costs of sales for sub-contracted services, and materials and equipment.

- Similarly, increase in mobile FM services jobs resulted in higher costs of sales for sub-contracted services, and materials and equipment as we purchased more consumables such as light bulbs, refrigerant gas, paint and fittings.

For FPE 2023, our costs of sales for sub-contracted services, and materials and equipment increased by RM13.21 million, or 87.27% to RM28.34 million (FPE 2022: RM15.13 million). This was mainly contributed by higher cost of sales for sub-contracted services, and materials and equipment for the 4 EPCC of cooling energy systems contracts that commenced in FYE 2023 as installation works were carried out, and engaging more sub-contracted cleaning services and purchasing more consumables in line with increase in revenue from cleaning services in Malaysia.

(ii) Labour costs

Labour costs refer to direct labour costs for our building support services business operations, which mainly consist of wages and salaries, statutory contribution and related costs. Manpower costs accounted for 36.15%, 34.61% and 38.83% of our total cost of sales for FYE 2020, FYE 2021 and FYE 2022 respectively.

For FYE 2021, our labour costs increased by RM0.26 million, or 1.16% to RM22.60 million (FYE 2020: RM22.34 million). This was mainly attributed to the following:

- We incurred labour costs for the F&B Chain MFM Contract for the full 12-months in FYE 2021, whereas in FYE 2020 we incurred labour costs from providing mobile FM services to the customer based on quotations followed by 1 month of labour costs from the contract after it commenced in December 2020.

- Increase in labour costs for our cleaning services in Malaysia as due to the recognition of full 12 months of costs of sales in FYE 2021 compared to 3 months in FYE 2020 following the acquisition of ETC Cleaning Services in October 2020.

This was partially moderated by the decrease in labour costs for our Singapore operations due to reduction in the number of cleaners employed as some loss-making contracts were not renewed or terminated early. The average number of cleaners employed by our Singapore operations decreased from 224 persons per month in FYE 2020 to 184 persons per month in FYE 2021.

For FYE 2022, our manpower costs increased by RM5.24 million or 23.18% to RM27.84 million (FYE 2021: RM22.60 million). This was mainly attributed to the following:

- Increase in labour costs for our cleaning services was mainly attributed to our Malaysia operations. The increase was contributed by increases in accommodation costs and staff welfare for cleaners, increased overtime claims as well as the increase in minimum wages that came into effect in May 2022. In addition, the average number of cleaners employed by our Malaysia operations increased from 46 persons per month in FYE 2021 to 63 persons per month in FYE 2022.

  In addition, labour costs for our cleaning services' Singapore operations also increased as the basic salaries of cleaners was raised in July 2022 pursuant to the progressive wage model for the cleaning sector in Singapore. The progressive wage model regulates the payment of wages to Singapore citizens and permanent residents employed as outsourced cleaners by cleaning companies (such as KJ FEM), and cleaning companies must meet its requirements to obtain or renew their licences with the National Environmental Agency of Singapore.

- Increase in labour costs for our mobile FM services as the average number of technical staff employed increased from 26 persons per month during FYE 2021 to 49 persons per month in FYE 2022. We increase the number of in-house technical staff to handle the increase in the number of jobs carried out, from 3,929 jobs in FYE 2021 to 10,313 jobs in FYE 2022, and increase of 162.48%.

For FPE 2023, our manpower costs increased by RM4.69 million or 29.91% to RM20.37 million (FPE 2022: RM15.68 million). This was mainly attributed to the following:

- Increase in labour costs for our cleaning services was contributed by our Malaysia and Singapore operations. For our Malaysia operations, we progressively increased the use of our in-house staff and also provided more staff to the customer for the Pahang F&B Outlets Contract, which contributed towards the increase in the average number of cleaners employed by our Malaysia operations from 62 persons per month in FPE 2022 to 245 persons per month in FPE 2023.

  For our Singapore operations, the average number of cleaners employed increased from 182 persons per month in FPE 2022 to 195 persons per month in FPE 2023, mainly contributed by new contracts secured and increase in services provide to existing customers.

(iii) Utility costs

Utilities, including electricity and water, which are used in generating chilled water as part of our cooling energy management services. These accounted for 13.71%, 11.23% and 14.31% of our total cost of sales for FYE 2020, FYE 2021 and FYE 2022, respectively.

Under the terms of some of our cooling energy management contracts that involve the supply of chilled water, we are responsible for bearing the costs of electricity and water (only for some contracts) used to operate the cooling energy system and generate chilled water. All of the electricity and water was ultimately supplied by utilities providers in Malaysia and Thailand.

For FYE 2021, utility costs decreased by RM1.14 million, or 13.48% to RM7.33 million in FYE 2021 (FYE 2020: RM8.47 million). This was mainly due to lower demand of chilled water from our Malaysia operations as activities in the buildings were reduced in line with the COVID-19 control measures.

Utility costs for FYE 2022 increased by RM2.93 million, or 39.94% to RM10.26 million (FYE 2021: RM7.33 million). The increase was mainly due to higher utility costs incurred by our cooling energy management operations in Malaysia as demand for chilled water in buildings increased as COVID-19 control measures were eased in FYE 2022. In addition, this was partly contributed by utility costs incurred from the supply of chilled water portion of the Bangkok Mixed Development CEMS Contract commenced in FYE 2022.

For FPE 2023, utility costs increased slightly by RM0.11 million, or 1.84% to RM6.03 million (FPE 2022: RM5.92 million). The increase was contributed by higher utility costs from the PJ Shopping Mall and Office CEMS Contract following higher electricity tariff surcharge in FPE 2023 compared to FPE 2022, and the Bangkok Mixed Development CEMS Contract whereby the utility costs for the supply of chilled water was for 7 months for FPE 2023 (January 2023 to July 2023) compared to 5 months for FPE 2022 (March 2022 to July 2022 as supply of chilled water commenced in March 2022). These were partially offset by one CEMS contract for a shopping mall in Johor Bahru that had expired in October 2022 and was not renewed, resulting in no utility costs from this CEMS contract in FPE 2023.

(iv) Other cost of sales

Other cost of sales mainly consists of depreciation, travel and accommodations, disposal of fixed assets, rental of machinery, office expenses and insurance. Other cost of sales accounted for 2.06%, 1.97% and 2.65% of our total cost of sales for FYE 2020, FYE 2021 and FYE 2022 respectively

For FYE 2021, other cost of sales increased by RM0.02 million, or 1.57% to RM1.29 million (FYE 2020: RM1.27 million). This was mainly contributed by an increase in traveling and accommodation costs related to business development travel to Thailand and staff travel and accommodation expenses for cleaning and FM services for our staff to travel to customers' premises.

For FYE 2022, other cost of sales increased by RM0.61 million, or 47.48% to RM1.90 million (FYE 2021: RM1.29 million). This was mainly contributed by an increase in travelling and accommodation costs related to our cleaning services for our staff to travel to customers' premises, as well as rental of specialised machinery by our cleaning services operations in Malaysia to carry out cleaning at height.

Other cost of sales increased by RM0.43 million, or 37.70 % to RM1.56 million in FPE 2023 (FPE 2022: RM1.13 million), which was mainly contributed by an increase in travelling and accommodation costs related to our cleaning services in Malaysia and Singapore for our staff to travel to customer's premises. In addition, there was an increase in rental of specialised machinery by our cleaning services operations in Malaysia to carry out cleaning at height.

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12.3.4 GP and GP margin

(a) GP and GP margin by business activities

	Audited								
	FYE 2020			FYE 2021			FYE 2022		
	RM'000	%*	GP margin (%)	RM'000	%*	GP margin (%)	RM'000	%*	GP Margin (%)
Building Support Services	**11,956**	**100.00**	**16.21**	**16,413**	**82.16**	**21.77**	**22,732**	**100.00**	**24.07**
Cooling Energy Segment	9,653	80.74	21.31	10,279	51.45	24.74	13,361	58.78	30.54
Cooling energy management	*6,351*	*53.12*	*26.17*	*9,142*	*45.76*	*36.42*	*11,280*	*49.62*	*37.58*
EPCC of cooling energy systems(1)	*3,302*	*27.62*	*15.69*	*1,137*	*5.69*	*6.92*	*2,081*	*9.16*	*15.15*
Cleaning services	1,261	10.55	6.07	3,859	19.32	16.56	6,059	26.65	16.93
Facilities management services	1,042	8.71	13.55	2,275	11.39	21.60	3,312	14.57	22.24
Mobile FM	*212*	*1.77*	*26.80*	*1,556*	*7.79*	*34.58*	*1,922*	*8.46*	*24.94*
Static FM	*830*	*6.94*	*12.03*	*719*	*3.60*	*11.92*	*1,390*	*6.11*	*19.34*
Building Construction	**-**	**-**	**-**	**3,563**	**17.84**	**35.99**	**-**	**-**	**-**
Total GP	**11,956**	**100.00**	**16.21**	**19,976**	**100.00**	**23.42**	**22,732**	**100.00**	**24.07**

	Audited					
	FPE 2022			FPE 2023		
	RM'000	%*	GP margin (%)	RM'000	%*	GP margin (%)
Building Support Services	**12,230**	**100.00**	**24.41**	**15,473**	**100.00**	**21.56**
Cooling Energy Segment	7,107	58.11	29.73	10,076	65.12	27.96
Cooling energy management	*6,846*	*55.98*	*39.84*	*4,256*	*27.51*	*30.27*
EPCC of cooling energy systems[(1)]	*261*	*2.13*	*3.89*	*5,820*	*37.61*	*26.49*
Cleaning services	3,095	25.31	17.36	3,883	25.10	13.83
Facilities management services	2,028	16.58	24.25	1,514	9.78	19.77
Mobile FM	1,298	*10.61*	*32.99*	1,054	*6.81*	*26.02*
Static FM	730	*5.97*	*16.48*	460	*2.97*	*12.75*
Building Construction	**-**	**-**	**-**	**-**	**-**	**-**
Total GP	**12,230**	**100.00**	**24.41**	**15,473**	**100.00**	**21.56**

Notes:

* As a percentage of total GP.

(1) Cooling energy systems comprise DCS or chiller plants. EPCC also includes retrofitting and/or upgrading of cooling energy systems.

Comparison between FYE 2021 and FYE 2020

Our total GP for FYE 2021 increased by RM8.02 million or 67.08% to RM19.98 million in FYE 2021 (FYE 2020: RM11.96 million), and our GP margin increased from 16.21% in FYE 2020 to 23.42% in FYE 2021. The improvement in GP and GP margin was contributed by our building support services and a one-off building construction project in FYE 2021 as illustrated below.

Building Support Services

Our GP from building support services increased by RM4.46 million or 37.28% to RM16.41 million in FYE 2021 (FYE 2020: RM11.96 million). As for our GP margin for building support services improved from 16.21% in FYE 2020 to 21.77% in FYE 2021. This was attributed to the following segments:

(i) Cooling Energy Segment

Our GP from the Cooling Energy Segment increased by RM0.63 million or 6.49% to RM10.28 million in FYE 2021 (FYE 2020: RM9.65 million). The GP margin from the Cooling Energy Segment improved from 21.31% in FYE 2020 to 24.74% in FYE 2021. The improvement in GP and GP margin from this segment mainly contributed by the cooling energy management services as illustrated below.

Cooling energy management services

The GP from the provision of cooling energy management services increased by RM2.79 million or 43.95% to RM9.14 million in FYE 2021 (FYE 2020: RM6.35 million), mainly attributed to the following:

- GP contribution of RM2.28 million from the commencement of Bangkok Mixed Development CEMS Contract in FYE 2021, mainly contributed by the retrofit of the chiller plant portion of the contract.

- GP from 3 cooling energy management services contracts that were under the F+CW mode of operation (Subang Shopping Mall CEMS Contract, Muar Education Facilities CEMS Contract and Melaka Shopping Mall CEMS Contract) collectively increased by RM0.42 million, which was mainly due to lower unit cost of sales of generating chilled water. For these contracts, there was lower demand for chilled water during certain periods of FYE 2021 as activities in the respective buildings were suspended or reduced in accordance with COVID-19 control measures. During these periods of lower chilled water demand, we were able to fulfil the space cooling requirements by running fewer chiller units than usual which resulted in the electricity consumption and consequently lower unit cost of sales.

- Increase in GP from the Johor Hospitals CEMS Contract by RM0.24 million from the O&M portion of the contract from the full 12-month recognition of GP in FYE 2021 compared to 3 months in FYE 2020 as the O&M portion commenced in October 2020.

GP margin from the cooling energy management services improved from 26.17% in FYE 2020 to 36.42% in FYE 2021. This was mainly arising from major GP contribution from 1 new project, namely Bangkok Mixed Development CEMS Contract that commenced during FYE 2021 with a relatively high GP margin of 39.85%.

EPCC of cooling energy systems

GP from EPCC of cooling systems decreased by RM2.17 million or 65.57% to RM1.14 million in FYE 2021 (FYE 2020: RM3.30 million). This was reflected in in the lower revenue from this segment which decreased by 21.88% in FYE 2021. The decrease in GP from the EPCC segment, mainly attributed to a decrease in GP by RM2.61 million from the Seri Iskandar DCP EPCC Project as the project was completed in October 2020.

This decrease in GP was partially moderated by GP contribution of RM0.46 million from the Damansara Heights Chiller EPCC Project which commenced in FYE 2021.

The GP margin from EPCC of cooling energy systems decreased from 15.69% in FYE 2020 to 6.92% in FYE 2021. This was mainly contributed by greater proportion of GP contribution from the Damansara Mixed Development Chiller EPCC Project – Phase 1 that had relatively low GP margin, whereby the GP contribution of this said project increased to 56.14% of the total EPCC segment in FYE 2021 (FYE 2020: 15.90%) with a GP margin of 4.71% in FYE 2021 (FYE 2020: 4.77%).

(ii) Cleaning Services

Our GP from cleaning services increased by RM2.60 million or 206.03% to RM3.86 million in FYE 2021 (FYE 2020: RM1.26 million). This was mainly contributed by GP contribution from ETC Cleaning Services where the GP increased by RM0.82 million in FYE 2021 arising from the full 12-month recognition of GP in FYE 2021 compared to 3 months in FYE 2020 following our acquisition of 57.00% equity interest in the company in October 2020.

In addition, GP from our Singapore operations increased by RM1.78 million in FYE 2021 mainly due to improvements that we made to KJ FEM's management following our acquisition in 2019, including non-renewal of legacy contracts that were not profitable and mutual termination of loss-making contracts, including one contract to provide cleaning services for airport facilities that had gross loss of RM0.83 million during FYE 2020. The improvements in GP from our Singapore operations were also partly attributed to higher GP contributions from 12 existing cleaning services customers that collectively amounted to RM0.93 million.

Our GP margin from cleaning services improved from 6.07% in FYE 2020 to 16.56% in FYE 2021. This was mainly attributed to the improvements in GP margin from our Singapore operations from 5.24% in FYE 2020 to 15.32% in FYE 2021. This was mainly due to lower gross loss mentioned above as well as improvement in GP margin from the 12 existing customers for the cleaning services rendered.

(iii) FM Services

Our GP from the FM services increased by RM1.23 million or 118.33% to RM2.28 million in FYE 2021 (FYE 2020: RM1.04 million). The increase in GP was mainly contributed by mobile FM services which increased by RM1.34 million arising mainly from higher GP contribution from the F&B Chain MFM Contract for the services rendered for the full 12 months in FYE 2021 compared to approximately 1 month in FYE 2020 in addition to GP from mobile FM services provided to the customer based on quotations before the contract commenced.

GP margin from FM services increased from 13.55% in FYE 2020 to 21.60% in FYE 2021. This was mainly due to mobile FM services where GP margin increased from 26.80% in FYE 2020 to 34.58% in FYE 2021, which was mainly attributed to lower proportion of sub-contracted services for specialised technical services as a percentage of costs of sales (from 67.48% in FYE 2020 to 25.04% in FYE 2021). We engaged fewer such sub-contractors in FYE 2021 as proportionally fewer jobs involved maintenance of specialised equipment.

Building Construction

The GP from the building construction was RM3.56 million with a GP margin of 35.99% in FYE 2021 attributed to the International School Project.

Comparison between FYE 2022 and FYE 2021

Our total GP increased by RM2.76 million or 13.80% to RM22.73 million in FYE 2022 (FYE 2021: RM19.98 million), and our overall GP margin improved slightly from 23.42% in FYE 2021 to 24.07% in FYE 2022. The improvements in GP and GP margin were contributed by our building support services.

Building Support Services

Our GP from building support services increased by RM6.32 million or 38.50% to RM22.73 million in FYE 2022 (FYE 2021: RM16.41 million) attributed to GP growth from all three segments below. Our GP margin from building support services improved from 21.77% in FYE 2021 to 24.07% in FYE 2022 as GP margin from the Cooling Energy Segment, cleaning services and FM services increased.

(i) Cooling Energy Segment

GP from our Cooling Energy Segment increased by RM3.08 million or 29.98% to RM13.36 million in FYE 2022 (FYE 2021: RM10.28 million). Our GP margin from cooling energy services improved from 24.74% in FYE 2021 to 30.54% in FYE 2022.

Cooling energy management services

GP from the cooling energy management services rendered increased by RM2.14 million or 23.39% to RM11.28 million in FYE 2022 (FYE 2021: RM9.14 million). This was mainly contributed by the following:

- GP contribution from the commencement of 2 new cooling energy management services contracts for 2 manufacturing facilities in Beranang, Selangor in June 2022, which collectively contributed GP of RM1.43 million for FYE 2022.

- Higher GP contribution from 4 cooling energy management services contracts under the F+CW mode of operation (JB DCS CEMS Contract, Melaka Shopping Mall CEMS Contract, Subang Shopping Mall CEMS Contract and 1 CEMS contract for a shopping mall in Johor Bahru that expired in October 2022), which collectively increased by RM1.41 million in FYE 2022 arising from higher demand for chilled water for the buildings covered by these contracts resulting from higher activity following easing of COVID-19 control measures.

- higher GP by RM0.31 million from the Johor Hospitals CEMS Contract in FYE 2022 mainly due to GP contribution from additional services rendered in FYE 2022, which comprised comprehensive maintenance services for cooling towers and pumps.

The increase was partially offset by the decrease in GP contribution from the Bangkok Mixed Development CEMS Contract, which decreased by RM1.39 million in FYE 2022. This was mainly due to GP from the retrofit portion of the contract was mostly recognised in FYE 2021, while for FYE 2022 the GP from this contract was from the completion of the remaining retrofit portion as well as from the commencement of the supply of chilled water and operations and maintenance services portion of the contract.

The GP margin from cooling energy management services improved slightly from 36.42% in FYE 2021 to 37.58% in FYE 2022, which was contributed by GP margin of the 2 new cooling energy management services for 2 manufacturing facilities in Beranang, Selangor which collectively had higher GP margin of 42.23% in FYE 2022.

This was offset by the decrease in GP margin from the Bangkok Mixed Development CEMS Contract where GP margin declined from 39.85% in FYE 2021 to 19.85% in FYE 2022. This was due to lower GP margin from the supply of chilled water and operations and maintenance services portion of the contract compared to the retrofit portion.

EPCC of cooling energy systems

GP from the EPCC of cooling energy systems increased by RM0.94 million or 83.03% to RM2.08 million in FYE 2022 (FYE 2021: RM1.14 million). This was mainly attributed to the higher GP contribution from the Damansara Mixed Development Chiller EPCC Project – Phase 1, which increased by RM1.18 million in FYE 2022 mainly attributed to lower cost incurred as the project was nearing completion in FYE 2022 compared to the installation works carried out in FYE 2021. This also reflected in the lower proportion of cost of sales against revenue which decreased by 17.64% in FYE 2022.

Our GP margin from EPCC of cooling energy systems improved from 6.92% in FYE 2021 to 15.15% in FYE 2022. This was mainly contributed by the improvement in GP margin from the Damansara Mixed Development Chiller EPCC Project – Phase 1, which improved from 4.71% in FYE 2021 to 22.35% in FYE 2022 arising of lower cost incurred as the project was nearing completion in FYE 2022 compared to the installation works carried out in FYE 2021.

(ii) Cleaning Services

Our GP from cleaning services increased by RM2.20 million or 57.01% to RM6.06 million in FYE 2022 (FYE 2021: RM3.86 million). This was mainly due to the improvement in GP contribution from the Pahang High-level Cleaning Contract and Pahang F&B Outlets Contact which recorded a collective GP of RM1.61 million in FYE 2022 (FYE 2021: collective gross loss of RM0.03 million). The gross loss for the previous FYE 2021 arising from initial costs incurred, mainly comprising mobilisation costs. In addition, the commencement of 1 new contract for cleaning services for a manufacturer of semiconductor manufacturing equipment in Johor and 1 new contract for an office tower in Kuala Lumpur in Malaysia during FYE 2022 contributed GP of RM0.34 million (FYE 2021: Nil), while 35 other new contracts or purchase orders for the provision of cleaning services in Malaysia collectively contributed accounted for GP of RM0.43 million (FYE 2021: Nil).

Our GP margin from cleaning services increased slightly from 16.56% in FYE 2021 to 16.93% in FYE 2022. The slight increase in GP was mainly attributed to the new major contract for cleaning services for a manufacturer of semiconductor manufacturing equipment in Johor that commenced in FYE 2022 mentioned above that had GP margin of 28.71% in FYE 2022. This was partially moderated by decrease in GP margin from cleaning services rendered for our Singapore operations (KJ FEM) where the GP margin declined from 15.32% in FYE 2021 to 14.07% in FYE 2022 attributed to drop in GP margin from some customers in Singapore mainly arising from higher labour costs as the basic salaries of cleaners were raised in July 2022 pursuant to the progressive wage model for the cleaning sector in Singapore. This was reflected in the higher proportion of cost of sales against revenue which increased from 84.68% in FYE 2021 to 85.93% in FYE 2022 for our Singapore operations.

(iii) FM Services

Our GP from FM services increased by RM1.04 million or 45.58% to RM3.31 million in FYE 2022 (FYE 2021: RM2.28 million). The increase in GP was contributed by the following:

- Higher GP contribution from the static FM services rendered for facilities for an airline company which increased by RM0.36 million in FYE 2022 as we provided services over the full 12-month period in FYE 2022 compared to 6 months in FYE 2021.

- Higher GP contribution from the Muar IBS Contracts for static FM services by RM0.21 million in FYE 2022, which was also reflected in higher revenue for FYE 2022.

- Our GP from providing mobile FM services increased by RM0.37 million in FYE 2022.

Our GP margin from the FM services improved from 21.60% in FYE 2021 to 22.24% in FYE 2022 mainly attributed to improvement in GP margin from static FM services rendered. The GP margin from the static FM services improved from 11.92% in FYE 2021 to 19.34% in FYE 2022 mainly driven by higher value contract that came into effect from January 2022 for the contract to provide FM services for an airline company's facilities. This was reflected in the lower proportion of cost of sales against revenue which decreased by approximately 16.08% in FYE 2022 for these customers.

Building Construction

There was no GP from building construction in FYE 2022 as the International School Project was physically completed and GP was fully recognised in FYE 2021, and there were no other building construction projects in FYE 2022 and up to the LPD.

Please refer to Section 12.3.2(c) of this Prospectus for further analysis of our revenue by business activities.

Comparison between FPE 2022 and FPE 2023

Our total GP increased by RM3.24 million or 26.52% to RM15.47 million in FPE 2023 (FPE 2022: RM12.23 million), while our GP margin decreased from 24.41% in FPE 2022 to 21.56% in FPE 2023.

Building Support Services

GP from building support services increased by RM3.24 million or 26.52% to RM15.47 million in FPE 2023 (FPE 2022: RM12.23 million), while GP margin decreased from 24.41% in FPE 2022 to 21.56% in FPE 2023. This was contributed by the following:

(i) Cooling Energy Segment

Our GP from the Cooling Energy Segment increased by RM2.97 million or 41.78% to RM10.08 million in FPE 2023 (FPE 2022: RM7.11 million). GP margin from the Cooling Energy Segment decreased from 29.73% in FPE 2022 to 27.96% in FPE 2023. This is as illustrated below.

Cooling energy management services

Our GP from the provision of cooling energy management services decreased by RM2.59 million or 37.83% to RM4.26 million in FPE 2023 (FPE 2022: RM6.85 million), mainly attributed to the following:

- Decrease in GP contribution from 2 CEMS contracts that were under the F+CW mode of operation (Melaka Shopping Mall CEMS Contract and JB DCS CEMS Contract), and from 1 contract under the F+V+MCP mode of operation (PJ Shopping Mall and Office CEMS Contract), which was mainly due to provisions made for upcoming scheduled maintenance and repair works for the cooling energy systems for these contracts;

- Decrease in GP contribution from the Bangkok Mixed Development CEMS Contract in FPE 2023, which was in line with the decrease in revenue from this contract; and

- The CEMS contract for a shopping mall in Johor Bahru expired in October 2022 and was not renewed. This contract contributed GP of RM0.47 million in FPE 2022.

GP margin from the cooling energy management services decreased from 39.84% in FPE 2022 to 30.27% in FPE 2023. This was mainly contributed by the decrease in GP margin from the Melaka Shopping Mall CEMS Contract and the JB DCS CEMS Contract, and the expiry of the cooling energy management services for a shopping mall in Johor Bahru that expired in October 2022.

EPCC of cooling energy systems

Our GP from EPCC of cooling systems increased by RM5.56 million or 2,129.89% to RM5.82 million in FPE 2023 (FPE 2022: RM0.26 million). This was mainly due to higher GP contribution from 4 projects that had commenced during FYE 2022 (Kuala Lumpur Office Building Chiller & Airside Equipment EPCC Project, Muar Manufacturing Facility Chiller EPCC Project, Putrajaya Office Building Cooling Towers EPCC Project and Damansara Mixed Development Chilled Water Distribution & Ductwork EPCC Project – Phase 2). In addition, GP from the Damansara Mixed Development Chiller EPCC Project – Phase 1 project also increased in FPE 2023.

Our GP margin from EPCC of cooling systems increased from 3.89% in FPE 2022 to 26.49% in FPE 2023 mainly due to contribution from the 4 projects that had commenced in FYE 2022 mentioned above.

(ii) Cleaning Services

Our GP from cleaning services increased by RM0.79 million or 25.46% to RM3.88 million in FPE 2023 (FPE 2022: RM3.10 million). This was mainly contributed by the 5 new cleaning services contracts in Malaysia that commenced during FPE 2023 and higher GP contribution from 2 existing cleaning services customers in Singapore.

Our GP margin from cleaning services decreased from 17.36% in FPE 2022 to 13.83% in FPE 2023, which was mainly contributed by gross loss from the Pahang F&B Outlets Contract. For FPE 2023, we had gross loss and gross loss margin of RM0.14 million and 2.31%, respectively from the Pahang F&B Outlets Contract mainly contributed by the training and mobilisation costs incurred in relation to providing more in-house staff to the customer during FPE 2023.

(iii) FM Services

Our GP from FM services decreased by RM0.51 million or 25.35% to RM1.51 million in FPE 2023 (FPE 2022: RM2.03 million). The decrease in GP was mainly contributed by the following:

- Gross loss of RM0.02 million from providing static FM services for facilities for an airline company in Sepang, Selangor as the customer required fewer staff to be provided in FPE 2023 and an increase in our labour costs (FPE 2022: GP of RM0.19 million);

- Decrease in GP contribution from providing mobile FM services mainly due to higher labour costs as the number of mobile FM technical staff was higher in FPE 2023. This was partially moderated by a decrease in subcontractor costs as more work was carried out in-house; and

- Lower GP recognised of approximately RM4,000 in FPE 2023 from write-back of costs for the contract to provide static FM services for a semiconductor manufacturing facility in Seremban that had expired in November 2022 and was not renewed (FPE 2022: RM0.08 million). The write-back of cost was in relation to refund of a former employee's medical insurance premium following early cancellation of their medical insurance policy after they had resigned, as well as reversal of staff costs that were accrued but not incurred.

GP margin from FM services decreased from 24.25% in FPE 2022 to 19.77% in FPE 2023 mainly due to increase in labour costs (as described above) and minimal GP contribution from the contract to provide static FM services for a semiconductor manufacturing facility in Seremban as described above.

Building Construction

We did not carry out any building construction activities during FPE 2022 and FPE 2023, and consequently do not have GP from this activity.

(b) GP and GP margin by geographical markets

	Audited								
	FYE 2020			FYE 2021			FYE 2022		
	RM'000	%*	GP margin (%)	RM'000	%*	GP margin (%)	RM'000	%*	GP margin (%)
Malaysia	**10,914**	**91.28**	**20.26**	**14,869**	**74.44**	**24.32**	**19,176**	**84.36**	**27.00**
Foreign countries	**1,042**	**8.72**	**5.24**	**5,107**	**25.56**	**21.14**	**3,556**	**15.64**	**15.18**
Singapore	1,042	8.72	5.24	2,823	14.13	15.32	2,658	11.69	14.07
Thailand	-	-	-	2,284	11.43	39.85	898	3.95	19.85
Total GP	**11,956**	**100.00**	**16.21**	**19,976**	**100.00**	**23.42**	**22,732**	**100.00**	**24.07**

	Audited					
	FPE 2022			FPE 2023		
	RM'000	%*	GP margin (%)	RM'000	%*	GP margin (%)
Malaysia	**9,532**	**77.94**	**26.65**	**13,364**	**86.37**	**23.69**
Foreign countries	**2,698**	**22.06**	**18.84**	**2,109**	**13.63**	**13.74**
Singapore	1,492	12.20	13.85	1,845	11.92	13.33
Thailand	1,206	9.86	33.98	264	1.71	17.56
Total GP	**12,230**	**100.00**	**24.41**	**15,473**	**100.00**	**21.56**

Note:

* As a percentage of total GP.

Malaysia

For FYE 2021, our GP from Malaysia increased by RM3.96 million, or 36.24% to RM14.87 million (FYE 2020: RM10.91 million). This was mainly due to increases in GP from our cooling energy management, cleaning services and mobile FM services, as well as contribution from building construction, and partially moderated by decrease in GP from EPCC of cooling energy systems. Our GP margin for Malaysia increased from 20.26% in FYE 2020 to 24.32% in FYE 2021, which was mainly due to increases in GP margin from cooling energy management services, mobile FM services, and contribution from building construction, while partially offset by decrease in GP margin from EPCC of cooling energy systems and provision of cleaning and static FM services.

For FYE 2022, our GP from Malaysia increased by RM4.31 million, or 28.97% to RM19.18 million (FYE 2021: RM14.87 million), mainly due to higher GP from cooling energy management services, EPCC of cooling energy systems, cleaning services and FM services, while partially offset by no GP contribution from building construction. GP margin from Malaysia increased from 24.32% in FYE 2021 to 27.00% in FYE 2022, which was mainly contributed by higher GP margin from cooling energy management services, EPCC of cooling energy systems and FM services.

Our GP from Malaysia for FPE 2023 increased by RM3.83 million, or 40.20% to RM13.36 million (FPE 2022: RM9.53 million), mainly due to higher GP from EPCC of cooling energy systems and cleaning services, while partially offset by lower GP from cooling energy management services and FM services. GP margin from Malaysia decreased from 26.65% in FPE 2022 to 23.69% in FPE 2023, which was mainly contributed by lower GP margin from cooling energy management services, cleaning services and FM services, while partially offset by higher GP margin from EPCC of cooling energy systems.

Singapore

Our GP from Singapore increased by RM1.78 million, or 170.92% to RM2.82 million in FYE 2021 (FYE 2020: RM1.04 million), which was mainly due lower gross loss recorded from some customers as we improved the company's management, did not renew legacy contracts that were not profitable and we mutually terminated some loss-making contracts. In addition, we also had higher GP contribution from some existing customers. These measures contributed to the increase in our GP margin from Singapore, from 5.24% in FYE 2020 to 15.32% in FYE 2021.

For FYE 2022, our GP in Singapore decreased by RM0.17 million, or 5.84% to RM2.66 million (FYE 2021: RM2.82 million), mainly due to higher labour costs following the increase in the basic salaries of cleaners in July 2022 pursuant to the progressive wage model for the cleaning sector in Singapore. This also contributed to the decrease in our GP margin in Singapore from 15.32% in FYE 2021 to 14.07% in FYE 2022.

Our GP from Singapore increased by RM0.35 million, or 23.66% to RM1.85 million in FPE 2023 (FPE 2022: RM1.49 million), which was mainly contributed by higher GP contribution from 2 existing cleaning services contracts. Our GP margin from Singapore decreased slightly from 13.85% in FPE 2022 to 13.33% in FPE 2023.

Thailand

We commenced business in Thailand in FYE 2021 with a GP of RM2.28 million and GP margin of 39.85% for FYE 2021. All of our GP from Thailand in FYE 2021 was from the contract to retrofit a chiller plant and subsequently provide cooling energy management services for the Bangkok Mixed Development CEMS Contract.

For FYE 2022, our GP from Thailand decreased by RM1.39 million, or 60.68% to RM0.90 million (FYE 2021: RM2.28 million) as GP from the retrofit portion of the contract was mostly recognised in FYE 2021, while for FYE 2022 the GP was from completion of the remaining retrofit portion, and the supply of chilled water and operations and maintenance services portion of the contract. Our GP margin from Thailand decreased from 39.85% in FYE 2021 to 19.85% in FYE 2022, mainly due to higher unit cost of sales from the supply of chilled water and operations and maintenance portion of the contract related to higher labour costs as well as the commencement of utility costs for the generation of chilled water.

Our GP from Thailand decreased by RM0.94 million, or 78.11% to RM0.26 million in FPE 2023 (FPE 2022: RM1.21 million), while GP margin decreased from 33.98% in FPE 2022 to 17.56% in FPE 2023. The decreases in GP and GP margin were in line with decline in revenue in FPE 2023 due to lower revenue from the Bangkok Mixed Development CEMS Contract as revenue in FPE 2023 was mainly from the supply of chilled water and operations and maintenance portion of the contract, whereas revenue in FPE 2022 included the remaining revenue from the retrofit portion of the contract.

Please refer to Section 12.3.4(a) of this Prospectus for further analysis of our GP by business activities.

12.3.5 Other income

	Audited					
	FYE 2020		**FYE 2021**		**FYE 2022**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Government grants[(1)]	3,995	73.67	1,539	86.61	568	54.62
Interest income[(2)]	144	2.66	100	5.63	130	12.50
Waiver of debt income[(3)]	1,022	18.85	-	-	-	-
Others[(4)]	262	4.82	138	7.76	342	32.88
Total	**5,423**	**100.00**	**1,777**	**100.00**	**1,040**	**100.00**

	Audited			
	FPE 2022		**FPE 2023**	
	RM'000	**%**	**RM'000**	**%**
Government grants[(1)]	413	67.05	465	61.26
Interest income[(2)]	63	10.23	103	13.57
Waiver of debt income[(3)]	-	-	-	-
Others[(4)]	140	22.72	191	25.16
Total	**616**	**100.00**	**759**	**100.00**

Notes:

(1) This refers to job credit grants and grants to purchase equipment received by our Singapore operations, and COVID-19 related grants received in Malaysia.

(2) This refers to interest income on bank deposits and fixed deposits for the Financial Years and Period Under Review and interest income of RM0.04 million for FYE 2022 and RM0.33 million for FPE 2023 on advances to associates. As at 31 July 2023, interest-bearing advances to associates amounted to RM0.78 million (31 December 2022: RM0.78 million) to Acres Growth.

(3) This refers to income in KJ Technical Services that resulted from the assignment of debt income by the vendors of ETC Cleaning Services to KJ Technical Services for the amount due from ETC Cleaning Services when our Group acquired the 57.00% equity interest in ETC Cleaning Services.

(4) Including dividend income, gain on disposal of property, plant and equipment, gain on foreign exchange, insurance claims, management fees, sale of scrap material, trading income and others.

Comparison between FYE 2021 and FYE 2020

Other income decreased by RM3.65 million or 67.23% to RM1.78 million in FYE 2021 (FYE 2020: RM5.42 million). The decrease was mainly due to the reduction in the job credit grant received by RM3.03 million for our Singapore operations and also due to the one-off waiver of debt income of RM1.02 million received in the previous FYE 2020.

This was partially offset by COVID-19 related government grants received in Malaysia which increased by RM0.36 million, and a one-off government grant to purchase equipment received by our Singapore operations amounting to RM0.21 million in FYE 2021.

Comparison between FYE 2022 and FYE 2021

Other income decreased by RM0.74 million or 41.47% to RM1.04 million in FYE 2022. The decrease was due to the decrease in government grants received by RM0.97 million in FYE 2022, as job credit grant received by our Singapore operations and COVID-19 related government grants received in Malaysia collectively decreased by RM0.76 million and also due to one-off government grant received by our Singapore operations for purchase of equipment in FYE 2021.

This was partially offset by increase in others by RM0.12 million mainly from the sale of scrap material and one-off other income from trading of steel products in FYE 2022.

Comparison between FPE 2023 and FPE 2022

Other income increased by RM0.14 million or 23.21% to RM0.76 million in FPE 2023. The increase was contributed by an increase in government grants received by RM0.05 million in FPE 2023 mainly due to an increase in job credit grant received by our Singapore operations, an increase in interest income by RM0.04 million, and increase in others by RM0.05 million mainly from gain on foreign exchange.

12.3.6 Administrative expenses

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Staff costs[(1)]	6,093	57.72	8,653	61.64	8,170	55.09
Directors' remuneration[(2)]	1,996	18.91	2,884	20.54	3,163	21.33
Professional and other fees[(3)]	540	5.12	369	2.63	733	4.94
Depreciation[(4)]	729	6.91	641	4.57	751	5.06
Rental and overheads[(5)]	715	6.77	721	5.14	965	6.51
Others[(6)]	484	4.57	771	5.48	1,049	7.07
Total	**10,557**	**100.00**	**14,039**	**100.00**	**14,831**	**100.00**

	Audited			
	FPE 2022		FPE 2023	
	RM'000	%	RM'000	%
Staff costs(1)	5,287	57.05	6,757	59.92
Directors' remuneration(2)	1,887	20.36	2,405	21.33
Professional and other fees(3)	738	7.96	390	3.46
Depreciation(4)	439	4.74	471	4.18
Rental and overheads(5)	531	5.73	611	5.42
Others(6)	385	4.16	642	5.69
Total	**9,267**	**100.00**	**11,276**	**100.00**

Notes:

(1) Staff costs mainly consist of salaries, statutory contributions and other staff-related expenses.

(2) Directors' remuneration mainly consists of fees, salaries and other emoluments, statutory contributions and other expenses for our Directors.

(3) Include audit fees, bank and financing charges, authorities' fees including stamp duty payments, quit rent and assessment fees, and professional, consultancy, secretarial and other fees.

(4) Include depreciation of property, plant and equipment, right-of-use assets and investment properties.

(5) Include rental of operational facilities, upkeep and maintenance, advertising and marketing, software expenses and office-related expenses.

(6) Other administrative expenses include impairment on investment properties, insurance premiums paid, travelling expenses and motor vehicle maintenance, entertainment, foreign exchange losses and management fees

Comparison between FYE 2021 and FYE 2020

Our administrative expenses increased by RM3.48 million, or 32.98%, to RM14.04 million for FYE 2021 (FYE 2020: RM10.56 million) mainly attributed to the following:

- Increase in staff costs by RM2.56 million, or 42.02% to RM8.65 million in FYE 2021 (FYE 2020: RM6.09 million) mainly attributed to the inclusion of staff costs of ETC Cleaning Services pursuant to the acquisition of ETC Cleaning Services. The increase was also partly contributed by the staff costs incurred for Astute MFM following the commencement of its mobile FM services in December 2020.

- Increase in directors' remuneration by RM0.89 million, or 44.49%.

Comparison between FYE 2022 and FYE 2021

Our administrative expenses increased by RM0.79 million, or 5.63% to RM14.83 million in FYE 2022 (FYE 2021: 14.04 million) mainly attributed to the following:

- Increase in professional fees by RM0.36 million, mainly contributed by listing expenses, as well as increase in audit fees, stamp duty, consultancy fees and bank charges.

- Increase in directors' remuneration by RM0.28 million.

- Increase in other administrative expenses by RM0.28 million, mainly contributed by management fees comprising administrative service fee back-charged at cost to KJTN Engineering by KJ Technical Services (Thailand), and higher insurance premiums paid.

- Increase in rental and overheads by RM0.24 million mainly from higher advertising and marketing overheads, and upkeep and maintenance.

- Increase in depreciation by RM0.11 million mainly from property, plant and equipment.

These increases were partially moderated by decrease in staff costs by RM0.48 million.

Comparison between FPE 2023 and FPE 2022

Our administrative expenses increased RM2.01 million, or 21.68% to RM11.28 million for FPE 2023 (FPE 2022: RM9.27 million) mainly attributed to the following:

- Increase in staff costs by RM1.47 million, or 27.80% to RM6.76 million in FPE 2023 (FPE 2022: RM5.29 million) mainly due to an increase in the average number of employees from 85 employees per month in FPE 2022 to 110 employees per month in FPE 2023;

- Increase in directors' remuneration by RM0.52 million mainly contributed by the appointment of a new director by Astute MFM;

- Increase in rental and overheads by RM0.08 million mainly from higher advertising and marketing overheads; and

- Increase in depreciation by RM0.03 million mainly from right-of-use assets.

These increases were partially moderated by decrease in professional and other fees by RM0.35 million mainly from lower professional and audit fees.

12.3.7 Changes on impairment of financial instruments and contract assets

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Changes on Impairment of Financial Instruments and Contract Assets	21	100.00	255	100.00	(37)	100.00
Total	**21**	**100.00**	**255**	**100.00**	**(37)**	**100.00**

	Audited			
	FPE 2022		FPE 2023	
	RM'000	%	RM'000	%
Changes on Impairment of Financial Instruments and Contract Assets	103	100.00	92	100.00
Total	**103**	**100.00**	**92**	**100.00**

The changes on impairment of financial instruments and contract assets are in relation to the recognition of allowance for expected credit losses ("**ECL**") on all debt instruments not held at fair value through profit or loss. The amount of ECL is assessed at each reporting period to reflect changes in credit risk since the initial recognition of trade receivables. Please refer to Note 3(l)(ii) of the Accountant's Report in Section 13 of this Prospectus for information on accounting policy in relation to ECL recognition.

Comparison between FYE 2021 and FYE 2020

The changes on the impairment of financial instrument and contract assets increased by RM0.24 million in FYE 2021, mainly attributed to RM0.37 million of impairment of trade receivables based on the ECL computation. The impairment of trade receivables was mainly attributed to specific provisions made on the outstanding balances for 2 completed EPCC of cooling energy systems projects which were past due for more than 12 months. This was partially offset by the reversal of impairment losses amounting to RM0.12 million mainly from outstanding receivables that were settled in FYE 2021.

Comparison between FYE 2022 and FYE 2021

For FYE 2022 we had reversal of impairment of financial instruments and contract assets of RM0.04 million mainly due to overprovision of ECL in FYE 2021 and were subsequently reversed in FYE 2022.

Comparison between FPE 2023 and FPE 2022

The changes on the impairment of financial instrument and contract assets decreased by RM0.01 million in FPE 2023, mainly attributed to the following:

- Decrease in ECL provision by RM0.06 million resulting from lower credit risk pertaining to trade receivables in FPE 2023 compared to FPE 2022; and

- Reversal of a specific provision of trade receivables amounting to RM0.02 million due to the settlement of the outstanding amount in FPE 2023.

This was partially offset by increase in ECL provision for contract assets by RM0.07 million due to higher contract assets balance as at FPE 2023 compared to FPE 2022.

12.3.8 Finance costs

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Interest expense on:						
- Advance from an associate	-	-	-	-	4	1.62
- Advance from a shareholder	-	-	-	-	4	1.62
- Term loans	132	62.26	104	60.82	187	75.71
- Lease liabilities	80	37.74	69	40.35	59	23.89
Less:						
- Amount presented under cost of sales	-	-	(2)	(1.17)	(7)	(2.84)
Total	**212**	**100.00**	**171**	**100.00**	**247**	**100.00**

	Audited			
	FPE 2022		FPE 2023	
	RM'000	%	RM'000	%
Interest expense on:				
- Advance from an associate	-	-	1	0.60
- Advance from a shareholder	1	0.75	11	6.55
- Term loans	103	76.86	129	76.79
- Lease liabilities	33	24.63	31	18.45
Less:				
- Amount presented under cost of sales	(3)	(2.24)	(4)	(2.39)
Total	**134**	**100.00**	**168**	**100.00**

Our finance cost consists primarily of interest charged on bank facilities granted by banking and other financial institutions such as term loans and hire purchases under lease liabilities.

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

Our finance costs for FYE 2021 decreased by RM0.04 million, or 19.34%, to RM0.17 million in FYE 2021. This was mainly due to a decrease in interest expense on term loans due to repayment of term loan's principal amount in FYE 2021, and a decrease in interest expense on lease liabilities due to repayment of lease and hire purchase instalments.

<u>Comparison between FYE 2022 and FYE 2021</u>

Our finance costs for FYE 2022 increased by RM0.08 million, or 44.44% to RM0.25 million. This was mainly due to an increase in interest expense on term loans due to additional drawdown of term loan to finance the retrofit of cooling energy system as part of the Bangkok Mixed Development CEMS Contract. This was partially offset by decrease in interest expense on lease liabilities due to repayment of lease and hire purchase instalments.

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

Our finance costs for FPE 2023 increased by RM0.03 million, or 25.37% to RM0.17 million. This was mainly due to an increase in interest expense on term loans due to an increase in the effective interest rates per annum from between 3.08% and 6.60% as at 31 December 2022 to between 3.50% and 7.35% as at 31 July 2023. This was partially offset by decrease in interest expense on lease liabilities due to repayment of lease and hire purchase instalments.

12.3.9 Share of results of associates, net of tax

	Audited					
	FYE 2020		**FYE 2021**		**FYE 2022**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Acres Growth	61	406.67	49	20.85	16	160.00
DCS Energy(1)	-	-	-	-	2	20.00
KJ Facilities Management(2)	(45)	(300.00)	N/A	N/A	N/A	N/A
KJ Technical Services (Thailand)	-	-	186	79.15	(28)	(280.00)
Astute MFM(3)	(1)	(6.67)	N/A	N/A	N/A	N/A
Total	**15**	**100.00**	**235**	**100.00**	**(10)**	**100.00**

	Audited			
	FPE 2022		**FPE 2023**	
	RM'000	**%**	**RM'000**	**%**
Acres Growth	16	160.00	7	38.89
DCS Energy(1)	-	-	(16)	(88.89)
KJ Facilities Management(2)	-	-	-	-
KJ Technical Services (Thailand)	(26)	(260.00)	(9)	(50.00)
Astute MFM(3)	-	-	-	-
Total	**(10)**	**100.00**	**(18)**	**100.00**

N/A = not applicable.

Notes:

(1) DCS Energy became an associate during FYE 2022 (on 17 August 2022).

(2) KJ Facilities Management ceased to be an associate and became a subsidiary during FYE 2021.

(3) Astute MFM ceased to be an associate and became a subsidiary during FYE 2020.

Our share of results of associates net of tax for FYE 2021 increased by RM0.22 million mainly from increased contribution from KJ Technical Services (Thailand) due to of reimbursement of expenses billed to KJTN Engineering. Our share of results of associates, net of tax in FYE 2022 decreased by RM0.25 million mainly due to KJ Technical Services (Thailand) incurring expenses (such as rental, accounting and tax agent fees) but not generating revenue as it is a dormant company. For FPE 2023, our share of results of associates net of tax decreased by RM0.01 million mainly due to DCS Energy incurring expenses (such as staff costs, accounting and tax agent fees) but not generating revenue.

12.3.10 PBT, PAT and effective tax rate

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
PBT (RM'000)	6,604	7,523	8,721
PBT margin (%)	8.95	8.82	9.23
Taxation (RM'000)	1,317	1,541	1,565
Effective tax rate (%)	19.94	20.48	17.95
Statutory tax rate* (%)	24.00	24.00	24.00
PAT (RM'000)	5,287	5,982	7,156
PAT margin (%)	7.17	7.01	7.58

	Audited	
	FPE 2022	**FPE 2023**
PBT (RM'000)	3,332	4,678
PBT margin (%)	6.65	6.52
Taxation (RM'000)	808	878
Effective tax rate (%)	24.25	18.77
Statutory tax rate* (%)	24.00	24.00
PAT (RM'000)	2,524	3,800
PAT margin (%)	5.04	5.29

Note:

* Statutory tax rate of Malaysia for the respective financial years and financial periods.

FYE 2021 compared to FYE 2020

Our PBT increased by RM0.92 million, or 13.92% to RM7.52 million in FYE 2021 (FYE 2020: RM6.60 million) which was reflected in the GP contribution from building construction and increases in GP from our cooling energy services, cleaning services and FM services in FYE 2021. Although our overall GP margin increased from 16.21% in FYE 2020 to 23.42% in FYE 2021, our PBT margin decreased mainly due to decrease in other income by RM3.65 million (mainly due to the reduction in job credit grant received for our Singapore operations and one-off waiver of debt income received in the previous FYE 2020, partially offset by COVID-19 related government grants received in Malaysia and one-off government grant to purchase equipment received by our Singapore operations) and an increase in administrative expenses and impairment of financial instruments of RM3.48 million and RM0.23 million, respectively.

For FYE 2020, our effective tax rate was 19.94%, which was lower compared to the statutory tax rate of Malaysia of 24.00%. This was due to the decrease in taxation by RM1.04 million, mainly due to the tax effects of income not subject to tax, the effects of different tax rates in other jurisdictions (for FYE 2020, the statutory tax rate in Singapore, which affected KJ FEM, was 17.00%) and over provision of deferred tax and income tax in prior year. This was partially offset by an increase in taxation of RM0.77 million mainly due to the tax effects of deferred tax asset not recognised and expenses not deductible for tax purposes.

For FYE 2021, our effective tax rate was 20.48%, which was lower than the statutory tax rate of Malaysia of 24.00%. This was due to the decrease in taxation of RM0.95 million, mainly due to the tax effects of the utilisation of previously unrecognised deferred tax assets, income not subject to tax and the effects of different tax rates in other jurisdictions (for FYE 2021, the statutory tax rate in Singapore, which affected KJ FEM, was 17.00% and the statutory tax rate in Thailand, which affected KJTN Engineering, was 20.00%). This was partially offset by an increase in taxation of RM0.69 million mainly due to the tax effects of expenses not deductible for tax purposes and deferred tax assets not recognised.

Our PAT margin decreased from 7.17% in FYE 2020 to 7.01% in FYE 2021 mainly attributed to higher taxation and a lower PBT margin mainly due to decrease in other income and an increase in administrative expenses and impairment of financial instruments.

FYE 2022 compared to FYE 2021

Our PBT increased by RM1.20 million, or 15.92% to RM8.72 million in FYE 2022 (FYE 2021: RM7.52 million), which was contributed by increases in GP from our cooling energy segment, cleaning services and FM services in FYE 2022. Our PBT margin increased from 8.82% in FYE 2021 to 9.23% in FYE 2022 as our GP margin increased from 23.42% in FYE 2021 to 24.07% in FYE 2022.

Our effective tax rate for FYE 2022 was 17.95%, which was lower than the statutory tax rate of Malaysia of 24.00%. This was due to the decrease in taxation of RM1.06 million, mainly due to the tax effects of the utilisation of previously unrecognised deferred tax assets and income not subject to tax. This was partially offset by an increase in taxation of RM0.53 million mainly due to the tax effects of expenses not deductible for tax purposes and deferred tax assets not recognised.

Our PAT margin improved from 7.01% in FYE 2021 to 7.58% in FYE 2022 mainly attributed to improvement in PBT margin due to the increase in our GP margin.

FPE 2023 compared to FPE 2022

Our PBT increased by RM1.35 million, or 40.40% to RM4.68 million in FPE 2023 (FPE 2022: RM3.33 million), which was contributed by increases in GP from our EPCC of cooling energy systems and cleaning services in FPE 2023. Our PBT margin decreased slightly from 6.65% in FPE 2022 to 6.52%% in FPE 2023 as our GP margin decreased from 24.41% in FPE 2022 to 21.56% in FPE 2023.

Our effective tax rate for FPE 2023 was 18.77%, which was lower than the statutory tax rate of Malaysia of 24.00%. This was due to the decrease in taxation of RM0.85 million, mainly due to the tax effects of the utilisation of previously unrecognised deferred tax assets and income not subject to tax. This was partially offset by an increase in taxation of RM0.60 million mainly due to the tax effects of under provision of income tax in prior years, deferred tax assets not recognised and expenses not deductible for tax purposes.

Our PAT margin increased from 5.04% in FPE 2022 to 5.29% in FPE 2023 mainly attributed to lower effective tax rate.

Please refer to Section 12.3.4(a) of this Prospectus for further details on GP and GP margin by business activities.

12.3.11 Significant factors affecting our Group's operations and financial performance

Section 9 of this Prospectus details a number of risk factors relating to our business and industry in which we operate. Some of these risk factors have an impact on our Group's financial condition and result of operations. The main factors which affect our revenue and profits include but are not limited to the following:

(i) Our business depends on securing new contracts to sustain and grow our business and failure to secure sizeable projects in a timely manner may affect our future financial performance

Our EPCC of cooling energy systems business is project-based, and there can be no assurance that we will be able to continuously secure new projects for these businesses, nor any assurance that the new projects that we secure will be on commercial terms favourable to us. We will not secure any projects with commercial terms that are unfavourable to us. Failure to secure sizeable contracts promptly may adversely affect the financial performance and growth of our business.

In addition, our business is also dependent on recurrent revenue-based projects for the provision of cooling energy management, cleaning and FM services. Failure to secure new recurrent revenue contracts may adversely affect the financial performance, sustainability and growth of our business.

(ii) Our recurrent and lump sum project-based revenue contracts may be terminated early thus impacting our financial performance

Our recurrent revenue contracts to provide cooling energy management, cleaning and FM services may be terminated earlier than the expiry date, while our subsisting EPCC of cooling energy systems contracts may be terminated or suspended before the specified scope of works is completed. The early termination of a contract may result in foregone potential revenue and profits compared to if the contract was completed in full, which may have an adverse impact on our financial performance.

(iii) Our business and financial performance may be affected by decreases in electricity tariffs

As at the LPD, some of our subsisting cooling energy management services contracts involve operating and maintaining DCS or chiller plants to generate chilled water. In the event there is a decrease in the prevailing electricity tariff, this would result in a corresponding decrease in the value of the chilled water tariff or fixed monthly charges, due to the fixed percentage of the prevailing electricity tariff within the price adjustment mechanism, which may result in a decrease in our revenue from these contracts.

For illustrative purposes, under the Subang Shopping Mall CEMS Contract a 10.00% decrease in the prevailing electricity tariff would result in a 10.00% decrease in the chilled water tariff, and consequently 10.00% reduction in revenue from the supply of chilled water (assuming that the quantity of cooling energy supplied remains the same).

The drop in the chilled water tariff or fixed monthly charges may also reduce our gross profits, which may negatively affect our financial performance.

(iv) The actual operating costs of generating chilled water may be higher than the chilled water tariff or fixed monthly charges

We bear the operating costs of generating chilled water under some of the cooling energy management services contracts that are subsisting as at the LPD. There is a risk that the actual operating costs incurred in generating chilled water may be higher than envisaged thus compressing our gross profit margin or lead to losses from the supply of chilled water based on chill water tariff and/or fixed monthly charges. If the actual operating costs exceed the chilled water tariff or fixed monthly charges, it would result in recurring losses over the duration of the respective contract which may adversely affect our future financial performance and prospects. If the actual operating costs is higher than anticipated but does not exceed the chilled water tariff or fixed monthly charges, our gross profit margin may be compressed over the duration of the respective contract which may adversely affect our future financial performance and prospects.

(v) Our business and financial performance may be affected by increases in the costs of new construction, retrofitting and/or upgrading cooling energy systems

We are involved in new construction, retrofitting or upgrading cooling energy systems for our EPCC of cooling energy systems projects, and for some of our cooling energy management services contracts where we wholly or partially finance the new construction or upgrading and/or retrofitting of cooling energy systems. Our EPCC of cooling energy systems projects are based on FLS contracts or F+SR contracts, and in the event of any increase in costs, we are unable to unilaterally increase the agreed contract value or schedule of rates (where applicable). As a result, if there is any unanticipated increase in the costs of implementing our EPCC of cooling energy systems projects that we are unable to pass on to our customers, we would have to absorb these costs and thus affect our profit margin.

Our cooling energy management services contracts where we wholly or partially finance the new construction or upgrading and/or retrofitting of cooling energy systems are based on F+MCP, F+V+MCP or F+CW+MCP contracts. Under these modes of operation, the MCP portion is fixed for the duration of the contract. In the event of any increase in costs, the payback period for recouping the whole or partial financing for the cooling energy system will be longer than planned and may adversely affect our financial performance.

Our purchases of cooling energy system machinery and equipment and subcontracted services for the construction, retrofitting or upgrading cooling energy systems for our EPCC of cooling energy systems projects and relevant cooling energy management services contracts amounted to RM24.85 million for FYE 2020, RM17.49 million for FYE 2021, RM18.80 million for FYE 2022 and RM12.41 million for FPE 2023.

(vi) Our business and financial performance may be affected if there are delays in completing EPCC projects

We are required to meet project implementation timelines and milestones when we carry out EPCC of cooling energy systems and building construction projects. Any delays in achieving the specified project implementation timeline and milestones may result in delays in the recognition of revenue, project cost overruns, negative impact on our reputation, and may expose us to financial penalties from our customers such as claims for liquidated ascertain damages, and may lead our customers to reduce and/or revise our scope of work for the project, which will result in lower revenue generated from such affected projects.

(vii) We are subject to liquidity risk

We are subject to liquidity risk from, amongst others, negative net cash flow, where we provide capital to finance the construction or upgrading and/or retrofitting of cooling energy systems, and in the event that our customers are unable to pay us in cash and we accept payment by way of contra.

Negative net cash flow

We are subject to liquidity risk from negative net cash flows of RM2.10 million in FYE 2022 and RM1.03 million in FPE 2023. In FYE 2022, we had net cash from operating activities of RM0.02 million, which was partially offset by net cash used in investing activities and financing activities of RM1.66 million and RM0.46 million respectively. For FPE 2023, we have net cash used in operating activities of RM5.78 million and net cash used in investing activities of RM0.49 million, which was partially offset by net cash from financing activities of RM5.24 million. Negative cash flows result in liquidity risk as we may not have sufficient cash on hand to meet our obligations as they come due. We will be in default of our bank borrowings if we fail to repay them according to schedule.

Up-front capital to finance the construction or upgrading and/or retrofitting of cooling energy systems

We are subject to liquidity risk when we provide capital to wholly or partially finance the new construction or upgrading and/or retrofitting of cooling energy systems under our F+MCP, F+V+MCP or F+V+CW+MCP business models. The customer would make progressive repayments of our capital expenditure by way of fixed monthly capital repayments over a specified number of months. There is a risk that our customers for these projects do not pay us the monthly capital repayments, which may cause us to impair the outstanding value of the respective customer's concession receivables resulting in an adverse effect on our financial performance.

The capital that we provide for two of the subsisting projects where we provided capital to retrofit/upgrade cooling energy systems was partially financed by term loans. If the customers for these projects do not pay the monthly capital repayments, there is also a liquidity risk as we may not be able to meet the respective bank borrowing repayments as they come due, which may result in default.

Customers unable to pay us in cash

There is a risk that our customers do not pay us in cash and we have to accept payment by way of contra. During FYE 2021, we accepted two units of leasehold condominiums as contra payment for trade receivables amounting to RM1.10 million. Receiving payment by way of contra may result in liquidity risk if we are unable to sell the properties promptly, or if their sales value is less than the value of the receivables that were settled by their acceptance. There can be no assurance that we will not accept other payments by way of contra in the future.

(viii) We may not be able to invoice our customers and receive the full amount with respect to our contract assets

We recognise revenue based on progress billings issued to our customers for our cooling energy management services contract where there is an EPCC portion, and EPCC of cooling energy systems business activities. Our contract assets represent the value of works that we have performed but have not yet reached the stage at which we are entitled to invoice our customers for such works completed. There is no assurance that we will be able to bill and receive the full amount of contract assets as we may not be able to reach an agreement with our customers on the value of work conducted. If we are unable to bill and receive the full amount of contract assets, our financial performance and position, and liquidity may be materially and adversely affected.

(ix) Impact of foreign exchange

Our reporting currency is in RM while the functional and reporting currencies of our Singapore and Thailand subsidiaries are in SGD and THB respectively. Furthermore, our revenue from Singapore and Thailand collectively accounted for 26.96%, 28.33%, 24.80% and 21.38% of our total revenue, respectively for FYE 2020, FYE 2021, FYE 2022 and FPE 2023. Purchases from suppliers outside of Malaysia collectively accounted for 9.28%, 12.28%, 7.92% and 9.27% of our total purchases of inputs, materials and services, respectively for FYE 2020, FYE 2021, FYE 2022 and FPE 2023. Most of our purchases from suppliers outside of Malaysia comprise purchases made in Singapore and Thailand by our subsidiaries in those countries for their respective business operations.

As we are unable to ascertain the future movements of foreign exchange rates and estimate their impact on our revenue and earnings, any significant fluctuations in foreign exchange rates, particularly the SGD and THB relative to RM, may have a significant impact, whether positively or negatively, on our financial condition and results of operations. However, during the Financial Years and Period Under Review, realised and unrealised gains or losses on foreign exchange have not had a material effect on our financial condition and results of operations as they collectively amounted to less than RM30,000 for each of FYE 2020, FYE 2021, FYE 2022 and FPE 2023.

(x) Impact of interest rate fluctuations

All our borrowings are interest bearing obligations. Any increase in interest rates would affect our financial performance. Our finance cost mainly comprises interest charges on banking facilities mainly term loans and hire purchase that are granted by bank and financial institutions. As at 31 July 2023, our Group's total borrowings was RM4.38 million, of which all were interest bearing, comprising RM4.35 million based on floating interest rates and the remaining RM0.03 million loan is based on fixed rates. Our finance cost increased from RM0.17 million for FYE 2021 to RM0.25 million for FYE 2022, and our finance cost for FPE 2023 had increased from RM0.14 million for FPE 2022 to RM0.17 million. In this respect, any increase in draw down of borrowings and/or interest rates may impact our financial performance. For the Financial Years and Period Under Review and up to the LPD, we have not defaulted on any payments of either principal sums and/or interests in relation to our borrowings. For further details, see Section 12.4.3 of this Prospectus.

(xi) Government/ economic/ fiscal/ monetary policies

Our business is subject to risk relating to government, economic, fiscal or monetary policies in the countries we operate. Any unfavourable changes in such government policies, economic conditions, or fiscal or monetary policies may materially affect our operations in Malaysia, Singapore and Thailand. For further details, see Section 9.2.3 of this Prospectus.

12.3.12 Significant changes on the financial position

There are no other significant changes that have occurred, which may have a material effect on our financial position and results subsequent to FPE 2023 and up to the LPD. Subsequent to the LPD, the Acquisition was completed on 13 December 2023.

12.3.13 Impact of inflation

Our financial performance for the Financial Years and Period Under Review was not materially affected by the impact of inflation in Malaysia, Singapore or Thailand.

12.4 LIQUIDITY AND CAPITAL RESOURCES

12.4.1 Working capital

Our business is financed by a combination of internal and external sources of funds. Internal sources of funds comprised cash generated from our business operations while our external sources of funds consist primarily of borrowings from financial institutions. We have hire purchase under lease liabilities mainly used to finance purchases of motor vehicles. The normal terms granted by our suppliers are cash terms and credit terms ranging from 7 days to 90 days.

Based on the statements of our financial position as at 31 July 2023, we had working capital of approximately RM32.84 million (being the difference between current assets and current liabilities), and had cash and bank balances and fixed deposits with a licensed bank (pledged as security for banking facilities granted) (excluding bank overdraft) of RM9.04 million. As at the LPD, we had credit facilities with total limit of approximately RM7.59 million, of which approximately RM1.17 million has yet to be utilised.

Our Directors believe that, after taking into consideration our cash and cash balances, expected cash flows to be generated from our business operations, the amount of banking facilities and proceeds expected to be raised from the Public Issue, we will have adequate working capital to meet our present and foreseeable requirements for a period of 12 months from the date of this Prospectus.

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12.4.2 Cash flows

The following is a summary of our combined statements of cash flow for FYE 2020, FYE 2021 and FYE 2022. This should be read in conjunction with the Accountants' Report as set out in Section 13 of this Prospectus.

	Audited			
	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FPE 2023 RM'000
Net cash from operating activities	7,500	555	20	(5,779)
Net cash (used in) / from investing activities	(1,287)	768	(1,664)	(493)
Net cash (used in) / from financing activities	(1,767)	1,435	(456)	5,240
Net increase / (decrease) in cash and cash equivalents	**4,446**	**2,758**	**(2,100)**	(1,032)
Cash and cash equivalents at beginning of the financial year/period	**2,706**	**7,151**	**9,911**	**7,813**
Effects of exchange translation differences on cash and cash equivalents	**(1)**	**2**	**2**	**-**
Cash and cash equivalents at the end of the financial year/period[(1)]	**7,151**	**9,911**	**7,813**	**6,781**

Note:

(1) The components of our cash and cash equivalents are set out below:

	Audited			
	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FPE 2023 RM'000
Cash and bank balances	7,151	9,911	7,813	6,784
Fixed deposit with a licensed bank	2,142	2,193	2,234	2,263
Bank overdraft	-	-	-	(3)
Less:				
Fixed deposit pledged to a licensed bank	(2,142)	(2,193)	(2,234)	(2,263)
Total	**7,151**	**9,911**	**7,813**	**6,781**

(a) Net cash from operating activities

FYE 2020

For FYE 2020, our operating profit before working capital changes were RM7.19 million. After adjusting the following items, we had net cash from operating activities of RM7.50 million:

- Decrease in trade and other receivables of RM5.09 million, which was mainly due to lower outstanding trade receivables as at 31 December 2020, contributed by full collection of all trade receivables from the Seri Iskandar DCP EPCC Project during FYE 2020, including invoices issued during FYE 2020, resulting in no outstanding balance for this project as at 31 December 2020 (compared to

RM5.11 million as at 31 December 2019). This was partially offset by the increase in trade receivables outstanding in relation to the Muar IBS Contracts by RM0.38 million;

- Decrease in contract assets by RM1.15 million mainly due to higher billings issued and certified by consultants from the Seri Iskandar DCP EPCC Project in relation to the EPCC of cooling energy systems and fulfilment of obligations in relation to cooling energy management services contracts, partially offset by claims submitted to customers which have yet to be certified by consultants in relation to the Damansara Mixed Development Chiller EPCC Project – Phase 1;

- Increase in concession receivables of RM3.60 million, which was mainly attributed to capitalising of costs incurred in relation to the Johor Hospitals CEMS Contract whereby the capital expenditure for the retrofit of the cooling energy systems was wholly financed by us. We have the contract to retrofit the cooling energy systems and subsequently provide cooling energy management services;

- Increase in the amount due from associates by RM1.34 million, which was in relation to advances for working capital to KJ Technical Services (Thailand) and KJ Facilities Management (which was an associate at that time), and increase in net amount due from Acres Growth in relation to the Subang Shopping Mall CEMS Contract;

- Interest and tax paid totalling RM1.27 million; and

- Interest received of RM0.14 million.

FYE 2021

For FYE 2021, our operating profit before working capital changes were RM8.98 million. After adjusting the following items, we had net cash from operating activities of RM0.55 million:

- Increase in concession receivables of RM4.41 million, which was mainly attributed to capitalising of costs incurred in relation to the Bangkok Mixed Development CEMS Contract whereby the capital expenditure for the retrofit of the cooling energy system was wholly financed by us. We have the contract to retrofit the cooling energy system and subsequently provide cooling energy management services;

- Increase in trade and other receivables of RM2.09 million, which was mainly due to increase in trade receivables outstanding balance by RM0.95 million in FYE 2021. The increase in trade receivables was mainly in relation to the F&B Chain MFM Contract by RM0.69 million as billings were for the full year for FYE 2021, compared to one month for FYE 2020, and increase in trade receivables outstanding for the Muar Education Facilities CEMS Contract and Melaka Shopping Mall CEMS Contract collectively by RM0.28 million, which was mainly due to higher billings at the end of the year as demand for chilled water was higher for the buildings following easing of COVID-19 restrictions;

- Increase in trade and other payables of RM5.36 million, which was mainly due to increase in accruals by RM5.01 million mainly in relation to increased accruals for the Damansara Mixed Development Chiller EPCC Project – Phase 1, Bangkok Mixed Development CEMS Contract, Damansara Heights Chiller EPCC Project and Bangsar Mixed Development Chiller EPCC Project, partially offset by decreased accruals for the Johor Hospitals CEMS Contract and Muar Education Facilities CEMS Contract. In addition, trade payables balance was higher due to higher outstanding balances to 2 suppliers of valves and cooling towers collectively by RM1.57 million, to a sub-contractor by RM1.49 million, and to a sub-contractor for civil and structural works by RM0.14 million. This was partially offset by payments made to a supplier and maintenance provider for chillers for machinery and equipment supplied in FYE 2020 which resulted in a reduction of outstanding trade payables balance to this supplier by RM4.51 million;

- Increase in contract assets of RM5.61 million, which was mainly due to claims submitted to customers which have yet to be certified by consultants in relation to the International School Project, Damansara Mixed Development Chiller EPCC Project – Phase 1 and Bangsar Mixed Development Chiller EPCC Project. We recognise revenue from EPCC of cooling energy systems over the period of the contract by measuring the progress towards complete satisfaction of that performance obligation (the "percentage of completion method"). We accrue the revenue under contract assets and recognised the revenue as we complete our work. At the same time, we submit our progress claims to the customer for certification. Once certified, we will proceed to issue the invoice to the customer. If the customer has not certified the progress claims and we have not issued the invoice to the customer before the end of the financial year or financial period, the amount will remain under our contract assets;

- Interest and tax paid totalling RM1.43 million; and

- Interest received of RM0.10 million and tax refund of RM0.02 million.

FYE 2022

For FYE 2022, our operating profit before working capital changes were RM10.32 million. After adjusting the following items, we had net cash from operating activities of RM0.02 million:

- Decrease in trade and other payables of RM4.14 million, which was mainly due to decrease in accruals by RM6.69 million in relation to the reversal of accruals in relation to 2 EPCC of cooling energy systems projects (for the Damansara Heights Chiller EPCC Project and Damansara Mixed Development Chiller EPCC Project – Phase 1), 4 provision of cooling energy management services contracts (for the Johor Hospitals CEMS Contract, Muar Education Facilities CEMS Contract, Subang Shopping Mall CEMS Contract and Melaka Shopping Mall CEMS Contract) and the International School Project. When costs are incurred but we have not received the relevant invoices from suppliers, the costs are recognised as accruals. Subsequently, we will reverse the initial accrual entries when we receive the relevant invoices from suppliers. This was partially moderated by an increase in other payables to third parties and related parties by RM1.40 million mainly relating to the Bangkok Mixed Development CEMS Contract, listing expenses and other payables, and an increase in trade payables by RM0.44 million mainly relating to increase in outstanding balance to a sub-contractor by RM1.29 million, which was partially offset by a decrease in outstanding balance to a supplier of valves by RM0.57 million.

- Increase in concession receivables of RM4.03 million, which was mainly attributed to 2 new cooling energy services contracts for 2 manufacturing facilities in Beranang, Selangor and the Bangkok Mixed Development CEMS Contract.

- Increase in trade and other receivables by RM3.53 million, which was mainly due to increase in prepayments by RM3.86 million which were mainly in relation to prepayment of foreign worker's levy and accommodations, listing expenses and prepayments to 1 supplier of cooling energy systems equipment in relation to the Bangsar Mixed Development Chiller EPCC Project. This was partially moderated by decrease in trade receivables by RM0.51 million which was mainly attributed to reduction in outstanding balance for the Damansara Heights Chiller EPCC Project by RM1.20 million as most of the work for this project was completed and progress billings made during FYE 2021, although this was partially moderated by higher outstanding balances for the F&B Chain MFM Contract by RM0.64 million which was in line with higher revenue from this contract during FYE 2022.

- Decrease in contract assets by RM2.18 million, mainly due to higher billings issued and certified by consultants or customers for some of our Group's cooling energy management services, EPCC of cooling energy systems, cleaning and FM services, and building construction projects or contracts.

- Interest and tax paid totalling RM1.91 million; and

- Interest received of RM0.09 million.

For FYE 2022, we recorded a relatively low net cash from operating activities of RM0.02 million. This was mainly due to higher cash outlay to fund our Cooling Energy Segment related projects including increase in concession receivables by RM4.03 million from the initial costs incurred to fund the installation and equipment and materials purchased for the relevant on-going cooling energy management services contracts, as well as timely payments to suppliers and sub-contractors for purchases of equipment, materials and sub-contracted services as reflected in the decrease in payables of RM4.14 million.

In addition, there were higher other receivables mainly attributed to higher prepayments by RM3.86 million related to foreign workers' levy and accommodations in Malaysia to provide manpower for our cleaning services and FM services, listing expenses and prepayments to 1 supplier for the Bangsar Mixed Development Chiller EPCC Project.

<u>FPE 2023</u>

For FPE 2023, our operating profit before working capital changes were RM5.51 million. After adjusting the following items, our Group had net cash used in operating activities of RM5.78 million:

- Increase in contract assets of RM13.94 million, of which RM9.67 million was from the Kuala Lumpur Office Building Chiller & Airside Equipment EPCC Project for the EPCC of cooling energy systems. Subsequently on 29 September 2023, we received payment amounting to RM8.63 million from this project.

- Increase in trade and other receivables of RM7.22 million, which was mainly due to the following;

    - Delays in payments from 2 existing cooling energy management services customers and 1 EPCC of cooling energy systems project;

    - Trade receivables outstanding balance from 5 new cleaning services customers that commenced in FPE 2023;

- Progress claims for the Putrajaya Office Building Cooling Towers EPCC Project submitted in July 2023 of which RM1.93 million was outstanding as at 31 July 2023; and

- Other receivables in relation to listing expenses increased by RM1.48 million as at 31 July 2023.

\- Increase in trade and other payables of RM10.37 million, which was mainly due to the following:

- Higher other payables (accruals) balance to suppliers for 2 existing EPCC of cooling energy systems projects, namely the Kuala Lumpur Office Building Chiller & Airside Equipment EPCC Project and Damansara Mixed Development Chiller Water Distribution and Ductwork Project – Phase 2, as well as provisions made for upcoming scheduled maintenance and repair works for 3 existing cooling energy management services contracts; and

- Increase in trade payables outstanding balance to suppliers for the Putrajaya Office Building Cooling Towers EPCC Project and Bangsar Mixed Development Chiller EPCC Project pending collection of payments from the respective customers.

\- Decrease in concession receivables of RM0.99 million, which was mainly due to capital expenditure repayments received from the respective customers.

\- Tax and interest paid totalling RM1.43 million; and

\- Interest received of RM0.07 million.

(b) Net cash used in or from investing activities

FYE 2020

For FYE 2020, our net cash used in investing activities was RM1.29 million. This was mainly attributed to additional investment in money market funds amounting to RM0.99 million, and purchases of property, plant and equipment amounting to RM0.85 million. Purchases of property, plant and equipment in FYE 2020 comprised RM0.31 million for office equipment, RM0.27 million for plant and machinery, RM0.12 million for renovation, RM0.11 million for furniture and fittings and RM0.04 million for computers and software.

The net cash used was partially offset by RM0.52 million received from redemption of money market funds, and net cash inflows of RM0.03 million from acquisition of subsidiaries, namely AUNOA Solutions and ETC Cleaning Services.

FYE 2021

For FYE 2021, our Group's net cash from investing activities was RM0.77 million. This was mainly attributed to the following:

\- RM1.62 million received from redemption of money market funds;

\- Proceeds of RM0.66 million from the acquisition of equity interest in subsidiaries by non-controlling interests, mainly from KJTN Engineering comprising RM0.70 million from the subscription of new ordinary shares by other shareholders, and RM49 from the subscription of new ordinary shares in Astute MFM;

- RM0.07 million from incorporation of a subsidiary, namely KJTN Engineering;

- Proceeds of RM0.04 million from disposal of 40.00% equity interest in a subsidiary, namely KJ Facilities Management.

The net cash from investing activities was partially offset by additional investment in money market funds amounting to RM1.17 million, and purchases of property, plant and equipment amounting to RM0.39 million. Purchases of property, plant and equipment in FYE 2021 comprised RM0.22 million for office equipment, RM0.09 million for plant and machinery, RM0.07 million for computers and software and less than RM500 for furniture and fittings.

FYE 2022

Our Group's net cash used in investing activities for FYE 2022 was RM1.66 million. This was mainly attributed to the following:

- RM0.78 million advance to an associate (Acres Growth) in relation to the reclassification of an amount provided by KJ Technical Services to Acres Growth, which was previously categorised as working capital, to an advance. The reclassification arose as KJ Technical Services began to charge interest on the remaining amount during FYE 2022.

- Purchase of property, plant and equipment amounting to RM0.53 million. Purchases of property, plant and equipment in FYE 2022 comprised RM0.23 million for office equipment, RM0.15 million for plant and machinery, RM0.08 million for computers and software, RM0.04 million for furniture and fittings and RM0.03 million for renovations.

- RM0.41 million for the acquisition of 45.00% equity interest in a new associate, namely DCS Energy.
- Additional investment in money market funds amounting to RM0.25 million

The net cash used was partially offset by RM0.29 million received from redemption of money market funds.

FPE 2023

For FPE 2023, our net cash used in investing activities of RM0.49 million was mainly attributed to purchases of property, plant and equipment amounting to RM0.48 million, which mainly comprised office equipment and machinery.

(c) Net cash used in or from financing activities

FYE 2020

For FYE 2020, our net cash used in financing activities was RM1.77 million was mainly attributed to the following:

- Payment of dividends of RM1.00 million to the shareholders of KJ Technical Services in FYE 2020;

- Payment of lease liabilities and repayment of bank borrowings of RM0.67 million and RM0.12 million, respectively in FYE 2020; and

- Increase in fixed deposits pledged to licensed banks of RM0.04 million in FYE 2020.

The net cash used in financing activities was partially offset by the drawdown of bank borrowings of RM0.05 million, which was utilised as working capital by ETC Cleaning Services.

FYE 2021

For FYE 2021, our net cash from financing activities was RM1.43 million. We had cash from the drawdown of bank borrowings of RM2.54 million which was mainly to finance the EPCC involving retrofit of the cooling energy system as part of our cooling energy management services contract for the retrofit and cooling energy management for the Bangkok Mixed Development CEMS Contract.

This was partially offset by the following:

- Payment of lease liabilities and repayment of bank borrowings of RM0.75 million and RM0.30 million, respectively in FYE 2021; and

- Increase in fixed deposits pledged to licensed banks of RM0.05 million in FYE 2021.

FYE 2022

Our net cash used in financing activities for FYE 2022 was RM0.46 million mainly attributed to the following:

- Payment of lease liabilities and repayment of bank borrowings of RM0.69 million and RM0.50 million, respectively in FYE 2022; and

- Increase in fixed deposits pledged to licensed banks of RM0.04 million in FYE 2022.

The net cash used in financing activities was partially offset by the drawdown of bank borrowings of RM0.65 million which was utilised for the Bangkok Mixed Development CEMS Contract.

FPE 2023

For FPE 2023, our net cash from financing activities of RM5.24 million was mainly attributed to the following:

- Proceeds from issuance of shares of RM6.14 million, which was from share subscription by our Pre-IPO Investor which was completed in April 2023;

- Payment of lease liabilities of RM0.49 million;

- Repayment of bank borrowings of RM0.38 million; and

- Increase in fixed deposits pledged to a licensed bank of RM0.03 million in FPE 2023.

12.4.3 Borrowings

As at 31 July 2023, our borrowings are all secured, interest bearing based on fixed or floating interest rates, and denominated in RM or THB as set out below:

	Note	Effective interest rates	As at 31 July 2023		
			Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000
Term loans	(1)	3.50% - 7.35%	889	3,177	4,066
Hire purchase	(2)	2.46% - 3.65%	74	242	316
Bank overdraft	(3)	7.33%	3	-	3
Total			**966**	**3,419**	**4,385**
Debt to equity ratio (times)*					**0.09**

Notes:

* Calculated based on total borrowings (comprising term loans, bank overdraft and hire purchase under lease liabilities) divided by total equity as at the end of the financial year.

(1) Term loans were utilised to finance the following based on the conditions of the respective term loans:
  a. Retrofit of cooling energy system as part of the PJ Shopping Mall and Office CEMS Contract;
  b. Retrofit of cooling energy system as part of the Bangkok Mixed Development CEMS Contract; and
  c. Working capital for our cleaning services in Malaysia.

(2) Refers to hire purchase contracts with financial institutions (under lease liabilities) which were utilised to finance the purchase of motor vehicles in Malaysia.

(3) For working capital in Thailand.

As at 31 July 2023, our borrowings by currency are set out below:

	As at 31 July 2023		
	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000
RM	512	983	1,495
THB[(1)]	454	2,436	2,890
Total	**966**	**3,419**	**4,385**

Note:

(1) Comprised THB3.46 million payable within 12 months and THB18.53 million payable after 12 months. Translated into RM based on exchange rate of THB100.00 = RM13.1446, based on the closing rate as of 31 July 2023.

As at 31 July 2023, our Group's floating and fixed borrowings are set out below:

	Note	RM'000
Floating rate borrowings	(1)	4,039
Fixed rate borrowings	(2)	346
Total		**4,385**

Notes:

(1) Comprises term loans.

(2) Comprises term loan and hire purchase under lease liabilities,

The maturity profile of our borrowings as at 31 July 2023 are set out below:

Type of credit facility	Within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM'000
Term loans	889	936	1,767	474	4,066
Hire purchase	74	79	163	-	316
Bank overdraft	3	-	-	-	3
Total	**966**	**1,015**	**1,930**	**474**	**4,385**

Our Group has not defaulted on payments of either interest and/or principal sum in respect of any borrowings throughout the Financial Years and Period Under Review and up to the LPD. As at the LPD, we are not in breach of any terms and conditions and covenants associated with credit arrangements or bank loans, which can materially affect our financial results, financial position or business operations, or the investments by holders of our Shares. We do not encounter any seasonality in our borrowings.

There are restrictive covenants in relation to the declaration of dividends under two credit facilities with Malayan Banking Berhad and CIMB Bank Berhad respectively, which KJ Technical Services is subject to. The details of the said restrictive covenants are as follows:

- Under the credit facility with Malayan Banking Berhad, KJ Technical Services shall not, except with the prior written consent of Malayan Banking Berhad, declare or pay any dividend or bonus issue or make any distribution if there are any monies outstanding under the said credit facility which is due and unpaid.

- Under the credit facility with CIMB Bank Berhad, KJ Technical Services shall not, except with the prior written consent of CIMB Bank Berhad, declare, make or pay any dividend or other distribution to its shareholders if there are any outstanding and continuing default as determined by CIMB Bank Berhad under the said credit facility.

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

Type of credit facility	Credit limit RM'000	Balance unutilised as at the LPD RM'000
Term loans	6,429	-
Bank overdrafts	1,165	1,165
Hire purchase	N/A	N/A
Total	**7,594**	**1,165**

Note:

N/A = Not applicable.

As at the LPD, save as disclosed above, our Group did not use any other credit facilities.

12.4.4 Treasury policies and objectives

Our Group has been funding our operations through cash generated from our operations and external sources of funds. The external sources of funds consist primarily of borrowings from financial institutions. We have hire purchases under lease liabilities used to finance purchases of motor vehicles. The normal terms granted by our suppliers are cash terms and credit terms ranging from 7 days to 90 days.

As at the LPD:

- our Group's borrowings from financial institutions consist of term loans used to fund the retrofit of cooling energy systems and for working capital, and hire purchase to fund the purchases of motor vehicles;
- our Group also has credit facilities in place in the form of bank overdrafts, although these are not utilised as at the LPD;
- we have banking facilities amounting to approximately RM7.59 million, of which approximately RM1.17 million has yet to be utilised; and
- the interest rates of our bank borrowings are based on fixed and floating interest rates.

The main objective of our capital management is to maintain a strong credit rating and healthy capital ratio to support our business and maximise shareholders' value. We review and maintain our capital structure to maintain the debt-to-equity ratio at an optimal level based on the business requirements and prevailing economic conditions.

12.4.5 Financial instruments for hedging purposes

As at the LPD, we have available 2 foreign currency forward contract lines with licenced banks in Malaysia to purchase USD using RM at agreed foreign currency exchanges rates during an agreed period. However, as at the LPD we have never utilised any of these foreign currency forward contracts.

12.4.6 Financial guarantees

As at 31 July 2023 and the LPD, our financial guarantees comprised secured bank guarantees for projects performance bond and projects tender bond for various EPCC of cooling energy systems and cooling energy management projects, and secured bank guarantee issued to a supplier as payment guarantee as follows:

	As at 31 July 2023 RM'000	As at the LPD RM'000
Secured bank guarantees for:		
Performance bond	2,568	2,568
Tender bond	100	-
Suppliers[(1)]	1,906	1,796
Total	**4,574**	**4,364**

Note:

(1) Comprise bank guarantees to 3 suppliers of chillers, airside equipment and AHU components in relation to the 3 EPCC of cooling energy systems projects.

12.4.7 Contingent liabilities

As at the LPD, there are no indirect and/or material contingent liabilities which, if incurred by our Group, would have a substantial impact on the financial position of our Group.

12.4.8 Material litigation, claims or arbitration

As at the LPD, we are not involved in any legal action, proceeding, prosecution or arbitration, either as plaintiff or defendant, which may have a material adverse effect on the business or our financial position, and to the best knowledge of our Directors, there are no legal proceeding, pending or threatened, or of any fact to give rise to any legal proceeding which may have a material adverse effect on our business or financial position.

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12.4.9 Capital expenditure and divestitures

(a) Capital expenditure

Our capital expenditure for FYE 2020, FYE 2021, FYE 2022, FPE 2023 and from 1 August 2023 up to the LPD are as follows:

		Audited				Unaudited
	Method of financing	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FPE 2023 RM'000	1 August 2023 up to LPD RM'000
Property, Plant and Equipment		850	387	529	483	260
- *Office equipment*	*Cash*	*315*	*222*	*226*	*214*	*180*
- *Furniture and fittings*	*Cash*	*108*	*#*	*45*	*32*	*4*
- *Plant and machinery*	*Cash*	*269*	*93*	*154*	*105*	*68*
- *Computers and software*	*Cash*	*36*	*72*	*79*	*72*	*8*
- *Renovation*	*Cash*	*122*	*-*	*25*	*60*	*-*
Right-of-use assets		-	195	201	101	466
- *Motor vehicles*	*Hire purchase*	*-*	*195*	*201*	*101*	*466*
Investment properties	Contra	-	1,101[(1)]	-	-	-
Total		**850**	**1,683**	**730**	**584**	**726**

= An amount less than RM500.

Notes:

(1) Represent acquisition of two leasehold buildings from MDSA Ventures Sdn. Bhd. on 1 March 2021. The purchase consideration was settled by way of contra of amount due from MDSA Resources Sdn. Bhd. As at the LPD, the remaining lease periods of the leasehold buildings are 96 years and the strata titles for the properties have not been issued. Please refer to Section 6.9.1 of this Prospectus for detailed information of properties owned by our Group.

The above material capital expenditures are for our operations in Malaysia, Singapore and Thailand and primarily financed by a combination of bank borrowings and internally generated funds. Our capital expenditures, save for investment properties, were mainly driven by our business growth as well as for replacement purposes.

(b) Capital divestitures

We do not have any material capital divestitures for the Financial Years and Period Under Review and from 1 August 2023 up to the LPD.

12.4.10 Investment properties

The carrying amount of our Group's investment properties as at FYE 2020, FYE 2021, FYE 2022, FPE 2023 and as at the LPD are as follows:

	Audited				Unaudited
	As at 31 December			As at 31 July	
	2020	2021	2022	2023	As at the LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Leasehold properties	-	920	909	905	902
Total	**-**	**920**	**909**	**905**	**902**

During FYE 2021, KJ Technical Services entered into two Sale and Purchase Agreements with MDSA Ventures Sdn Bhd to acquire two leasehold condominium units amounting to RM1.10 million. The purchase consideration of the two leasehold condominium units was based on discount of around 30.00% and 39.00% of the respective units' list prices. The purchase consideration was settled by way of contra of amount due from MDSA Resources Sdn Bhd. The total outstanding receivables from MDSA Resources Sdn Bhd was RM1.32 million, of which RM1.10 million was settled by way of contra and the remaining RM0.22 million settled in cash in 9 installments. As at the LPD, all the outstanding receivables have been settled. The carrying amount of these two leasehold condominium units as at 31 July 2023 was RM0.91 million.

12.4.11 Material capital commitment

As at the LPD, we do not have any material capital commitment that may have a material adverse impact on our financial position.

12.5 KEY FINANCIAL RATIOS

Our key financial ratios are as follows:

	Audited			
	As at 31 December			As at 31 July
	2020	2021	2022	2023
Trade receivables turnover period (days)(1)	85	70	65	54
Trade payables turnover period (days)(2)	50	56	55	46
Current ratio (times)(3)	1.68	1.67	1.89	1.94
Debt-to-equity ratio (times)(4)	0.11	0.16	0.13	0.09

Notes:

(1) Computed based on average net trade receivables (excluding accumulated impairment losses) divided by total revenue and multiplied by the number of days in a financial year or financial period (366 days for FYE 2020, 365 days for FYE 2021 and FYE 2022, and 212 days for FPE 2023). Average trade receivables are calculated by adding the closing balance of net trade receivables of the financial year/period with that of the previous financial year and dividing the total by 2.

(2) Computed based on average trade payables divided by the total cost of sales and multiplied by the number of days in a financial year or financial period (366 days for FYE 2020, 365 days for FYE 2021 and FYE 2022, and 212 days for FPE 2023). Average trade payables are calculated by adding the closing balance of trade payables of the financial year/period with that of the previous financial year and dividing the total by 2.

(3) Computed based on the current assets divided by the current liabilities as at the respective financial year or financial period.

(4) Computed based on the bank borrowings (comprising term loans and hire purchase under lease liabilities) divided by the total equity as at the respective financial year or financial period.

We do not hold inventories as at 31 December 2020, 2021 and 2022. As at 31 July 2023, our inventories amounted to RM0.08 million mainly comprising staff uniforms, as well as consumables, equipment and spare parts for our cleaning services. As the value of our inventories were not material during the Financial Years and Period Under Review, measures of inventory turnover period are not relevant to our Group.

12.5.1 Commentaries on trade receivables turnover period

	Audited			
	As at 31 December			As at 31 July
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Trade receivables	16,151	17,358	16,809	20,771
Less: Accumulated impairment losses	(157)	(413)	(372)	(398)
Net trade receivables	15,994	16,945	16,437	20,373
Average net trade receivables	17,076	16,470	16,691	18,405
Revenue	73,757	85,285	94,438	71,767
Trade receivables turnover period (days)	**85**	**70**	**65**	**54**

Generally, we deal with our customers mainly on credit terms. The credit terms that we grant our customers are generally 15 days to 90 days. Other credit terms are assessed and approved on a case-by-case basis. Our trade receivables turnover periods for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 were within the credit terms that we grant to our customers.

Our average trade receivables turnover period decreased from 85 days for FYE 2020 to 70 days for FYE 2021. This was mainly attributed to the reduction in the trade receivables outstanding balance for the Damansara Mixed Development Chiller EPCC Project – Phase 1 by RM1.59 million. Although we had higher progress billings as work progressed in FYE 2021, the customer made prompt payments during the year resulting in lower year-end balance outstanding.

Our average trade receivables turnover period further decreased to 65 days for FYE 2022. This was mainly contributed by reduction in the trade receivables outstanding balance for the Damansara Mixed Development Chiller EPCC Project – Phase 1 by RM2.13 million as progress billings were lower during FYE 2022 and the customer continued to make prompt payments. In addition, the outstanding balance for the Damansara Heights Chiller EPCC Project decreased by RM1.20 million as most of the work for this project was completed and billed during FYE 2021 and the customer settled their balances during FYE 2022. These were partially offset by outstanding balances for the Pahang High-level Cleaning Contract and Pahang F&B Outlets Contract which collectively amounted to RM2.43 million for FYE 2022 (FYE 2021: Nil) as the billings for these contracts commenced during FYE 2022.

Our average trade receivables turnover period decreased from 65 days for FYE 2022 to 54 days for FPE 2023. This was mainly because for FPE 2023 we recognised revenue of RM9.91 million from the Kuala Lumpur Office Building Chiller & Airside Equipment EPCC Project as contract assets instead of trade receivables as the invoice was issued subsequent to 31 July 2023 after the customer had certified our work done. This was partially moderated by increase in trade receivables outstanding balance by RM4.06 million mainly due to delays in payments from 2 existing cooling energy management services customers and 1 EPCC of cooling energy systems project, trade receivables from 5 new cleaning services contracts, and trade receivables balance outstanding for 1 other EPCC of cooling energy systems project where the customer was invoiced in July 2023.

The ageing analysis of our trade receivables as at 31 July 2023 and the subsequent collections up to the LPD are set out below:

	Within credit period	Exceed credit period (past due days)				Total
		1 – 30	31 - 60	61 - 90	Over 90	
Net trade receivables as at 31 July 2023 (RM'000)	12,432	3,712	1,452	1,129	1,648	20,373
Proportion of total trade receivables (%)	61.02	18.22	7.13	5.54	8.09	100.00
Subsequent collections as at the LPD (RM'000)	11,847	3,172	1,187	720	1,584	18,510
Net trade receivables after subsequent collections (RM'000)	585	540	265	409	64	1,863
Proportion of trade receivables after subsequent collections (%)	31.40	28.99	14.22	21.95	3.44	100.00

As at the LPD, RM18.51 million or 90.86% of the total trade receivables as at 31 July 2023 has been subsequently collected. Of the remaining outstanding amount, 31.40% (RM0.58 million) falls within the credit period, while the remaining 68.60% (RM1.28 million) has exceeded the credit period. The remaining trade receivables outstanding balance that had exceeded the credit period were mainly due to the delays in payment from 2 cooling energy management services contracts customers amounting to cumulative remaining outstanding balance of RM0.86 million, as well as a delay in payment from 1 EPCC of cooling energy systems project customer with remaining outstanding balance of RM0.31 million.

Appropriate debt recovery process has been carried out by our accounts receivables team to minimise the likelihood of these outstanding trade receivables turning into bad debts. For the Financial Years and Period Under Review and up to the LPD, our Group has not encountered any disputes with our trade receivables. Our Directors are of the view that the remaining trade receivables are recoverable and no further provision for impairment is required after taking into consideration of our relationship with these customers as well as our efforts to improve collections and implement various credit control measures to reduce exposure of credit risk to our Group.

12.5.2 Commentaries on trade payables turnover period

	Audited			
	As at 31 December			**As at 31 July**
	2020	**2021**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade payables	9,641	10,528	10,971	13,597
Average trade payables	8,365	10,085	10,750	12,284
Cost of sales	61,801	65,309	71,706	56,294
Trade payables turnover period (days)	**50**	**56**	**55**	**46**

The normal payment terms granted to us by our creditors are cash terms, or trade credit terms which are generally 7 to 90 days.

Our trade payables turnover periods for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 were within the credit terms granted to us by our suppliers.

Our trade payables turnover period increased from 50 days for FYE 2020 to 56 days for FYE 2021. The increase was partly due to higher trade payables outstanding balances to a supplier of cooling towers by RM1.00 million, a supplier of valves by RM0.57 million, to a sub-contractor by RM1.49 million, and to a sub-contractor for civil and structural works by RM0.14 million. This was partially offset by payments made in FYE 2021 to a supplier and maintenance provider for chillers for machinery and equipment supplied to implement a EPCC of cooling energy systems project in FYE 2020, which resulted in a reduction in the outstanding trade payables balance to this supplier by RM4.51 million.

Our trade payables turnover period decreased from 56 days for FYE 2021 to 55 days for FYE 2022, which was mainly attributed to decrease in trade payables outstanding balance to a sub-contractor by RM1.49 million, and a supplier of valves by RM0.57 million. These were partially moderated by increase in outstanding balance to a different sub-contractor by RM1.29 million.

Our trade payables turnover period decreased from 55 days for FYE 2022 to 46 days for FPE 2023. The decrease was mainly because for FPE 2023 we accrued the costs of sales in relation to the Kuala Lumpur Office Building Chiller & Airside Equipment EPCC Project under other payables (accruals) instead of trade payables as the work had been performed but we had not yet received invoices or claims from the respective suppliers and contractors. This was partially moderated by increase in trade payables to suppliers in relation to 2 EPCC of cooling energy systems projects pending collection of payment from the respective customers.

The ageing analysis of our trade payables as at 31 July 2023 and the subsequent payments up to the LPD are set out as below:

	Within credit period	Exceed credit period (past due days)				Total
		1 - 30	31 - 60	61 - 90	Over 90	
Trade payables as at 31 July 2023 (RM'000)	1,521	3,694	1,632	897	5,853	13,597
Proportion of total trade payables (%)	11.19	27.17	12.00	6.60	43.04	100
Subsequent payment as at the LPD (RM'000)	1,120	3,350	1,143	821	1,226	7,660
Trade payables after subsequent payment as at the LPD (RM'000)	401	344	489	76	4,627	5,937
Proportion of trade payables after subsequent payment as at the LPD (%)	6.75	5.79	8.24	1.28	77.94	100.00

As at the LPD, RM7.66 million or 56.34% of the total trade payables as at 31 July 2023 have been subsequently paid. Of the remaining outstanding amount, 6.75% (RM0.40 million) falls within the credit period, while the remaining 93.25% (RM5.54 million) has exceeded the credit period. The remaining outstanding amount that had exceeded the credit period mainly due to slow payments to suppliers for certain projects, including 5 EPCC of cooling energy systems projects (the Damansara Mixed Development Chiller EPCC Project – Phase 1, Bangsar Mixed Development Chiller EPCC Project, JB DCS EPCC Project, Putrajaya Office Building Cooling Towers EPCC Project and Muar Manufacturing Facility Chiller EPCC Project) and 2 cooling energy management services contracts for manufacturing facilities in Beranang, Selangor, where we have not yet to receive payments from the respective customers.

As at the LPD, there was no matter in dispute with respect to our trade payables, as well as no legal action has been initiated by any of our suppliers or sub-contractors to demand payment for the Financial Years and Period Under Review.

12.5.3 Commentaries on current ratio

	Audited			
	As at 31 December			As at 31 July
	2020	2021	2022	2023
Current Ratio	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Current assets	37,686	47,409	47,218	67,771
Current liabilities	22,476	28,460	25,029	34,928
Current ratio (times)	**1.68**	**1.67**	**1.89**	**1.94**

Our current ratio decreased slightly from 1.68 times as at 31 December 2020 to 1.67 times as at 31 December 2021. This indicated that our Group is able to meet our current obligations as our current assets, such as trade receivables, which can be readily converted into cash, together with our deposits, bank and cash balances is sufficient to meet our current liabilities. As at 31 December 2021, our other payables increased by RM4.84 million mainly arising from the increase in accruals for 3 EPCC of cooling energy management systems contracts (the Damansara Mixed Development Chiller EPCC Project – Phase 1, Damansara Heights Chiller EPCC Project and Bangsar Mixed Development Chiller EPCC Project) and 1 cooling energy management services contract (the Bangkok Mixed Development CEMS Contract). This was partially moderated by increase in contract assets by RM5.61 million mainly in relation 2 EPCC of cooling energy systems contracts (the Damansara Mixed Development Chiller EPCC Project – Phase 1 and Bangsar Mixed Development Chiller EPCC Project) and the International School Project, and increase in the deposits, bank and cash balances by RM2.81 million mainly contributed by increase in cash and cash equivalents during the year.

Our current ratio increased from 1.67 times as at 31 December 2021 to 1.89 times as at 31 December 2022. As at 31 December 2022, our other payables decreased by RM4.58 million mainly due to reversal of accruals that collectively amounted to RM6.69 million for FYE 2022. The reversal of accruals were in relation to 2 EPCC of cooling energy systems projects (the Damansara Heights Chiller EPCC Project and Damansara Mixed Development Chiller EPCC Project – Phase 1), 4 provision of cooling energy management services contracts (for the Melaka Shopping Mall CEMS Contract, Johor Hospitals CEMS Contract, Muar Education Facilities CEMS Contract and Subang Shopping Mall CEMS Contract) and for the International School Project. The accruals were recognised in FYE 2021 when costs were incurred but we did not receive the relevant invoices from suppliers before 31 December 2021. We received the relevant invoices from the respective suppliers during FYE 2022 and subsequently reversed the initial accruals.

This was partially offset by decrease in contract assets by RM2.18 million mainly due to higher billings issued and certified by consultants or customers for some of our Group's cooling energy management services, EPCC of cooling energy systems, cleaning and FM services, and building construction projects or contracts, and decrease in deposits, bank and cash balances by RM2.06 million mainly contributed by decrease in cash and cash equivalents as at 31 December 2022.

Our current ratio increased from 1.89 times as at 31 December 2022 to 1.94 times as at 31 July 2023. The increase in current ratio was mainly due to an increase in our current assets by RM20.55 million as at 31 July 2023. This was mainly due to increase in contract assets by RM13.88 million to RM21.24 million as at 31 July 2023, which was mainly attributed to the Kuala Lumpur Office Building Chiller & Airside Equipment EPCC Project for the EPCC of cooling energy systems. In addition, trade receivables increased by RM3.94 million as at 31 July 2023 mainly due to delays in payments from 2 existing cooling energy management services customers and 1 EPCC of cooling energy systems project, trade receivables from 5 new cleaning services contracts, and trade receivables balance outstanding from progress claims for the Putrajaya Office Building Cooling Towers EPCC Project submitted in July 2023. Other receivables also increased by RM3.26 million as at 31 July 2023 contributed by an increase in listing expenses.

This was partially moderated by an increase in our current liabilities by RM9.90 million as at 31 July 2023. This was partially contributed by an increase in other payables by RM7.74 million as at 31 July 2023, which was mainly due to higher other payables (accruals) balance to suppliers for the Kuala Lumpur Office Building Chiller & Airside Equipment EPCC Project. In addition, our trade payables increased by RM2.63 million as at 31 July 2023, which was mainly due to increase in trade payables to suppliers in relation to 2 existing EPCC of cooling energy systems projects.

12.5.4 Commentaries on debt-to-equity ratio

	Audited			
	As at 31 December			As at 31 July
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Bank borrowings*	2,323	4,469	4,737	4,385
Total equity	21,961	28,695	36,068	46,252
Debt-to-equity ratio(1) (times)	**0.11**	**0.16**	**0.13**	**0.09**

Notes:

* Bank borrowings comprises term loans and hire purchase under lease liabilities.

(1) Computed based on the bank borrowings divided by total equity.

Our debt-to-equity ratio increased from 0.11 times as at 31 December 2020 to 0.16 times as at 31 December 2021 mainly due to an increase in bank borrowings by RM2.15 million. The increase in bank borrowings was in relation to a term loan to finance the retrofit of a cooling energy system as part of the Bangkok Mixed Development CEMS Contract.

Our debt-to-equity ratio decreased from 0.16 times as at 31 December 2021 to 0.13 times as at 31 December 2022 mainly due to an increase in total equity from higher retained earnings. As at 31 December 2022, our Group's retained earnings were RM34.60 million which was higher compared to RM27.74 million as at 31 December 2021.

Our debt-to-equity ratio further decreased from 0.13 times as at 31 December 2022 to 0.09 times as at 31 July 2023 mainly due to an increase in total equity from share subscription by our Pre-IPO Investor, and higher retained earnings of RM46.25 million as at 31 July 2023 (as at 31 December 2022: RM36.07 million). In addition, our total borrowings decreased by RM0.35 million as at 31 July 2023 following the repayment of term loans.

12.6 ORDER BOOK

We do not include contracts for our cooling energy management services, cleaning services and FM services under our order book for the following reasons:

Cooling energy management services:

- Monthly revenue from the contract under the F+MCP mode of operation is subject to variation as penalties may be imposed if we do not meet specified service level agreements and/or key performance indicators;

- Monthly revenue from contracts under the F+CW and F+CW+MCP mode of operation is based, in part, on the quantity of energy supplied and are thus subject to variation that cannot be estimated ahead of time. Furthermore, penalties may be imposed if we do not meet specified service level agreements and/or key performance indicators; or

- Monthly revenue from the contract under our F+V+MCP mode of operation is subject to variation as the variable monthly charge is based on the quantity of specified services and/or consumables supplied, which cannot be estimated ahead of time. Furthermore, the monthly revenue is based, in part, on the quantity of chilled water supplied, and penalties may be imposed if we do not meet specified service level agreements and/or key performance indicators.

Cleaning services and FM services:

- Some of our cleaning services and FM services contracts are based on the F+V mode of operation where monthly revenue is based, in part, on the quantity of specified services and/or consumables supplied, which cannot be estimated ahead of time. Consequently, the monthly revenue from such contracts is subject to variation. The tenure of our cleaning and FM services contracts are up to 3 years.

As at the LPD, our order book comprising 10 ongoing EPCC of cooling energy systems projects is as follows:

Description	Unbilled amount RM'000
Subsequent to LPD and up to 31 December 2023	8,755
FYE 2024	20,420
FYE 2025	2,903
FYE 2026	450
Total	**32,528**

As at the LPD, we have 10 on-going cleaning services contracts and 2 on-going FM services contracts (one of which is pending renewal) with estimated annual charges of more than RM1.00 million. Further details are as set out in Section 7.5.2, 7.5.3.2 and 7.5.3.3 of this Prospectus.

12.7 TREND ANALYSIS

As at the LPD, save as disclosed in this Prospectus and to the best our Board's knowledge and belief, confirms that our operations have not been and are not expected to be affected by any of the following:

(i) known trends, demands, commitments, events or uncertainties that have had, or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position, operations, liquidity and capital resources, save as disclosed in this Section and Sections 7, 8, 9 and 12.3 of this Prospectus;

(ii) material commitment for capital expenditure, as disclosed in Section 12.4.11 of this Prospectus;

(iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this Section and Sections 9 and 12.3 of this Prospectus;

(iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits, save as disclosed in this Section and Sections 7, 8 and 12.3 of this Prospectus; and

(v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position, save as disclosed in this Section and Section 9 of this Prospectus.

However, our Board foresees certain risk factors as set out in Section 9 of this Prospectus that may affect our future financial condition and results of operations.

Our Board is optimistic about the future prospects of our Group after taking into account the overview of the building support services industry 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 and plans as set out in Section 7.17 of this Prospectus.

12.8 DIVIDEND POLICY

It is our Board's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. However, our ability to pay dividends or make other distributions to our shareholders in the future is subject to various factors such as having profits and excess funds which are not required to be retained to fund our business. Our Board intends to recommend and distribute a dividend of at least 20.00% of our annual audited consolidated PAT attributable to our shareholders. Any dividend declared will be at the discretion of our Board and any final dividends declared will be subject to the approval of our shareholders at our annual general meeting.

You should take note that this dividend policy merely describes our current intention and shall not constitute legally binding statements in respect of our future dividends that are subject to our Board's discretion.

Our Board will consider the following factors (which may not be exhaustive) when recommending final 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) any restrictive covenants contained in our current and future financing arrangements;

(iv) our expected results of operations and future level of operations; and

(v) 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 listed 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 meetings, may from time to time approve a dividend or other distribution. However, no dividend or distribution shall be declared more than the amount recommended by our Board. Further, under the Act, our Company may only declare or pay dividends, or make a distribution out of profits and such dividends will not result in our Company becoming insolvent.

During the Financial Years and Period Under Review, we have declared and paid the following dividends:

	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FPE 2023 RM'000
Dividends paid	1,000	-	-	-
PAT	5,287	5,982	7,156	3,800
Dividend payout ratio[(1)] (%)	**18.91**	**-**	**-**	**-**

Note:

(1) Computed based on dividends paid divided by PAT.

Please refer to Note 29 of the Accountants' Report set out in Section 13 of this Prospectus for further details.

The dividends distributed for FYE 2020 was distributed based on the internally-generated funds within our Group in excess of our Group's funding requirements for our business operations. The declaration of such dividends would not affect the execution and implementation of our Group's plans or strategies moving forward. Together with IPO proceeds, we believe that we have sufficient funding of cash from operations and bank borrowings for the funding requirement for our operations and our expansion plans.

There was no dividend declared and paid to shareholders of our Company and our subsidiaries from 1 August 2023 up to the LPD. Our Group does not intend to declare and pay any dividend after the LPD and prior to the Listing.

Apart from the exchange control regulations as set out in Section 15.5 of this Prospectus and certain restrictive covenants from our credit facilities which KJ Technical Services is subject to as set out in Section 12.4.3 of this Prospectus, there are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer funds in the form of cash dividend, loans or advances to us.

Kindly refer to Section 9.3.5 of this Prospectus for risks relating to the payment of dividends.

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

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KJTS GROUP BERHAD

[Registration No.: 202201020004 (1465701-T)]
(Incorporated in Malaysia)

ACCOUNTANTS' REPORT FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND FINANCIAL PERIOD ENDED 31 JULY 2023

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

Principal place of business:
Suite 3.03, Level 3, Wisma E&C
No. 2, Lorong Dungun Kiri
Damansara Heights
50490 Kuala Lumpur

KJTS GROUP BERHAD
(Incorporated in Malaysia)

**ACCOUNTANTS' REPORT
FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022
AND FINANCIAL PERIOD ENDED 31 JULY 2023**

INDEX
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15 DEC 2023

The Board of Directors
KJTS Group Berhad
Suite 3.03, Level 3, Wisma E&C
No. 2, Lorong Dungun Kiri
Damansara Heights
50490 Kuala Lumpur

Dear Sirs,

REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF KJTS GROUP BERHAD ("KJTS" OR "THE COMPANY")

Opinion

We have audited the accompanying combined financial statements of the Company and its combining entities as disclosed in Note 1.3 to the combined financial statements (collectively known as "KJTS Group" or "the Group"), which comprises the combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 July 2023 of the Group, and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years/period then ended, and notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages 6 to 173.

In our opinion, the accompanying combined financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 July 2023, and of their financial performance and their cash flows for the financial years/period then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF KJTS GROUP BERHAD ("KJTS" OR "THE COMPANY") (CONT'D)

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 Accountants' Responsibilities for the Audit of the Combined Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Responsibilities of the Directors for the Combined Financial Statements

The Directors of the Company are responsible for the preparation of the combined financial statements 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements 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.

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REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF KJTS GROUP BERHAD ("KJTS" OR "THE COMPANY") (CONT'D)

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an accountants' 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 the combined financial statements of the Group.

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 misstatements of the combined financial statements 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 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' OPINION ON THE COMBINED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF KJTS GROUP BERHAD ("KJTS" OR "THE COMPANY") (CONT'D)

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (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 accountants' report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our accountants' 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 combined financial statements of the Group, including the disclosures, and whether the combined financial statements 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 combined financial statements 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.

REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF KJTS GROUP BERHAD ("KJTS" OR "THE COMPANY") (CONT'D)

Other Matters

This report has been prepared solely to comply with the Prospectus Guidelines - Equity issued by the Securities Commission Malaysia and for the inclusion in the prospectus of KJTS in connection with the proposed listing of and quotation for the entire enlarged issued share capital of KJTS on the ACE Market of Bursa Securities and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.

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Firm Number: AF 1411
Chartered Accountants

YEOH AIK CHUAN
Approved Number: 02239/07/2024 J
Chartered Accountant

KUALA LUMPUR

15 DEC 2023

KJTS GROUP BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 JULY 2023

		Audited			
		At 31 December			At 31 July
		2020	2021	2022	2023
	Note	RM	RM	RM	RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	1,334,723	1,211,228	1,100,329	1,251,395
Right-of-use assets	5	1,068,682	920,757	904,258	696,146
Investment properties	6	-	920,000	908,764	905,136
Investment in associates	7	222,301	476,316	867,099	842,833
Goodwill on consolidation	8	1,388,607	1,808,278	1,808,278	1,808,278
Concession receivables	9	5,012,801	8,982,505	12,384,444	11,301,866
Deferred tax assets	10	-	16,347	-	-
Tax recoverable		-	-	-	172,366
		9,027,114	14,335,431	17,973,172	16,978,020
Current Assets					
Inventories	11	-	-	-	83,556
Other investments	12	491,767	42,447	1,570	1,604
Concession receivables	9	1,070,181	1,511,586	2,138,263	2,228,967
Trade receivables	13	15,994,299	16,945,484	16,437,361	20,373,255
Other receivables	14	3,832,808	3,622,832	7,699,111	10,961,305
Contract assets	15	3,939,361	9,553,931	7,370,411	21,244,523
Amount due from associates	16	2,888,952	3,339,568	3,397,806	3,445,438
Tax recoverable		175,210	288,818	126,327	385,587
Deposits, bank and cash balances	17	9,292,983	12,103,837	10,046,868	9,046,334
		37,685,561	47,408,503	47,217,717	67,770,569
Total Assets		46,712,675	61,743,934	65,190,889	84,748,589

KJTS GROUP BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 JULY 2023 (CONT'D)

		Audited			
		At 31 December			At 31 July
		2020	2021	2022	2023
	Note	RM	RM	RM	RM
EQUITY					
Share capital	18(i)	-	-	100	100
Invested equity	18(ii)	750,000	750,000	750,000	6,889,880
Reserves	19	(36,508)	(9,078)	262,759	465,940
Retained earnings		21,754,283	27,735,156	34,601,133	38,898,071
Equity attributable to owners of the parent		22,467,775	28,476,078	35,613,992	46,253,991
Non-controlling interests		(506,630)	218,846	453,679	(2,425)
Total Equity		21,961,145	28,694,924	36,067,671	46,251,566
LIABILITIES					
Non-Current Liabilities					
Bank borrowings	20	1,670,902	3,665,804	3,600,929	3,176,936
Lease liabilities	21	580,129	440,033	308,580	337,117
Employee benefit obligations	22	-	5,344	162,880	34,036
Deferred tax liabilities	10	24,040	478,207	21,677	20,663
		2,275,071	4,589,388	4,094,066	3,568,752

KJTS GROUP BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 JULY 2023 (CONT'D)

		Audited			
		At 31 December			At 31 July
		2020	2021	2022	2023
	Note	RM	RM	RM	RM
Current Liabilities					
Trade payables	23	9,641,122	10,527,878	10,971,306	13,596,867
Other payables	24	11,591,537	16,434,931	11,854,661	19,598,143
Contract liabilities	15	60	148,241	357,431	63,524
Bank borrowings	20	388,129	634,387	848,347	892,421
Lease liabilities	21	652,427	535,425	630,423	360,003
Tax payable		203,184	178,760	366,984	417,313
		22,476,459	28,459,622	25,029,152	34,928,271
Total Liabilities		24,751,530	33,049,010	29,123,218	38,497,023
Total Equity and Liabilities		46,712,675	61,743,934	65,190,889	84,748,589

The accompanying notes form an integral part of the combined financial statements.

KJTS GROUP BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND FINANCIAL PERIOD ENDED 31 JULY 2023

		Audited				
		FYE 31 December			FPE 31 July	
		2020	2021	2022	2022	2023
	Note	RM	RM	RM	RM	RM
Revenue	25	73,756,817	85,284,603	94,437,730	50,092,513	71,767,411
Cost of sales		(61,800,534)	(65,308,215)	(71,705,833)	(37,862,452)	(56,294,635)
Gross profit		11,956,283	19,976,388	22,731,897	12,230,061	15,472,776
Other income		5,422,874	1,777,198	1,039,587	616,247	759,174
Administrative expenses		(10,556,519)	(14,039,277)	(14,830,467)	(9,267,310)	(11,276,162)
Changes on impairment of financial instruments and contract assets		(21,348)	(255,576)	37,232	(103,463)	(91,891)
Profit from operations		6,801,290	7,458,733	8,978,249	3,475,535	4,863,897
Finance costs	26	(212,033)	(171,431)	(246,679)	(133,668)	(167,836)
Share of results of associates, net of tax		14,413	235,834	(10,902)	(10,102)	(18,286)
Profit before tax	27	6,603,670	7,523,136	8,720,668	3,331,765	4,677,775
Taxation	28	(1,316,648)	(1,540,751)	(1,564,969)	(808,055)	(877,601)
Profit for the financial year/period		5,287,022	5,982,385	7,155,699	2,523,710	3,800,174

KJTS GROUP BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND FINANCIAL PERIOD ENDED 31 JULY 2023 (CONT'D)

	Audited				
	FYE 31 December			FPE 31 July	
	2020 RM	2021 RM	2022 RM	2022 RM	2023 RM
Other comprehensive (loss)/income					
Items that are or may be reclassified subsequently to profit or loss					
Exchange translation differences for foreign operation	(26,346)	(35,448)	220,296	92,459	244,970
Share of other comprehensive income of an associate	-	18,181	(3,315)	4,763	(5,980)
Other comprehensive (loss)/ income for the financial year/period	(26,346)	(17,267)	216,981	97,222	238,990
Total comprehensive income for the financial year/period	5,260,676	5,965,118	7,372,680	2,620,932	4,039,164
Profit/(Loss) for the financial year/period attributable to:					
Owners of the parent	5,392,149	5,909,842	6,865,977	1,722,541	4,296,938
Non-controlling interests	(105,127)	72,543	289,722	801,169	(496,764)
	5,287,022	5,982,385	7,155,699	2,523,710	3,800,174

KJTS GROUP BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND FINANCIAL PERIOD ENDED 31 JULY 2023 (CONT'D)

		Audited				
		FYE 31 December			FPE 31 July	
		2020	2021	2022	2022	2023
	Note	RM	RM	RM	RM	RM
Total comprehensive income/ (loss) for the financial year/period attributable to:						
Owners of the parent		5,365,803	5,937,272	7,062,278	1,861,674	4,500,119
Non-controlling interests		(105,127)	27,846	310,402	759,258	(460,955)
		5,260,676	5,965,118	7,372,680	2,620,932	4,039,164
Earnings per share (RM)	29					
Basic		7.19	7.88	9.15	2.30	5.53
Diluted		7.19	7.88	9.15	2.30	5.53

The accompanying notes form an integral part of the combined financial statements.

KJTS GROUP BERHAD
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022
AND FINANCIAL PERIOD ENDED 31 JULY 2023 (CONT'D)**

		Attributable to owners of the parent					
		Non-distributable		Distributable			
	Note	Share capital RM	Foreign currency translation reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Audited							
At 1 January 2020		750,000	(10,162)	17,362,134	18,101,972	-	18,101,972
Profit/(Loss) for the financial year		-	-	5,392,149	5,392,149	(105,127)	5,287,022
Other comprehensive loss for the financial year		-	(26,346)	-	(26,346)	-	(26,346)
Total comprehensive (loss)/income for the financial year		-	(26,346)	5,392,149	5,365,803	(105,127)	5,260,676
Transactions with owners:							
Acquisition of subsidiaries		-	-	-	-	(401,503)	(401,503)
Dividends paid	30	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)
		-	-	(1,000,000)	(1,000,000)	(401,503)	(1,401,503)
At 31 December 2020		750,000	(36,508)	21,754,283	22,467,775	(506,630)	21,961,145

KJTS GROUP BERHAD
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COMBINED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022
AND FINANCIAL PERIOD ENDED 31 JULY 2023 (CONT'D)

	Attributable to owners of the parent					
	Non-distributable		Distributable			
	Share capital RM	Foreign currency translation reserves RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Audited						
At 1 January 2021	750,000	(36,508)	21,754,283	22,467,775	(506,630)	21,961,145
Profit for the financial year	-	-	5,909,842	5,909,842	72,543	5,982,385
Other comprehensive income/(loss) for the financial year	-	27,430	-	27,430	(44,697)	(17,267)
Total comprehensive income for the financial year	-	27,430	5,909,842	5,937,272	27,846	5,965,118

KJTS GROUP BERHAD
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COMBINED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND FINANCIAL PERIOD ENDED 31 JULY 2023 (CONT'D)

	Attributable to owners of the parent					
	Non-distributable		Distributable			
	Share capital RM	Foreign currency translation reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Audited						
Transactions with owners:						
Incorporation of a subsidiary	-	-	-	-	66,237	66,237
Changes of non-controlling interests	-	-	(134,053)	(134,053)	134,102	49
Capital contribution from non-controlling interests	-	-	-	-	662,375	662,375
Changes in equity interest in a subsidiary	-	-	205,084	205,084	(165,084)	40,000
	-	-	71,031	71,031	697,630	768,661
At 31 December 2021	750,000	(9,078)	27,735,156	28,476,078	218,846	28,694,924

KJTS GROUP BERHAD
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COMBINED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022
AND FINANCIAL PERIOD ENDED 31 JULY 2023 (CONT'D)

	Attributable to owners of the parent						
	Non-distributable			Distributable			
	Share capital RM	Foreign currency translation reserve RM	Other reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Audited							
At 1 January 2022	750,000	(9,078)	-	27,735,156	28,476,078	218,846	28,694,924
Profit for the financial year	-	-	-	6,865,977	6,865,977	289,722	7,155,699
Other comprehensive income for the financial year	-	196,301	-	-	196,301	20,680	216,981
Total comprehensive income for the financial year	-	196,301	-	6,865,977	7,062,278	310,402	7,372,680

KJTS GROUP BERHAD
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COMBINED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022
AND FINANCIAL PERIOD ENDED 31 JULY 2023 (CONT'D)

	Attributable to owners of the parent						
	Non-distributable			Distributable			
	Share capital RM	Foreign currency translation reserve RM	Other reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Audited							
Transactions with owners:							
Changes in equity interest in a subsidiary	-	-	75,536	-	75,536	(75,569)	(33)
Issue of ordinary shares	100	-	-	-	100	-	100
	100	-	75,536	-	75,636	(75,569)	67
At 31 December 2022	750,100	187,223	75,536	34,601,133	35,613,992	453,679	36,067,671

KJTS GROUP BERHAD
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022
AND FINANCIAL PERIOD ENDED 31 JULY 2023 (CONT'D)**

	Attributable to owners of the parent						
	Non-distributable			Distributable			
	Share capital RM	Foreign currency translation reserve RM	Other reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Audited							
At 1 January 2023	750,100	187,223	75,536	34,601,133	35,613,992	453,679	36,067,671
Profit/(Loss) for the financial period	-	-	-	4,296,938	4,296,938	(496,764)	3,800,174
Other comprehensive income for the financial period	-	203,181	-	-	203,181	35,809	238,990
Total comprehensive income/ (loss) for the financial period	-	203,181	-	4,296,938	4,500,119	(460,955)	4,039,164

KJTS GROUP BERHAD
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**COMBINED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022
AND FINANCIAL PERIOD ENDED 31 JULY 2023 (CONT'D)**

		Attributable to owners of the parent						
		Non-distributable			Distributable			
	Note	Share capital RM	Foreign currency translation reserve RM	Other reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Transactions with owners:								
Capital contribution from non-controlling interests		-	-	-	-	-	4,851	4,851
Issue of ordinary shares	18(ii)	6,139,880	-	-	-	6,139,880	-	6,139,880
		6,139,880	-	-	-	6,139,880	4,851	6,144,731
At 31 July 2023		6,889,980	390,404	75,536	38,898,071	46,253,991	(2,425)	46,251,566

The accompanying notes form an integral part of the combined financial statements.

KJTS GROUP BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2021 AND 31 DECEMBER 2022 AND FINANCIAL PERIOD ENDED 31 JULY 2023

	Audited				
	FYE 31 December			FPE 31 July	
	2020	2021	2022	2022	2023
	RM	RM	RM	RM	RM
Operating Activities					
Profit before tax	6,603,670	7,523,136	8,720,668	3,331,765	4,677,775
Adjustments for:					
Deposit forfeited	3,000	-	-	-	-
Depreciation of:					
- investment properties	-	9,364	11,236	6,554	3,628
- property, plant and equipment	542,527	521,876	636,350	382,673	341,190
- right-of-use assets	816,342	661,237	717,007	390,480	476,361
Finance costs	212,033	173,249	253,667	136,740	172,164
Impairment losses on:					
- investment properties	-	171,780	-	-	-
- trade receivables	23,823	373,773	87,498	103,551	46,072
- contract assets	-	-	-	-	65,649
Property, plant and equipment written off	184,720	617	-	-	1,613
Provision for/(Reversal of) employee benefits	-	5,535	155,317	34,884	(133,110)
Dividend income from financial assets measured at fair value through profit or loss	(4,892)	(2,732)	(90)	(89)	(4)
Fair value loss/(gain) on revaluation of financial assets measured at fair value through profit or loss	14	(518)	(1,006)	(989)	(30)
Gain on disposal of property, plant and equipment	(570)	-	(11,948)	-	-
Gain on modification of lease contracts	(1,073)	-	-	-	-
Income from rent concessions	(11,975)	-	-	-	-
Balance carried down	8,367,619	9,437,317	10,568,699	4,385,569	5,651,308

KJTS GROUP BERHAD
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COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2021 AND 31 DECEMBER 2022 AND FINANCIAL PERIOD ENDED 31 JULY 2023 (CONT'D)

	Audited				
	FYE 31 December			FPE 31 July	
	2020	2021	2022	2022	2023
	RM	RM	RM	RM	RM
Operating Activities (Cont'd)					
Balance brought down	8,367,619	9,437,317	10,568,699	4,385,569	5,651,308
Adjustments for: (Cont'd)					
Interest income	(144,305)	(99,688)	(130,285)	(62,610)	(103,477)
Reversal of impairment losses on trade receivables	(2,475)	(118,197)	(124,730)	(88)	(19,830)
Share of results of associates	(14,413)	(235,834)	10,902	10,102	18,286
Unrealised loss/(gain) on foreign exchange	576	(1,123)	(1,857)	(41)	(31,689)
Waiver of debt income	(1,022,000)	-	-	-	-
Operating profit before working capital changes	7,185,002	8,982,475	10,322,729	4,332,932	5,514,598
Changes in working capital:					
Inventories	-	-	-	-	(83,556)
Concession receivables	(3,597,252)	(4,411,109)	(4,028,616)	(1,779,212)	991,874
Receivables	5,090,679	(2,093,926)	(3,530,924)	(8,457,103)	(7,224,330)
Payables	277,120	5,356,066	(4,136,842)	(1,515,316)	10,370,507
Contract assets	1,147,003	(5,614,570)	2,183,520	4,399,316	(13,939,761)
Contract liabilities	(107,813)	148,181	209,190	301	(293,907)
Amount due from associates	(1,336,472)	(450,616)	627,365	46,326	14,928
Foreign exchange reserve	(27,546)	(46,990)	191,473	55,222	235,270
	1,445,719	(7,112,964)	(8,484,834)	(7,250,466)	(9,928,975)
Cash generated from/(used in) operations	8,630,721	1,869,511	1,837,895	(2,917,534)	(4,414,377)
Interest received	144,305	99,688	90,065	62,610	70,572
Interest paid	(212,033)	(173,249)	(250,076)	(136,740)	(171,594)
Tax refund	-	18,600	-	-	-
Tax paid	(1,062,500)	(1,259,563)	(1,657,309)	(796,501)	(1,263,232)
	(1,130,228)	(1,314,524)	(1,817,320)	(870,631)	(1,364,254)
Net cash from/(used in) operating activities	7,500,493	554,987	20,575	(3,788,165)	(5,778,631)

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COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2021 AND 31 DECEMBER 2022 AND FINANCIAL PERIOD ENDED 31 JULY 2023 (CONT'D)

		Audited				
		FYE 31 December			FPE 31 July	
		2020	2021	2022	2022	2023
	Note	RM	RM	RM	RM	RM
Investing Activities						
Investment in an associate		-	-	(405,000)	-	-
Additional investment in financial assets measured at fair value through profit or loss		(992,054)	(1,169,295)	(250,027)	(250,028)	-
Advances to an associate		-	-	(777,896)	-	-
Incorporation of a subsidiary		-	66,237	-	-	-
Proceeds from disposal of equity interest of a subsidiary		-	40,000	-	-	-
Proceeds/(Payment) from acquisition of equity interest by non-controlling interests		-	662,424	(33)	-	4,851
Proceeds from disposal of property, plant and equipment		15,127	-	35,845	-	289
Purchase of:						
- property, plant and equipment		(850,344)	(386,923)	(528,627)	(318,998)	(482,930)
- right-of-use assets	5(b)	-	(16,598)	(30,720)	-	(15,606)
Redemption of investment in financial assets measured at fair value through profit or loss		515,000	1,621,865	292,000	292,000	-
Net cash inflows/(outflows) from acquisition of subsidiaries		25,134	(49,590)	-	-	-
Net cash (used in)/from investing activities		(1,287,137)	768,120	(1,664,458)	(277,026)	(493,396)

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COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2021 AND 31 DECEMBER 2022 AND FINANCIAL PERIOD ENDED 31 JULY 2023 (CONT'D)

		Audited				
		FYE 31 December			FPE 31 July	
		2020	2021	2022	2022	2023
	Note	RM	RM	RM	RM	RM
Financing Activities						
Advances from an associate		-	-	128,922	-	-
Dividends paid	30	(1,000,000)	-	-	-	-
Proceeds from issue of shares		-	-	100	2	6,139,880
Payment of lease liabilities		(665,041)	(754,536)	(693,050)	(377,449)	(488,468)
Drawdown of bank borrowings		50,000	2,541,019	648,720	517,619	-
Repayment of bank borrowings		(115,631)	(299,859)	(499,635)	(170,132)	(382,774)
Increase in fixed deposit pledged to a licensed bank		(36,377)	(51,708)	(40,907)	(24,667)	(28,483)
Net cash (used in)/from financing activities		(1,767,049)	1,434,916	(455,850)	(54,627)	5,240,155
Net increase/(decrease) in cash and cash equivalents		4,446,307	2,758,023	(2,099,733)	(4,119,818)	(1,031,872)
Cash and cash equivalents at the beginning of the financial year/period		2,705,715	7,151,446	9,910,592	9,910,592	7,812,716
Effect of exchange translation differences on cash and cash equivalents		(576)	1,123	1,857	41	-
Cash and cash equivalents at the end of the financial year/period		7,151,446	9,910,592	7,812,716	5,790,815	6,780,844

KJTS GROUP BERHAD
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COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2021 AND 31 DECEMBER 2022 AND FINANCIAL PERIOD ENDED 31 JULY 2023 (CONT'D)

		Audited				
		FYE 31 December			FPE 31 July	
		2020	2021	2022	2022	2023
	Note	RM	RM	RM	RM	RM
Cash and cash equivalents at the end of the financial year/period comprises:						
Fixed deposit with a licensed bank	17	2,141,537	2,193,245	2,234,152	2,217,912	2,262,635
Cash and bank balances	17	7,151,446	9,910,592	7,812,716	5,790,815	6,783,699
Bank overdraft	20	-	-	-	-	(2,855)
		9,292,983	12,103,837	10,046,868	8,008,727	9,043,479
Less: Fixed deposit pledged to a licensed bank		(2,141,537)	(2,193,245)	(2,234,152)	(2,217,912)	(2,262,635)
		7,151,446	9,910,592	7,812,716	5,790,815	6,780,844

Note to combined statements of cash flows

Cash flows for leases as a lessee

		Audited				
		FYE 31 December			FPE 31 July	
		2020	2021	2022	2022	2023
	Note	RM	RM	RM	RM	RM
Included in operating activities:						
Interest paid in relation to lease liabilities	26	79,937	69,154	58,868	33,353	31,230
Payment relating to:						
- low value assets	27	675	900	900	-	4,624
- short-term leases	27	137,291	412,984	1,071,802	579,217	723,936
Included in financing activities:						
Payment of lease liabilities		665,041	754,536	693,050	377,449	488,468
Total cash outflows for leases		882,944	1,237,574	1,824,620	990,019	1,248,258

The accompanying notes form an integral part of the combined financial statements.

KJTS GROUP BERHAD
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NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. General Information

1.1 Introduction

This report has been prepared solely to comply with the Prospectus Guidelines - Equity issued by the Securities Commission Malaysia and for inclusion in the prospectus of KJTS Group Berhad ("KJTS" or "the Company") in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities")(hereinafter defined as "the Listing") and should not be relied upon for any other purposes.

1.2 Background

The Company was incorporated in Malaysia under the Companies Act 2016 on 3 June 2022 as a private limited liability company under the name of KJTS Group Sdn. Bhd. and domiciled in Malaysia. On 3 November 2022, the Company was converted into a public limited liability company and assumed its present name, KJTS Group Berhad. The Company was incorporated to facilitate the Listing.

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

The principal place of business of the Company is located at Suite 3.03, Level 3, Wisma E & C, No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur.

1. **General Information (Cont'd)**

1.3 Principal activities

The principal activity of the Company is investment holding.

Details of the combining entities of KJTS are as follows:

Name of company	Date of incorporation	Principal place of business	Effective interest (%)	Principal activities
Held by the Company				
KJ Technical Services Sdn. Bhd. ("KJ Technical Services")	1 April 2005	Malaysia	100	Provision of cooling energy management services, engineering, procurement, construction and commissioning ("EPCC") of cooling energy systems, facilities management service and investment holding company.
Held by the KJ Technical Services				
KJ Engineering Sdn. Bhd. ("KJ Engineering")	30 October 1984	Malaysia	100	EPCC of cooling energy systems.
KJ Energy Management Sdn. Bhd. ("KJ Energy Management")	11 November 2019	Malaysia	100	Provision of cooling energy management services.
KJ Energy Services Sdn. Bhd. ("KJ Energy Services")	1 June 2022	Malaysia	100	Provision of cooling energy management services. @
DCS Power Sdn. Bhd. ("DCS Power")	9 April 2013	Malaysia	100	Provision of cooling energy management services. @
KJ FEM Pte. Ltd. ("KJ FEM")	15 August 1992	Singapore	100	Provision of cleaning services.

1. General Information (Cont'd)

1.3 Principal activities (Cont'd)

Details of the combining entities of KJTS are as follows: (Cont'd)

Name of company	Date of incorporation	Principal place of business	Effective interest (%)	Principal activities
Held by the KJ Technical Services (Cont'd)				
ETC Cleaning Services Sdn. Bhd. ("ETC Cleaning Services")	22 May 2018	Malaysia	90	Provision of cleaning services.
KJ Facilities Management Sdn. Bhd. ("KJ Facilities Management")	20 December 2017	Malaysia	60	Provision of facilities management services. @
Astute MFM Sdn. Bhd. ("Astute MFM")	23 September 2011	Malaysia	51	Provision of mobile facilities management services.
AUNOA Solutions Sdn. Bhd. ("AUNOA Solutions")	11 July 2019	Malaysia	51	Software systems integrator.
KJTN Engineering Co., Ltd. ("KJTN Engineering")	18 January 2021	Thailand	49	Provision of cooling energy management services and EPCC of cooling energy systems.
DCS Energy Sdn. Bhd. ("DCS Energy")	16 November 2011	Malaysia	45	Designing, testing and managing cooling system, mechanical electrical system and related activities.

1. General Information (Cont'd)

1.3 Principal activities (Cont'd)

Details of the combining entities of KJTS are as follows: (Cont'd)

Name of company	Date of incorporation	Principal place of business	Effective interest (%)	Principal activities
Held by the KJ Technical Services (Cont'd)				
Acres Growth Sdn. Bdn. ("Acres Growth")	11 October 2017	Malaysia	30	Designing air-conditioning, cooling, heating and ventilation systems, repair and maintenance of air-conditioning systems, project contracting, assembly and trading in engineering products and as an investment holding company.
KJ Technical Services Co., Ltd. ("KJ Technical Services (Thailand)")	29 March 2019	Thailand	30	Engineering activities and related technical consultancy. @

@ *Being the intended principal activities, the entity is dormant as at the date of this report.*

There have been no significant changes in the nature of the principal activities of KJTS and its combining entities.

1. General Information (Cont'd)

1.4 Acquisition

On 29 May 2023, KJTS has entered into a conditional share sale agreement with the KJ Technical Services Vendors (as listed in the table below) to acquire the entire equity interest in KJ Technical Services comprising 808,000 ordinary shares for a total purchase consideration of RM41,827,570.30 only ("Acquisition"). The purchase consideration for the Acquisition will be satisfied by the issuance of 469,972,700 new KJTS Shares to the KJ Technical Services Vendors at an issue price of RM0.0890 each, details of which are as follows:

KJ Technical Services Vendors	No. of KJ Technical Services shares acquired	% of share capital in KJ Technical Services	Purchase consideration RM	No. of shares to be issued
Lee Kok Choon	375,000	46.41	19,412,548.10	218,118,518
Sheldon Wee Tah Poh	375,000	46.41	19,412,548.10	218,118,518
Yeow Boon Siang	58,000	7.18	3,002,474.10	33,735,664
Total	808,000	100.00	41,827,570.30	469,972,700

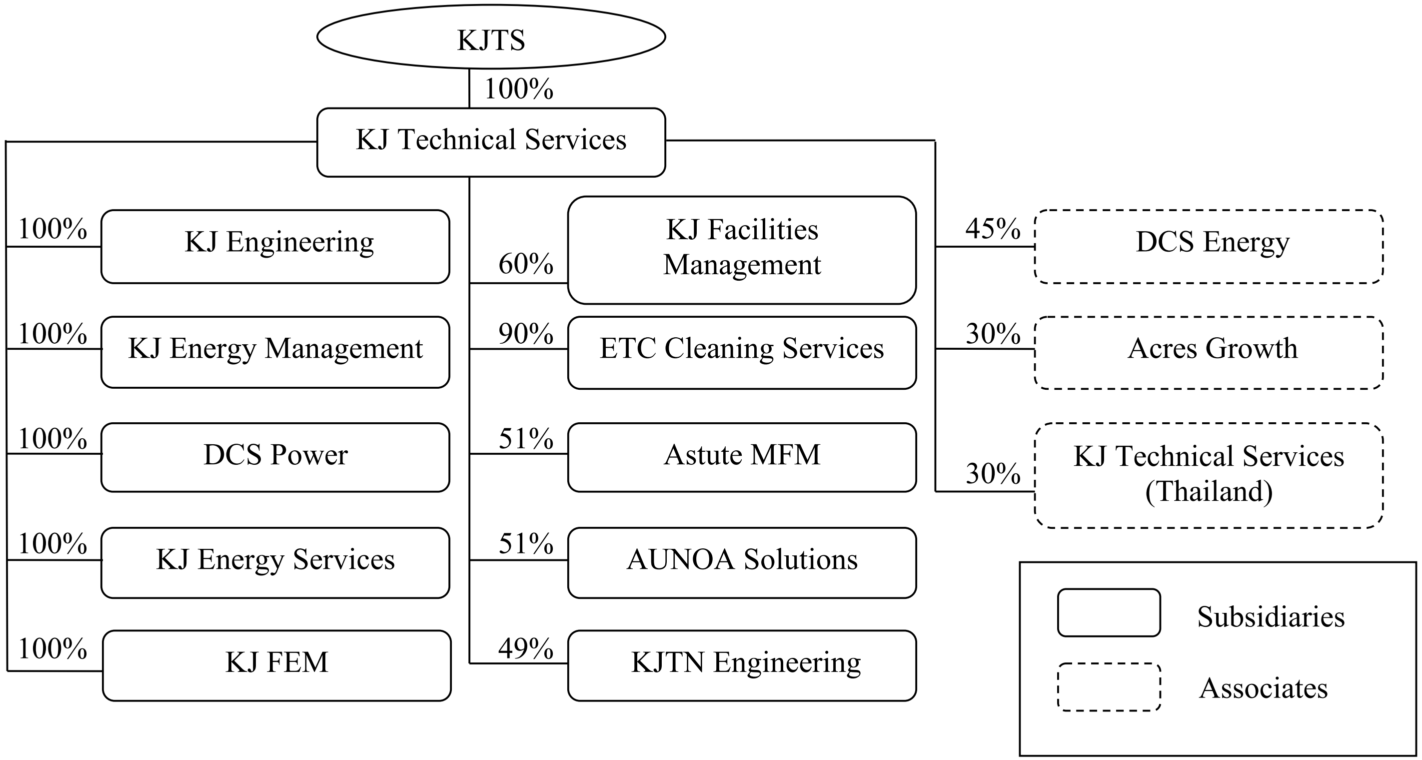
The completion of the Acquisition is conditional upon, amongst others, approvals from the Bursa Securities and any other relevant regulatory authorities in relation to the Proposals.

Upon completion of the Acquisition, KJ Technical Services will become a wholly-owned subsidiary of KJTS.

1. **General Information (Cont'd)**

1.4 Acquisition (Cont'd)

Following the completion of the Acquisition, the group structure of KJTS will be as follows:



1. **General Information (Cont'd)**

1.4 Acquisition (Cont'd)

The Group is regarded as a continuing entity resulting from the Acquisition since the management of all the entities which took major part in the Acquisition which were controlled by the Directors and substantially under same major shareholders before and immediately after the Acquisition. Consequently, immediately after the Acquisition, there was a continuation of the control over entities' financial and operating policy decisions and risks and benefits to the ultimate shareholders that existed prior to the Acquisition. The Acquisition has been accounted for as an acquisition under common control in a manner similar to pooling of interests. Accordingly, the combined financial statements for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 and financial period ended 31 July 2023 have been prepared comprise of the financial statements of the combining entity which were under common control of the ultimate shareholders that existed prior to the Acquisition during the relevant periods or since their respective dates of incorporation.

No financial statements of KJTS were included for the financial years ended 31 December 2020 and 31 December 2021 as KJTS was only incorporated on 3 June 2022.

1.5 Relevant financial years/period

The combined financial statements of the Group reflect the financial information of KJTS and KJ Technical Services.

The relevant financial period and financial years/period ("FYE/FPE") of the audited financial statements presented for the purpose of this report ("Relevant Financial Years/Period") and the Auditors of the respective companies within the Group are as follows:

Companies	Relevant Financial Years/Period	Accounting Standards Applied	Auditors
KJTS	Financial period from 3 June 2022 (date of incorporation) to 31 December 2022 FPE 31 July 2023	Malaysian Financial Reporting Standard ("MFRS")	UHY
KJ Technical Services	FYE 31 December 2020 FYE 31 December 2021 FYE 31 December 2022 FPE 31 July 2023	MFRS	UHY

1. **General Information (Cont'd)**

1.5 Relevant financial years/period (Cont'd)

The audited financial statements of KJ Technical Services for the Relevant Financial Years/Period reported above were not subject to any qualification or modification.

2. **Basis of Preparation**

(a) Statement of compliance

The combined financial statements of the Group have been prepared in accordance with MFRS and International Financial Reporting Standards ("IFRS") based on the Guidance Note on "Combined Financial Statements" issued by the Malaysian Institute of Accountants in relation to the Listing.

The combined financial statements consist of the financial statements of the combining entity ("the Group") as disclosed in Note 1.4 to this report, which were under common control throughout the reporting years/period by virtue of common controlling shareholders.

The combined financial statements have been prepared using financial information obtained from the records of the combining entity during the reporting years/period.

The combined financial statements of the Group have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Adoption of new and amended standards

The Group has adopted the following amendments to standards issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial period:

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 - Comparative Information
Amendments to MFRS 101	Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

2. **Basis of Preparation (Cont'd)**

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

The adoption of the new standards and amendments to standards did not have any significant impact on the financial statements of the Group.

Standards issued but not yet effective

The Group has not applied the following new standards and amendments to standards that have been issued by the MASB but are not yet effective for the Group:

		Effective dates for financial periods beginning on or after
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 until further notice

The Group intends to adopt the above new standards and amendments to standards, if applicable, when they become effective.

The initial application of the above-mentioned new standards and amendments to standards are not expected to have any significant impacts on the combined financial statements of the Group.

2. **Basis of Preparation (Cont'd)**

(b) Functional and presentation currency

These combined financial statements of the Group are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Group's combined financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

The following are judgements made by management in the process of applying the Group's accounting policies that have most significant effect on the amounts recognised in the combined financial statements:

<u>Control over KJTN Engineering Co., Ltd.</u>

KJTN Engineering Co., Ltd. ("KJTN Engineering") is a subsidiary of KJ Technical Services even though KJ Technical Services owns less than half of the ownership interest in this entity and less than half of their voting power. KJ Technical Services controls KJTN Engineering by virtue of an agreement with its other shareholders. In applying judgement, KJ Technical Services assesses and concludes that it has the power to direct the relevant business activities of KJTN Engineering. KJ Technical Services is able to appoint, remove and set compensation of the key management personnel of KJTN Engineering and actively dominates the decision-making process of KJTN Engineering through its board representatives.

2. **Basis of Preparation (Cont'd)**

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Judgements (Cont'd)

Determining the lease term of contracts with renewal options - the Group as lessee

The Group determines the lease term with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether to exercise the option to renew the lease. It considers all relevant factors that create an economic incentive for it to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

The Group includes the renewal period as part of the lease term for such leases. The Group typically exercise its option to renew for those leases with renewal option.

Satisfaction of performance obligations in relation to contracts with customers

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. This assessment was made based on the terms and conditions of the contracts, and the provisions of relevant laws and regulations.

The Group recognises revenue over time in the following circumstances:

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

Where the above criteria are not met, revenue is recognised at a point in time. Where revenue is recognised at a point in time, the Group assesses each contract with customers to determine when the performance obligation of the Group under the contract is satisfied.

2. **Basis of Preparation (Cont'd)**

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Judgements (Cont'd)

Concession service agreements

The Group has entered into a concessions service agreement for the installation, operation and maintenance of a cooling energy system. The Group has evaluated based on the terms and conditions of the arrangement, whether the concession service agreement is accounted for using intangible asset model or financial assets model.

The management judged that based on terms and conditions of the arrangement, the Group has an unconditional contractual right to receive cash from the grantor for the services provided, thus accounting for the concession service arrangements under the financial assets model.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

(i) Useful lives of property, plant and equipment, right-of-use ("ROU") assets and investment properties

The Group regularly reviews the estimated useful lives of property, plant and equipment, ROU assets and investment properties based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment, ROU assets and investment properties would increase the recorded depreciation and decrease the value of property, plant and equipment, ROU assets and investment properties. The carrying amount at the reporting date for property, plant and equipment, ROU assets and investment properties are disclosed in Notes 4, 5 and 6 respectively.

2. **Basis of Preparation (Cont'd)**

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

(ii) Impairment assessment of concession financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the Grantor, or default or significant delay in payments.

The carrying amount of the Group's concession financial assets at the reporting date are disclosed in Note 9.

(iii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unutilised capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unutilised capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The details of carrying amount of recognised and unrecognised of deferred tax assets are disclosed in Note 10.

(iv) Provision for expected credit loss of financial assets at amortised cost

The Group uses a provision matrix to calculate expected credit loss for trade receivables. The provision rates are based on number of days past due.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit loss is a significant estimate. The Group's historical credit loss experience and forecast of economic conditions may not be representative of customer's actual default in the future. Information about the expected credit loss on the Group's trade receivables is disclosed in Note 13.

2. **Basis of Preparation (Cont'd)**

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

(v) Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, 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 ROU 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.

(vi) Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement, the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

There is no estimation required in determining the transaction price, as revenue from rendering of services are based on invoiced values. Discounts are not considered as they are only given in rare circumstances.

2. **Basis of Preparation (Cont'd)**

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

(vii) Revenue from construction contracts

Construction revenue and costs are recognised over the period of the contract in the profit or loss by reference to the progress towards complete satisfaction of that performance obligation.

The progress towards complete satisfaction of performance obligation is measured based on the physical proportion of contract work-to-date certified by professional consultants. Significant judgement is required in determining the progress based on the certified work-to-date corroborated by the level of completion of the construction based on actual costs incurred to-date over the estimated total construction costs. The total estimated construction costs are based on approved budgets, which require assessments and judgments to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, the Group evaluates based on past experience and a continuous monitoring mechanism.

The contract assets and contract liabilities of the Group arising from construction contracts are disclosed in Note 15.

(viii) Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. As at 31 July 2023, the Group has tax recoverable and tax payable of RM557,953 and RM417,313 (31.12.2022: RM126,327 and RM366,984, 31.12.2021: RM288,818 and RM178,760 and 31.12.2020: RM175,210 and RM203,184) respectively.

3. **Significant Accounting Policies**

The Group applies the significant accounting policies set out below, consistently throughout all years/period presented in the combined financial statements unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combination - Merger method

A business combination involving entity under common control is a business combination in which all the combining entity or business are ultimately controlled by same party or parties both before or after the business combination, and that control is not transitory. The acquisition of KJ Technical Services resulted in a business involving common control entity since the management of all the entity which took part in the acquisition were controlled by common Directors and under common shareholders before and immediately after the acquisition, and accordingly the accounting treatment is outside the scope of MFRS 3. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entity in the consolidated financial statements. The merger method of accounting on a retrospective basis and restated its comparative as if the consolidated had taken place before the state of the earliest year presented in the combined financial statements.

Under the merger method of accounting, the results of subsidiary are presented as if the merger had been affected throughout the current period. 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. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any reserves which are attributable to share capital of the merged entity, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other reserves.

3. **Significant Accounting Policies (Cont'd)**

(a) Basis of consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

Business combination - Acquisition method

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interests in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceased. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

3. **Significant Accounting Policies (Cont'd)**

(a) Basis of consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 *Financial Instruments* is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(ii) Changes in ownership in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3. **Significant Accounting Policies (Cont'd)**

(a) Basis of consolidation (Cont'd)

(iii) Disposal of subsidiaries

If the Group loses control of a subsidiary, the assets and liabilities of the subsidiary, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired (i.e. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. Refer accounting policy Note 3(m)(i) on impairment of non-financial assets.

(b) Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

3. **Significant Accounting Policies (Cont'd)**

(b) Investment in associates (Cont'd)

On acquisition of an investment in an associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of associate's profit or loss for the period in which the investment is acquired.

An associate is accounted for either at cost or equity method as described in MFRS 128 from the date on which the investee becomes an associate. Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits or losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The requirements of MFRS 136 *Impairment of Assets* are applied to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

3. **Significant Accounting Policies (Cont'd)**

(b) Investments in associates (Cont'd)

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Group's separate financial statements, investment in associates are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer accounting policy Note 3(m)(i) on impairment of non-financial assets.

(c) Foreign currency translation

(i) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

3. **Significant Accounting Policies (Cont'd)**

(c) Foreign currency translation (Cont'd)

(ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM are translated to RM at the rate of exchange prevailing at the reporting date and income and expenses, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in associates that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy for the recognition and measurement of impairment is in accordance with Note 3(m)(i) on impairment of non-financial assets.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

3. **Significant Accounting Policies (Cont'd)**

(d) Property, plant and equipment (Cont'd)

(i) Recognition and measurement (Cont'd)

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight-line basis to write off the cost of each asset to its residual value over its estimated useful life.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Office equipment	3 - 5 years
Furniture and fittings	3 - 5 years
Plant and machinery	6 years
Computers and software	3 years
Motor vehicles	5 years
Renovation	3 years

3. **Significant Accounting Policies (Cont'd)**

(d) Property, plant and equipment (Cont'd)

(iii) Depreciation (Cont'd)

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

(e) Leases

As lessee

The Group recognises a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(m)(i) on impairment of non-financial assets.

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Buildings	Over the lease term
Motor vehicles	5 years or over the lease term, if shorter

The ROU assets are subject to impairment.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the respective Group entities' incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group are reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

3. **Significant Accounting Policies (Cont'd)**

(e) Leases (Cont'd)

As lessee (Cont'd)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

(f) Investment properties

Investment properties, including right-of-use assets held by lessee, are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost, including transaction costs, less any accumulated depreciation and impairment losses.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties are depreciated on a straight-line basis to write down the cost of each asset to their residual values over their estimated useful lives. The principal annual depreciation rates are:

Leasehold buildings	Over the remaining period of the lease

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. Refer accounting policy Note 3(m)(i) on impairment of non-financial assets.

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. Upon disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

3. **Significant Accounting Policies (Cont'd)**

(f) Investment properties (Cont'd)

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(g) Financial assets

Recognition and initial measurement

Financial assets are recognised in the combined statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

At initial recognition, the Group measures a financial asset at its fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance of the financial instruments. Transaction costs of financial assets carried at fair value through profit or loss ("FVTPL") are expensed in profit or loss.

Financial asset categories and subsequent measurement

The Group determines the classification of financial assets at initial recognition and are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

3. **Significant Accounting Policies (Cont'd)**

(g) Financial assets (Cont'd)

Financial asset categories and subsequent measurement (Cont'd)

The Group classifies its financial assets as follows:

(i) Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Any gain and loss on derecognition is recognised in profit or loss.

The Group's financial assets at amortised cost include trade and other receivables, amount due from associates, deposits, bank and cash balances.

(ii) Financial assets at fair value through other comprehensive income ("FVTOCI")

(a) Debt investments

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. **Significant Accounting Policies (Cont'd)**

(g) Financial assets (Cont'd)

Financial asset categories and subsequent measurement (Cont'd)

The Group classifies its financial assets as follows: (Cont'd)

(ii) Financial assets at fair value through other comprehensive income ("FVTOCI")(Cont'd)

(b) Equity investments

This category comprises investment in equity investment that is not held for trading. The Group irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represent a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income.

On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(iii) Financial assets measured at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVTOCI, as described above, are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income are recognised in the profit or loss.

The Group's financial assets at FVTPL comprise other investments.

All financial assets, except for those measured at FVTPL and equity investments measured at FVTOCI, are subject to impairment assessment as disclosed in Note 3(m)(ii) on impairment of financial assets.

3. **Significant Accounting Policies (Cont'd)**

(g) Financial assets (Cont'd)

Regular way purchase or sale of financial assets

Regular way purchase or sale are purchase or sale of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchase and sale of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset.

Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to receive cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial assets and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

(h) Financial liabilities

Recognition and initial measurement

Financial liabilities are recognised in the combined statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

At initial recognition, the Group measures a financial liability at its fair value less, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance of the financial instruments.

Financial liability categories and subsequent measurement

The Group classifies its financial liabilities as follows:

(i) Financial liabilities at amortised cost

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

The Group's financial liabilities at amortised cost comprise trade and other payables, bank borrowings and lease liabilities.

3. **Significant Accounting Policies (Cont'd)**

(h) Financial liabilities (Cont'd)

Financial liability categories and subsequent measurement (Cont'd)

The Group classifies its financial liabilities as follows: (Cont'd)

(ii) Financial liabilities at fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

The Group has not designated any financial liabilities at FVTPL.

Derecognition

A financial liability or part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. 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.

(i) Offsetting of financial instruments

A financial asset and financial liability are offset and the net amount is reported in the combined statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of inventories comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on a first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3. **Significant Accounting Policies (Cont'd)**

(k) Construction contracts

Construction contracts are contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

Cost incurred to fulfil the contracts, comprising cost of direct materials, direct labour, other direct costs, attributable overheads and payments to sub-contractors are recognised as an asset and amortised to profit or loss systematically to reflect the transfer of the contracted service to the customer.

The Group uses the efforts or inputs to the satisfaction of the performance obligations to determine the appropriate amount to recognise in a given period. This is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the financial year/period in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature. When the carrying amount of the asset exceeds the remaining amount of consideration that the Group expects to receive in exchange of the contracted asset, an impairment loss is recognised in profit or loss.

The Group presents as an asset the gross amount due from customers for contract work in progress for which costs incurred plus recognised profits (less recognised losses) exceed contract liabilities. Contract liabilities not yet paid by customers and retention monies are included within receivables and contract assets. The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which contract liabilities exceed costs incurred plus recognised profits (less recognised losses).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short-term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

3. **Significant Accounting Policies (Cont'd)**

(m) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, contract assets and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

3. **Significant Accounting Policies (Cont'd)**

(m) Impairment of assets (Cont'd)

(i) Non-financial assets (Cont'd)

An Impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

(ii) Financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss ("FVTPL"). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12 months ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

For trade receivables and other receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3. **Significant Accounting Policies (Cont'd)**

(n) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

(o) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the combined statements of profit or loss and other comprehensive income net of any reimbursement.

(p) Employee benefits

(i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

3. **Significant Accounting Policies (Cont'd)**

(p) Employee benefits (Cont'd)

(i) Short-term employee benefits (Cont'd)

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Defined benefit plans

The employee benefits obligations in relation to the severance payment under the labour law and other defined benefits are recognised as a charge to results of operations over the employee's service period. It is calculated by the estimation of the amount of future benefit to be earned by the employee in return for the service provided to the Group through the service period up to the retirement age. The calculation is based on the best estimation at the reporting date.

(q) Concession Service Arrangement

The Group entered into a service concession agreement with:

(i) the Grantor to retrofit and provide cooling energy management services to designated buildings for a period 15 years. The Grantor guarantees the minimum usage generated by the Group over the 15 years.

(ii) the Grantor to retrofit and provide cooling energy management services for chiller plants to designated buildings for a period 5 years. The Grantor guarantees the minimum usage generated by the Group over the 5 years.

(iii) the Grantor to retrofit and provide cooling energy management services to designated buildings for the period of 15 years. The Grantor guarantees the minimum usage generated by the Group over the 15 years.

3. **Significant Accounting Policies (Cont'd)**

(q) Concession Service Arrangement (Cont'd)

The Group entered into a service concession agreement with: (Cont'd)

(iv) the Grantor to retrofit and provide cooling energy management services for a factory for the period of 5 years. The Grantor guarantees the minimum usage generated by the Group over the 5 years.

(v) the Grantor to retrofit and provide cooling energy management services for another factory for the period of 5 years. The Grantor guarantees the minimum usage generated by the Group over the 5 years.

The Group recognises the estimated consideration received or receivables as a financial asset since the Group has an unconditional right to receive or receivable as a financial asset for the construction services. Financial assets are accounted for in accordance with the accounting policy as set out in Note 3(g).

(r) Revenue and other income

(i) Revenue from contracts with customers

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised goods or services to the customer, which is when the customer obtains control of the goods or services. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

The Group recognises revenue from the following major sources:

(1) Revenue from cooling energy management

Revenue is recognised over time as the customers simultaneously received and consumed the benefits provided by the Group's performance, and the Group has a present right to payment for the services. This is based on the actual customer usage relative to the agreed-upon charging rates.

(2) Revenue from engineering, procurement, construction and commissioning ("EPCC") of cooling energy systems

Revenue is recognised over time as the customers simultaneously received and consumed the benefits provided by the Group's performance, and the Group has a present right to payment for the services.

3. **Significant Accounting Policies (Cont'd)**

(r) Revenue and other income (Cont'd)

(i) Revenue from contracts with customers (Cont'd)

The Group recognises revenue from the following major sources: (Cont'd)

(2) Revenue from engineering, procurement, construction and commissioning ("EPCC") of cooling energy systems (Cont'd)

Revenue is recognised over the period of the contract by measuring the progress towards complete satisfaction of that performance obligation. Revenue is measured on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. The stage of completion is determined by the proportion of contract costs incurred to-date relative to the estimated total contract costs.

(3) Revenue from cleaning services

Revenue is recognised in the reporting period in which the services are rendered, which the customers simultaneously received and consumed the benefits provided by the Group's performance, and the Group has a present right to payment for the services.

(4) Revenue from facilities management

Revenue is recognised in the reporting period in which the services are rendered, which the customers simultaneously received and consumed the benefits provided by the Group's performance, and the Group has a present right to payment for the services.

(5) Revenue from building construction

The Group recognises revenue from construction contracts over time when control over the asset has been transferred to the customers. The assets have no alternative use to the Group due to contractual restriction and the Group has an enforceable right to payment for performance completed to date. Revenue from construction contracts is measured at the transaction price agreed under the construction contracts.

3. **Significant Accounting Policies (Cont'd)**

(r) Revenue and other income (Cont'd)

(i) Revenue from contracts with customers (Cont'd)

The Group recognises revenue from the following major sources: (Cont'd)

(5) Revenue from building construction (Cont'd)

Revenue from construction contracts is recognised by reference to the stage of completion. Stage of completion is measured using the input method, which is based on the total actual construction costs incurred-to-date over to the total budgeted costs for each contract.

The Group becomes entitled to invoice customers for construction of promised asset based on achieving a series of performance-related milestones (i.e. progress billing). The Group previously has recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the progress billing exceeds the revenue recognised todate, the Group recognises a contract liability for the difference.

(ii) Revenue from other source and other income

(1) Finance income from concession contracts

Finance income from concession contracts are recognised as it accrues using the effective interest method in profit or loss. The notional interest income resulting from the accretion of its financial asset using effective interest method is recognised in the profit or loss.

(2) Interest income

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

(3) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

3. **Significant Accounting Policies (Cont'd)**

(s) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year/period, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years/period.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. **Significant Accounting Policies (Cont'd)**

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(u) Contract assets and contract liabilities

Contract asset is the right to consideration for goods or services transferred to the customers. The Group's contract asset is the excess of revenue recognised over the billings to-date and deposits or advances received from customers.

Where there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract asset is reclassified to trade receivables at the point at which invoices have been billed to customers.

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customers. The Group's contract liability is the excess of the billings to-date over the revenue recognised. Contract liabilities are recognised as revenue when the Group performs its obligation under the contracts.

3. **Significant Accounting Policies (Cont'd)**

(v) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

When the grant relates to an expense item, it is recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and transferred to profit or loss on a systematic basis over the useful lives of the related asset.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs to be recognised in profit or loss in the period in which they become receivable.

Where the Group receives non-monetary government grants, the asset and the grant are recorded at nominal amount and transferred to profit or loss on a systematic basis over the life of the depreciable asset by way of a reduced depreciation charge.

(w) Contingencies

Where it is not probable that an inflow or outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

(x) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

3. **Significant Accounting Policies (Cont'd)**

(y) Fair value measurement

Fair value of an asset or a liability is determined as 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. The measurement assumes that the transaction to sell the asset or transfer of the liability 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.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

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

Level 3 : unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. **Property, Plant and Equipment**

	Office equipment RM	Furniture and fittings RM	Plant and machinery RM	Computers and software RM	Motor vehicles RM	Renovation RM	Total RM
Audited							
31 December 2020							
Cost							
At 1 January 2020	1,791,416	130,708	600,000	418,443	4,057	229,875	3,174,499
Acquisition of a subsidiary	56,061	29,915	254,072	37,529	1,100	55,942	434,619
Additions	315,124	107,877	268,787	36,089	-	122,467	850,344
Disposal	(16,145)	-	-	-	-	-	(16,145)
Written off	(509,501)	-	-	(150,785)	-	-	(660,286)
Exchange differences	10,736	(23)	-	88	-	-	10,801
At 31 December 2020	1,647,691	268,477	1,122,859	341,364	5,157	408,284	3,793,832

4. **Property, Plant and Equipment (Cont'd)**

	Office equipment RM	Furniture and fittings RM	Plant and machinery RM	Computers and software RM	Motor vehicles RM	Renovation RM	Total RM
Audited							
31 December 2020							
Accumulated depreciation							
At 1 January 2020	1,184,999	54,887	600,000	289,931	2,367	98,760	2,230,944
Acquisition of a subsidiary	50,132	1,911	81,430	15,670	292	3,155	152,590
Charge for the financial year	273,355	56,838	61,437	78,870	869	71,158	542,527
Disposal	(1,588)	-	-	-	-	-	(1,588)
Written off	(368,545)	-	-	(107,021)	-	-	(475,566)
Exchange differences	10,559	(20)	-	(335)	-	(2)	10,202
At 31 December 2020	1,148,912	113,616	742,867	277,115	3,528	173,071	2,459,109
Carrying amount							
At 31 December 2020	498,779	154,861	379,992	64,249	1,629	235,213	1,334,723

4. **Property, Plant and Equipment (Cont'd)**

	Office equipment RM	Furniture and fittings RM	Plant and machinery RM	Computers and software RM	Motor vehicles RM	Renovation RM	Total RM
Audited							
31 December 2021							
Cost							
At 1 January 2021	1,647,691	268,477	1,122,859	341,364	5,157	408,284	3,793,832
Additions	222,113	450	92,374	71,986	-	-	386,923
Transfer from right-of-use assets	-	-	-	-	991,186	-	991,186
Written off	(40,664)	(1,950)	(600,000)	-	-	-	(642,614)
Reclassification	(84,281)	85,613	-	(4,432)	-	3,100	-
Exchange differences	13,291	634	-	4,072	-	1,400	19,397
At 31 December 2021	1,758,150	353,224	615,233	412,990	996,343	412,784	4,548,724

4. **Property, Plant and Equipment (Cont'd)**

	Office equipment RM	Furniture and fittings RM	Plant and machinery RM	Computers and software RM	Motor vehicles RM	Renovation RM	Total RM
Audited							
31 December 2021							
Accumulated depreciation							
At 1 January 2021	1,148,912	113,616	742,867	277,115	3,528	173,071	2,459,109
Charge for the financial year	155,793	105,810	114,279	41,279	7,212	97,503	521,876
Transfer from right-of-use assets	-	-	-	-	985,005	-	985,005
Written off	(40,664)	(1,333)	(600,000)	-	-	-	(641,997)
Reclassification	(28,156)	32,416	-	(4,432)	-	172	-
Exchange differences	7,951	387	-	3,765	-	1,400	13,503
At 31 December 2021	1,243,836	250,896	257,146	317,727	995,745	272,146	3,337,496
Carrying amount							
At 31 December 2021	514,314	102,328	358,087	95,263	598	140,638	1,211,228

4. **Property, Plant and Equipment (Cont'd)**

	Office equipment RM	Furniture and fittings RM	Plant and machinery RM	Computers and software RM	Motor vehicles RM	Renovation RM	Total RM
Audited							
31 December 2022							
Cost							
At 1 January 2022	1,758,150	353,224	615,233	412,990	996,343	412,784	4,548,724
Additions	226,475	44,760	153,584	78,718	-	25,090	528,627
Disposal	(35,845)	-	-	-	-	-	(35,845)
Exchange differences	56,549	2,500	-	18,081	-	5,987	83,117
At 31 December 2022	2,005,329	400,484	768,817	509,789	996,343	443,861	5,124,623

4. **Property, Plant and Equipment (Cont'd)**

	Office equipment RM	Furniture and fittings RM	Plant and machinery RM	Computers and software RM	Motor vehicles RM	Renovation RM	Total RM
Audited							
31 December 2022							
Accumulated depreciation							
At 1 January 2022	1,243,836	250,896	257,146	317,727	995,745	272,146	3,337,496
Charge for the financial year	259,084	72,217	151,762	54,059	288	98,940	636,350
Disposal	(11,948)	-	-	-	-	-	(11,948)
Exchange differences	37,891	1,865	6	16,647	-	5,987	62,396
At 31 December 2022	1,528,863	324,978	408,914	388,433	996,033	377,073	4,024,294
Carrying amount							
At 31 December 2022	476,466	75,506	359,903	121,356	310	66,788	1,100,329

4. **Property, Plant and Equipment (Cont'd)**

	Office equipment RM	Furniture and fittings RM	Plant and machinery RM	Computers and software RM	Motor vehicles RM	Renovation RM	Total RM
Audited							
31 July 2023							
Cost							
At 1 January 2023	2,005,329	400,484	768,817	509,789	996,343	443,861	5,124,623
Additions	214,127	31,987	104,833	71,621	-	60,362	482,930
Disposal	(744)	-	-	-	-	-	(744)
Written off	(6,558)	(500)	(7,912)	(3,100)	-	-	(18,070)
Transfer from right-of-use assets	-	-	-	-	91,717	-	91,717
Exchange differences	34,070	1,472	286	11,575	-	3,525	50,928
At 31 July 2023	2,246,224	433,443	866,024	589,885	1,088,060	507,748	5,731,384

4. **Property, Plant and Equipment (Cont'd)**

	Office equipment RM	Furniture and fittings RM	Plant and machinery RM	Computers and software RM	Motor vehicles RM	Renovation RM	Total RM
Audited							
31 July 2023							
Accumulated depreciation							
At 1 January 2023	1,528,863	324,978	408,914	388,433	996,033	377,073	4,024,294
Charge for the financial period	138,964	30,055	95,505	41,319	128	35,219	341,190
Disposal	(455)	-	-	-	-	-	(455)
Written off	(6,558)	(500)	(6,299)	(3,100)	-	-	(16,457)
Transfer from right-of-use assets	-	-	-	-	91,717	-	91,717
Exchange differences	24,794	1,212	41	10,128	-	3,525	39,700
At 31 July 2023	1,685,608	355,745	498,161	436,780	1,087,878	415,817	4,479,989
Carrying amount							
At 31 July 2023	560,616	77,698	367,863	153,105	182	91,931	1,251,395

5. **Right-of-use Assets**

	Buildings RM	Motor vehicles RM	Total RM
Audited			
31 December 2020			
Cost			
At 1 January 2020	439,865	2,092,527	2,532,392
Acquisition of subsidiaries	-	73,392	73,392
Additions	471,560	-	471,560
Modification of lease contracts	-	1,073	1,073
Written off	-	(218,301)	(218,301)
Exchange differences	-	(532)	(532)
At 31 December 2020	911,425	1,948,159	2,859,584
Accumulated depreciation			
At 1 January 2020	9,164	1,161,735	1,170,899
Acquisition of subsidiaries	-	23,241	23,241
Charge for the financial year	245,283	571,059	816,342
Written off	-	(218,301)	(218,301)
Exchange differences	(207)	(1,072)	(1,279)
At 31 December 2020	254,240	1,536,662	1,790,902
Carrying amount			
At 31 December 2020	657,185	411,497	1,068,682
31 December 2021			
Cost			
At 1 January 2021	911,425	1,948,159	2,859,584
Additions	319,286	194,750	514,036
Transfer to property, plant and equipment	-	(991,186)	(991,186)
Exchange differences	2,675	11,907	14,582
At 31 December 2021	1,233,386	1,163,630	2,397,016

5. **Right-of-use Assets (Cont'd)**

	Buildings RM	Motor vehicles RM	Total RM
Audited			
31 December 2021 (Cont'd)			
Accumulated depreciation			
At 1 January 2021	254,240	1,536,662	1,790,902
Charge for the financial year	345,326	315,911	661,237
Transfer to property, plant and equipment	-	(985,005)	(985,005)
Exchange differences	1,302	7,823	9,125
At 31 December 2021	600,868	875,391	1,476,259
Carrying amount			
At 31 December 2021	632,518	288,239	920,757
31 December 2022			
Cost			
At 1 January 2022	1,233,386	1,163,630	2,397,016
Additions	240,604	200,720	441,324
Modification of lease contracts	(3,072)	249,063	245,991
Exchange differences	28,085	54,557	82,642
At 31 December 2022	1,499,003	1,667,970	3,166,973
Accumulated depreciation			
At 1 January 2022	600,868	875,391	1,476,259
Charge for the financial year	412,743	304,264	717,007
Exchange differences	17,395	52,054	69,449
At 31 December 2022	1,031,006	1,231,709	2,262,715
Carrying amount			
At 31 December 2022	467,997	436,261	904,258

5. **Right-of-use Assets (Cont'd)**

	Buildings RM	Motor vehicles RM	Total RM
Audited			
31 July 2023			
Cost			
At 1 January 2023	1,499,003	1,667,970	3,166,973
Additions	116,025	100,606	216,631
Modification of lease contracts	-	45,560	45,560
Expiration of lease contracts	(40,693)	-	(40,693)
Transfer to property, plant and equipment	-	(91,717)	(91,717)
Exchange differences	16,537	40,571	57,108
At 31 July 2023	1,590,872	1,762,990	3,353,862
Accumulated depreciation			
At 1 January 2023	1,031,006	1,231,709	2,262,715
Charge for the financial period	275,145	201,216	476,361
Expiration of lease contracts	(40,693)	-	(40,693)
Transfer to property, plant and equipment	-	(91,717)	(91,717)
Exchange differences	14,090	36,960	51,050
At 31 July 2023	1,279,548	1,378,168	2,657,716
Carrying amount			
At 31 July 2023	311,324	384,822	696,146

5. **Right-of-use Assets (Cont'd)**

(a) The carrying amount of right-of-use assets of the Group held under lease arrangement are as follows:

	Audited			
	At 31 December			At 31 July
	2020	2021	2022	2023
	RM	RM	RM	RM
Motor vehicles	411,497	288,239	436,261	384,822

Leased assets of the Group are pledged as securities for the related lease liabilities as disclosed in Note 21.

(b) The aggregate additional costs for the right-of-use assets of the Group during the financial year/period acquired under lease financing and cash payments are as follows:

	Audited			
	At 31 December			At 31 July
	2020	2021	2022	2023
	RM	RM	RM	RM
Aggregate costs	471,560	514,036	441,324	216,631
Less: Lease financing	(471,560)	(497,438)	(410,604)	(201,025)
Cash payments	-	16,598	30,720	15,606

(c) As at 31 July 2023, the motor vehicles of the Group with carrying amount of RMNil (31.12.2022: RMNil; 31.12.2021: RMNil; 31.12.2020: RM24,949) are registered under a Director's name.

6. **Investment Properties**

	Audited			
	At 31 December			At 31 July
	2020	2021	2022	2023
	RM	RM	RM	RM
Cost				
At 1 January	-	-	1,101,144	1,101,144
Additions	-	1,101,144	-	-
At 31 December/31 July	-	1,101,144	1,101,144	1,101,144
Accumulated depreciation				
At 1 January	-	-	9,364	20,600
Charge for the financial year/period	-	9,364	11,236	3,628
At 31 December/31 July	-	9,364	20,600	24,228
Accumulated impairment losses				
At 1 January	-	-	171,780	171,780
Charge for the financial year/period	-	171,780	-	-
At 31 December/31 July	-	171,780	171,780	171,780
Carrying amount				
At 31 December/31 July	-	920,000	908,764	905,136
Included in the above is:				
At cost				
Leasehold buildings	-	1,101,144	1,101,144	1,101,144
Fair value				
Leasehold buildings	-	920,000	920,000	920,000

6. Investment Properties

(a) On 1 March 2021, KJ Technical Services entered into a Sale and Purchase Agreement with MDSA Ventures Sdn. Bhd. to acquire two leasehold buildings amounting to RM1,101,144. The purchase consideration was settled by way of contra of amount due from MDSA Resources Sdn. Bhd..

(b) As at 31 July 2023, investment properties are leasehold buildings with remaining lease period of 96 (31.12.2022: 97; 31.12.2021: 98; 31.12.2020: Nil) years.

7. Investment in Associates

	Audited			
	At 31 December			At 31 July
	2020 RM	2021 RM	2022 RM	2023 RM
At cost				
Unquoted shares in Malaysia	49,030	30	405,030	405,030
Unquoted shares outside Malaysia	38,677	38,677	38,677	38,677
	87,707	38,707	443,707	443,707
Share of post-acquisition results	134,594	437,609	423,392	399,126
	222,301	476,316	867,099	842,833

7. Investment in Associates (Cont'd)

Details of the associates are as follows:

Name of company	Place of business/ Country of incorporation	Effective interest At 31 December 2020 %	At 31 December 2021 %	At 31 December 2022 %	At 31 July 2023 %	Principal activities
Direct holding: Associates of KJ Technical Services:						
Acres Growth	Malaysia	30	30	30	30	Designing air-conditioning, cooling, heating and ventilation systems, repair and maintenance of air-conditioning systems, project contracting, assembly and trading in engineering products and as an investment holding company.
KJ Facilities Management	Malaysia	49	-*	-	-	Provision of facilities management services. @
KJ Technical Services (Thailand)	Thailand	30	30	30	30	Engineering activities and related technical consultancy. @
DCS Energy	Malaysia	-	-	45	45	Designing, testing and managing cooling system, mechanical electrical system and related activities.

* *The status of the company ceased to be an associate and became a subsidiary.*

@ *Being the intended principal activities, the entity is dormant as at the date of this report.*

7. **Investment in Associates (Cont'd)**

(a) Acquisition of an associate

31 December 2022

On 17 August 2022, the Company acquired 45% of equity interest in DCS Energy for a total cash consideration of RM405,000 only. Consequently, DCS Energy become an 45% owned associate of the Company.

(b) Changes in equity interest

31 December 2021

On 2 September 2021, KJ Technical Services's equity interest in KJ Facilities Management increased from 49% to 100%. Consequently, KJ Facilities Management ceased to be an associate and became a subsidiary of KJ Technical Services.

7. **Investment in Associates (Cont'd)**

(c) The summarised financial information of the Group's material associates not adjusted for the percentage held by the Group are as follows:

	Acres Growth Audited			
	At 31 December			At 31 July
	2020	2021	2022	2023
	RM	RM	RM	RM
Assets and Liabilities				
Non-current assets	3,383,938	3,150,611	2,908,481	2,761,908
Current assets	1,386,138	1,805,646	1,086,465	1,310,381
Current liabilities	(4,029,072)	(4,049,956)	(3,036,769)	(3,089,572)
Net assets	741,004	906,301	958,177	982,717
Interests in associates	30%	30%	30%	30%
Group's share of net assets	222,301	271,890	287,453	294,815

7. **Investment in Associates (Cont'd)**

(c) The summarised financial information of the Group's material associates not adjusted for the percentage held by the Group are as follows: (Cont'd)

	Acres Growth Audited				
	FYE 31 December			FPE 31 July	
	2020 RM	2021 RM	2022 RM	2022 RM	2023 RM
Financial Results					
Revenue	2,254,553	2,112,198	2,433,721	1,444,918	1,390,228
Profit for the financial year/period	201,391	165,297	51,876	52,596	24,540
Total comprehensive income for the financial year/period	201,391	165,297	51,876	52,596	24,540
Group's share of results for the financial year/period ended 31 December/31 July					
Group's share of profit	60,417	49,589	15,563	15,779	7,362
Group's share of total comprehensive income	60,417	49,589	15,563	15,779	7,362

7. **Investment in Associates (Cont'd)**

(c) The summarised financial information of the Group's material associates not adjusted for the percentage held by the Group are as follows: (Cont'd)

	KJ Facilities Management Audited			
	At 31 December			At 31 July
	2020 RM	2021 RM	2022 RM	2023 RM
Assets and Liabilities				
Non-current assets	-	-	-	-
Current assets	9,327	-	-	-
Current liabilities	(215,048)	-	-	-
Net liabilities	(205,721)	-	-	-
Interests in associates	49%	-*	-	-
Group's share of net liabilities	(100,803)	-	-	-

* *Ceased to be an associate during the financial year.*

7. **Investment in Associates (Cont'd)**

(c) The summarised financial information of the Group's material associates not adjusted for the percentage held by the Group are as follows: (Cont'd)

	KJ Facilities Management Audited				
	FYE 31 December			FPE 31 July	
	2020 RM	2021 RM	2022 RM	2022 RM	2023 RM
Financial Results					
Revenue	1,050	-	-	-	-
Loss for the financial year/period	(256,600)	-	-	-	-
Total comprehensive loss for the financial year/period	(256,600)	-	-	-	-
Group's share of results for the financial year/period ended 31 December/31 July					
Group's share of loss	(44,862)	-	-	-	
Group's share of total comprehensive loss	(44,862)	-	-	-	

7. **Investment in Associates (Cont'd)**

(c) The summarised financial information of the Group's material associates not adjusted for the percentage held by the Group are as follows: (Cont'd)

	KJ Technical Services (Thailand) Audited			
	At 31 December			At 31 July
	2020 RM	2021 RM	2022 RM	2023 RM
Assets and Liabilities				
Non-current assets	94,625	52,318	24,044	4,043
Current assets	137,494	1,478,486	1,718,370	1,777,043
Current liabilities	(1,397,330)	(2,014,592)	(2,331,328)	(2,421,076)
Net liabilities	(1,165,211)	(483,788)	(588,914)	(639,990)
Interests in associates	30%	30%	30%	30%
Group's share of net liabilities	(349,563)	(145,136)	(176,674)	(191,997)

7. **Investment in Associates (Cont'd)**

(c) The summarised financial information of the Group's material associates not adjusted for the percentage held by the Group are as follows: (Cont'd)

	KJ Technical Services (Thailand) Audited				
	FYE 31 December			**FPE 31 July**	
	2020	**2021**	**2022**	**2022**	**2023**
	RM	**RM**	**RM**	**RM**	**RM**
Financial Results					
Revenue	-	-	-	-	-
(Loss)/Profit for the financial year/period	(812,103)	620,818	(94,076)	(86,269)	(31,143)
Other comprehensive income/(loss) for the financial year/period	-	60,604	(11,050)	15,876	(19,932)
Total comprehensive (loss)/ income for the financial year/period	(812,103)	681,422	(105,126)	(70,393)	(51,075)
Group's share of results for the financial year/period ended 31 December/31 July					
Group's share of profit/(loss)	-	186,245	(28,223)	(25,881)	(9,343)
Group's share of other comprehensive income/(loss)	-	18,181	(3,315)	4,763	(5,980)
Group's share of total comprehensive income/(loss)	-	204,426	(31,538)	(21,118)	(15,323)

7. **Investment in Associates (Cont'd)**

(c) The summarised financial information of the Group's material associates not adjusted for the percentage held by the Group are as follows: (Cont'd)

	DCS Energy Audited			
	At 31 December			At 31 July
	2020 RM	2021 RM	2022 RM	2023 RM
Assets and Liabilities				
Non-current assets	-	-	1	1
Current assets	-	-	1,703,964	1,652,062
Current liabilities	-	-	(414,530)	(398,862)
Net assets	-	-	1,289,435	1,253,201
Interests in associates	-	-	45%	45%
Group's share of net assets	-	-	580,246	563,940

7. **Investment in Associates (Cont'd)**

(c) The summarised financial information of the Group's material associates not adjusted for the percentage held by the Group are as follows: (Cont'd)

	DCS Energy Audited				
	FYE 31 December			FPE 31 July	
	2020 RM	2021 RM	2022 RM	2022 RM	2023 RM
Financial Results					
Revenue	-	-	1,914,747	-	-
Profit/(Loss) for the financial year/period	-	-	111,605	-	(36,234)
Total comprehensive income/ (loss) for the financial year/period	-	-	111,605	-	(36,234)
Group's share of results for the financial year/period ended 31 December/31 July					
Group's share of profit/(loss)	-	-	1,758	-	(16,305)
Group's share of total comprehensive income/(loss)	-	-	1,758	-	(16,305)

7. **Investment in Associates (Cont'd)**

The Group has not recognised the following losses related to certain associates since the Group has no obligation in respect of these losses:

	Audited			
	At 31 December			At 31 July
	2020	**2021**	**2022**	**2023**
	RM	**RM**	**RM**	**RM**
At 1 January	(106,912)	(431,415)	(350,543)	(350,543)
Share of loss during the financial year/period	(324,503)	-	-	-
Disposal of an associate	-	80,872	-	-
At 31 December/31 July	(431,415)	(350,543)	(350,543)	(350,543)

8. **Goodwill on Consolidation**

	Audited			
	At 31 December			At 31 July
	2020	**2021**	**2022**	**2023**
	RM	**RM**	**RM**	
At 1 January	-	1,388,607	1,808,278	1,808,278
Acquisition of subsidiaries	1,388,607	419,671	-	-
At 31 December/ 31 July	1,388,607	1,808,278	1,808,278	1,808,278

Goodwill is tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount. The Directors are of the opinion that since all the cash-generating units ("CGUs") are to be held on a long-term basis, value in use would best reflect its recoverable amount. The value in use is determined by discounting future cash flows over a five-year period. The future cash flows are based on management's business plan, which is the best estimate of future performance. The ability to achieve the business plan targets is a key assumption in determining the recoverable amount for each cash-generating unit.

8. **Goodwill on Consolidation (Cont'd)**

There remains a risk that, due to unforeseen changes in the respective economies in which the CGUs operate and/or global economic conditions, the ability to achieve management's business plan will be adversely affected. As at 31 July 2023, in calculating the value in use for each cash-generating unit, management has applied a pre-tax discount rate of 7.25% (31.12.2022: 6.60%; 31.12.2021: 6.10%; 31.12.2020: 6.10%) and revenue growth rate at the range of 5% to 30% (31.12.2022: 15% to 25%; 31.12.2021: 20% to 30%; 31.12.2020: 20% to 30%).

The following describes each key assumptions on which management has based its cash flow projections for the purposes of impairment testing of goodwill:

(a) the discount rate used reflected the management's best estimate of return on capital employed.

(b) growth rate used is based on historical trend of each segment taking into account industry outlook.

(c) the profit margin used in the projections are based on the historical profit margin trend for the individual cash-generating unit or budgeted profit margin for predetermined projects obtained.

The management believes that no reasonably possible change in any of the above key assumptions would have caused the carrying amounts of the CGUs to materially exceed their recoverable amounts.

9. **Concession Receivables**

	Audited			
	At 31 December			**At 31 July**
	2020	**2021**	**2022**	**2023**
	RM	**RM**	**RM**	**RM**
Concession receivables				
- Non-current	5,012,801	8,982,505	12,384,444	11,301,866
- Current	1,070,181	1,511,586	2,138,263	2,228,967
	6,082,982	10,494,091	14,522,707	13,530,833

9. Concession Receivables (Cont'd)

	Audited			
	At 31 December			At 31 July
	2020	2021	2022	2023
	RM	RM	RM	RM
At 1 January	2,485,730	6,082,982	10,494,091	14,522,707
Concession fixed revenue (Note 25)	4,814,554	4,874,000	7,253,375	4,031,932
Concession construction revenue (Note 25)	4,110,323	5,650,349	5,838,037	-
Finance income (Note 25)	109,264	282,127	349,827	394,785
Receipts	(5,436,889)	(6,197,600)	(9,101,382)	(5,534,099)
Exchange differences	-	(197,767)	(311,241)	115,508
At 31 December	6,082,982	10,494,091	14,522,707	13,530,833

(a) On 5 January 2016, the Group has entered into an agreement to retrofit and provide cooling energy management services for a shopping mall and office building at Petaling Jaya, Selangor for the period of 15 years.

(b) On 16 December 2019, the Group has entered into an agreement to retrofit and provide cooling energy management services for chiller plants at a government hospital in Johor Bahru, and a government hospital at Muar, Johor for the period of 5 years.

(c) On 26 April 2021, the Group has entered into an agreement to retrofit and provide cooling energy management services for a commercial development in Bangkok, Thailand for the period of 15 years.

(d) On 15 August 2022, the Group has entered into an agreement to retrofit and provide cooling energy management services for a factory in Beranang, Selangor for the period of 5 years.

(e) On 18 August 2022, the Group has entered into an agreement to retrofit and provide cooling energy management services for another factory in Beranang, Selangor for the period of 5 years.

The above arrangement is within the scope of IC Interpretation 12*: Service Concession Agreement* under the financial assets model. The fair value of construction services is recognised as concession receivables.

10. Deferred Tax Assets/(Liabilities)

	Audited			
	At 31 December			At 31 July
	2020	2021	2022	2023
	RM	RM	RM	RM
At 1 January	(85,200)	(24,040)	(461,860)	(21,677)
Recognised in profit or loss (Note 28)	61,160	(437,820)	443,055	1,014
Exchange differences	-	-	(2,872)	-
At 31 December/ 31 July	(24,040)	(461,860)	(21,677)	(20,663)

The net deferred tax liabilities and assets shown on the combined statements of financial position after appropriate offsetting are as follows:

	Audited			
	At 31 December			At 31 July
	2020	2021	2022	2023
	RM	RM	RM	RM
Deferred tax liabilities	(24,040)	(478,207)	(21,677)	(20,663)
Deferred tax assets	-	16,347	-	-
	(24,040)	(461,860)	(21,677)	(20,663)

10. Deferred Tax Assets/(Liabilities) (Cont'd)

The components and movements of deferred tax liabilities and assets during the financial year/period are as follows:

Deferred tax liabilities

	Accelerated capital allowances RM	Others RM	Total RM
Audited			
31 December 2020			
At 1 January 2020	(85,200)	-	(85,200)
Recognised in profit or loss	(32,985)	-	(32,985)
Over provision in prior year	84,000	-	84,000
At 31 December 2020 (before offsetting)	(34,185)	-	(34,185)
Offsetting			10,145
At 31 December 2020 (after offsetting)			(24,040)
31 December 2021			
At 1 January 2021	(34,185)	-	(34,185)
Recognised in profit or loss	(272,658)	(440,995)	(713,653)
Under provision in prior year	(10,786)	-	(10,786)
At 31 December 2021 (before offsetting)	(317,629)	(440,995)	(758,624)
Offsetting			280,417
At 31 December 2021 (after offsetting)			(478,207)
31 December 2022			
At 1 January 2022	(317,629)	(440,995)	(758,624)
Recognised in profit or loss	28,920	443,867	472,787
Over provision in prior year	247,582	-	247,582
Exchange differences	-	(2,872)	(2,872)
At 31 December 2022 (before offsetting)	(41,127)	-	(41,127)
Offsetting			19,450
At 31 December 2022 (after offsetting)			(21,677)

10. Deferred Tax Assets/(Liabilities) (Cont'd)

The components and movements of deferred tax liabilities and assets during the financial year/period are as follows: (Cont'd)

Deferred tax liabilities (Cont'd)

	Accelerated capital allowances RM	Others RM	Total RM
Audited			
31 July 2023			
At 1 January 2023	(41,127)	-	(41,127)
Recognised in profit or loss	5,130	-	5,130
Under provision in prior year	(4,226)	-	(4,226)
At 31 July 2023 (before offsetting)	(40,223)	-	(40,223)
Offsetting			19,560
At 31 July 2023 (after offsetting)			(20,663)

10. **Deferred Tax Assets/(Liabilities) (Cont'd)**

The components and movements of deferred tax liabilities and assets during the financial year/period are as follows: (Cont'd)

<u>Deferred tax assets</u>

	Unutilised capital allowances RM	Unused tax losses RM	Right-of-use assets and lease liabilities RM	Others RM	Total RM
Audited					
31 December 2020					
At 1 January 2020	-	-	-	-	-
Recognised in profit or loss	6,052	182	3,200	-	9,434
Under provision in prior year	-	-	711	-	711
At 31 December 2020 (before offsetting)	6,052	182	3,911	-	10,145
Offsetting					(10,145)
At 31 December 2020 (after offsetting)					-
31 December 2021					
At 1 January 2021	6,052	182	3,911	-	10,145
Recognised in profit or loss	21,254	238,337	1,861	16,347	277,799
Under/(Over) provision in prior year	9,003	(182)	(1)	-	8,820
At 31 December 2021 (before offsetting)	36,309	238,337	5,771	16,347	296,764
Offsetting					(280,417)
At 31 December 2021 (after offsetting)					16,347

10. **Deferred Tax Assets/(Liabilities) (Cont'd)**

The components and movements of deferred tax liabilities and assets during the financial year/period are as follows: (Cont'd)

<u>Deferred tax assets</u> (Cont'd)

	Unutilised capital allowances RM	Unused tax losses RM	Right-of-use assets and lease liabilities RM	Others RM	Total RM
Audited					
31 December 2022					
At 1 January 2022	36,309	238,337	5,771	16,347	296,764
Recognised in profit or loss	(5,021)	156	(1,268)	(16,347)	(22,480)
(Over)/Under provision in prior year	(17,446)	(238,297)	909	-	(254,834)
At 31 December 2022 (before offsetting)	13,842	196	5,412	-	19,450
Offsetting					(19,450)
At 31 December 2022 (after offsetting)					-
31 July 2023					
At 1 January 2023	13,842	196	5,412	-	19,450
Recognised in profit or loss	9,836	(5,869)	(2,359)	-	1,608
(Over)/Under provision in prior year	(7,971)	5,673	800	-	(1,498)
At 31 July 2023 (before offsetting)	15,707	-	3,853	-	19,560
Offsetting					(19,560)
At 31 July 2023 (after offsetting)					-

10. **Deferred Tax Liabilities (Cont'd)**

Deferred tax assets have not been recognised in respect of the following items:

	Audited			
	At 31 December			At 31 July
	2020	2021	2022	2023
	RM	RM	RM	RM
Accelerated capital allowances	2,783	-	6,200	5,247
Unutilised capital allowances	734,048	1,193,037	109,622	120,810
Unused tax losses	24,299,773	26,114,501	23,787,165	21,061,302
Right-of-use assets and lease liabilities	2,770	-	-	-
	25,039,374	27,307,538	23,902,987	21,187,359

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiaries that have a recent history of losses.

For the Malaysian entities, pursuant to Section 8 of the Finance Act 2021 (Act 833) and the amendment to Section 44(5F) of the Income Tax Act 1967, effective from year of assessment 2019 onwards, the time limit on the carried forward unused tax losses has been extended to maximum of ten (10) consecutive years of assessment. Any unused tax losses accumulated up to the year of assessment 2018 can be carried forward for another ten (10) consecutive years of assessment (i.e.: from year of assessment 2019 to 2028) under the current tax legislation.

10. Deferred Tax Liabilities (Cont'd)

The unrecognised unused tax losses shall be disregarded after the end of the year of assessment as follows:

	Audited			
	At 31 December			At 31 July
	2020	2021	2022	2023
	RM	RM	RM	RM
2028	16,741,524	15,108,881	14,184,904	11,116,295
2029	999,244	999,244	987,220	987,220
2030	3,068,109	3,068,109	2,877,675	2,877,675
2031	249,446	2,093,276	596,027	605,824
2032	-	-	402,345	402,345
2033			-	733,999
Indefinite*	3,241,450	4,845,159	4,763,450	4,337,944
	24,299,773	26,114,669	23,811,621	21,061,302

* *The unused tax losses of foreign subsidiary can be carried forward indefinitely. The use of tax losses of the subsidiary in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiary operate.*

11. Inventories

	Audited			
	At 31 December			At 31 July
	2020	2021	2022	2023
	RM	RM	RM	RM
At cost				
Uniforms	-	-	-	57,828
Consumables	-	-	-	25,728
	-	-	-	83,556
Recognised in profit or loss				
Inventories recognised as cost of sales	-	-	-	319,685

12. Other Investments

	Audited			
	At 31 December			At 31 July
	2020	**2021**	**2022**	**2023**
	RM	**RM**	**RM**	**RM**
Current				
Financial assets measured at fair value through profit or loss				
Over the counter trust funds measured at fair value on recurring basis and classified as Level 1 of the fair value hierarchy	491,767	42,447	1,570	1,604

The fair value of the trust funds was determined by reference to the quoted prices provided by financial intermediaries.

13. Trade Receivables

	Audited			
	At 31 December			At 31 July
	2020	**2021**	**2022**	**2023**
	RM	**RM**	**RM**	**RM**
Trade receivables	16,151,279	17,358,040	16,808,975	20,771,111
Less: Accumulated impairment losses	(156,980)	(412,556)	(371,614)	(397,856)
	15,994,299	16,945,484	16,437,361	20,373,255

As at 31 July 2023, trade receivables are non-interest bearing and are generally on 15 to 90 days (31.12.2022: 15 to 90 days; 31.12.2021: 15 to 90 days; 31.12.2020: 15 to 90 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

13. **Trade Receivables (Cont'd)**

Movements in the allowance for impairment losses are as follows:

	Lifetime allowance RM	Credit impaired RM	Loss allowance RM
Audited			
31 December 2020			
At 1 January 2020	32,308	99,934	132,242
Acquisition of a subsidiary	4,920	-	4,920
Impairment losses recognised	23,823	-	23,823
Reversal of impairment losses	(2,475)	-	(2,475)
Amount written off	-	(1,530)	(1,530)
At 31 December 2020	58,576	98,404	156,980
31 December 2021			
At 1 January 2021	58,576	98,404	156,980
Impairment losses recognised	5,988	367,785	373,773
Reversal of impairment losses	(19,793)	(98,404)	(118,197)
At 31 December 2021	44,771	367,785	412,556
31 December 2022			
At 1 January 2022	44,771	367,785	412,556
Impairment losses recognised	73,763	13,735	87,498
Reversal of impairment losses	(114,705)	(10,025)	(124,730)
Amount written off	-	(3,710)	(3,710)
At 31 December 2022	3,829	367,785	371,614
31 July 2023			
At 1 January 2023	3,829	367,785	371,614
Impairment losses recognised	46,072	-	46,072
Reversal of impairment losses	-	(19,830)	(19,830)
At 31 July 2023	49,901	347,955	397,856

13. **Trade Receivables (Cont'd)**

The loss allowance account in respect of trade receivables is used to record loss allowance. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The ageing analysis of trade receivables at the end of the reporting period are as follows:

	Gross amount RM	Loss allowance RM	Net amount RM
Audited			
31 December 2020			
Not past due	5,867,100	(7,257)	5,859,843
Past due:			
Less than 30 days	6,544,489	(12,149)	6,532,340
31 to 60 days	627,199	(1,809)	625,390
61 to 90 days	1,175,297	(7,414)	1,167,883
More than 90 days	1,838,790	(29,947)	1,808,843
	10,185,775	(51,319)	10,134,456
Credit impaired			
Individually impaired	98,404	(98,404)	-
	16,151,279	(156,980)	15,994,299
31 December 2021			
Not past due	8,499,892	(10,495)	8,489,397
Past due:			
Less than 30 days	4,058,398	(9,648)	4,048,750
31 to 60 days	1,737,007	(5,050)	1,731,957
61 to 90 days	1,682,770	(7,806)	1,674,964
More than 90 days	1,012,188	(11,772)	1,000,416
	8,490,363	(34,276)	8,456,087
Credit impaired			
Individually impaired	367,785	(367,785)	-
	17,358,040	(412,556)	16,945,484

13. **Trade Receivables (Cont'd)**

The ageing analysis of trade receivables at the end of the reporting period are as follows: (Cont'd)

	Gross amount RM	Loss allowance RM	Net amount RM
Audited			
31 December 2022			
Not past due	9,419,410	(894)	9,418,516
Past due:			
Less than 30 days	4,046,305	(1,485)	4,044,820
31 to 60 days	1,342,993	(891)	1,342,102
61 to 90 days	516,564	(223)	516,341
More than 90 days	1,115,918	(336)	1,115,582
	7,021,780	(2,935)	7,018,845
Credit impaired			
Individually impaired	367,785	(367,785)	-
	16,808,975	(371,614)	16,437,361
31 July 2023			
Not past due	12,443,488	(12,007)	12,431,481
Past due:			
Less than 30 days	3,716,778	(4,342)	3,712,436
31 to 60 days	1,457,463	(5,111)	1,452,352
61 to 90 days	1,136,369	(7,451)	1,128,918
More than 90 days	1,669,058	(20,990)	1,648,068
	7,979,668	(37,894)	7,941,774
Credit impaired			
Individually impaired	347,955	(347,955)	-
	20,771,111	(397,856)	20,373,255

Trade receivables that are not past due and not individually impaired are creditworthy receivables with good payment records with the Group.

As at 31 July 2023, gross trade receivables of RM7,979,668 (31.12.20222: RM7,021,780; 31.12.2021: RM8,490,363; 31.12.2020: RM10,185,775) were past due but not individually impaired. These relate to a number of independent customers from whom there is no recent history of default.

13. **Trade Receivables (Cont'd)**

The Group assesses credit quality of the trade receivables on a collective basis by using ageing of past due days. As at 31 July 2023, the Group provided lifetime impairment losses of RM49,901 (31.12.2022: RM3,829; 31.12.2021: RM44,771; 31.12.2020: RM58,576) based on the customers' historical data as an assumption for possibility of default.

As at 31 July 2023, the trade receivables of the Group that are individually assessed to be impaired amounting to RM347,955 (31.12.2022: RM367,785; 31.12.2021: RM367,785; 31.12.2020: RM98,404), related to customers that are in financial difficulties and have defaulted on payments. These balances are expected to be recovered through the debts recovery process.

14. **Other Receivables**

	Audited			
	At 31 December			**At 31 July**
	2020	**2021**	**2022**	**2023**
	RM	**RM**	**RM**	**RM**
Other receivables				
- Third parties	243,784	354,824	489,638	920,774
- Related parties	287,184	194,089	-	-
	530,968	548,913	489,638	920,774
Amount due from Directors	42,206	-	-	-
Government grant receivable	590,309	46,280	98,220	106,631
Deposits	1,026,278	1,238,794	1,465,860	1,660,786
Prepayments	1,631,798	1,777,596	5,634,144	8,261,865
Goods and Services Tax receivable	11,249	11,249	11,249	11,249
	3,832,808	3,622,832	7,699,111	10,961,305

Related parties represent companies in which the Directors of the Group have financial interests. The amount due from related parties are unsecured, non-interest bearing and repayable on demand.

15. Contract Assets/(Liabilities)

		Audited			
		At 31 December			At 31 July
		2020	2021	2022	2023
	Note	RM	RM	RM	RM
Contract assets					
Construction contracts	(a)	2,517,818	8,719,958	4,872,031	17,990,793
Cleaning and maintenance services	(b)	298,513	107,939	57,937	4,292
Rendering of services	(c)	1,123,030	726,034	2,440,443	3,315,087
		3,939,361	9,553,931	7,370,411	21,310,172
Less: Accumulated impairment losses		-	-	-	(65,649)
		3,939,361	9,553,931	7,370,411	21,244,523
Contract liabilities					
Construction contracts	(a)	60	78,620	357,431	46,903
Deferred revenue	(d)	-	69,621	-	16,621
		60	148,241	357,431	63,524

Movements in the allowance for impairment losses are as follows:

	Lifetime allowance RM
Audited	
31 July 2023	
At 1 January 2023	-
Impairment losses recognised	65,649
At 31 July 2023	65,649

15. **Contract Assets/(Liabilities) (Cont'd)**

(a) Construction contracts

	Audited			
	At 31 December			At 31 July
	2020	**2021**	**2022**	**2023**
	RM	**RM**	**RM**	**RM**
Contract costs incurred todate	85,116,950	56,259,682	69,990,564	70,500,628
Attributable profits	13,424,167	9,430,690	11,840,516	13,049,593
	98,541,117	65,690,372	81,831,080	83,550,221
Less: Progress billings	(96,023,359)	(57,049,034)	(77,316,480)	(65,606,331)
Less: Accumulated impairment losses	-	-	-	(63,812)
	2,517,758	8,641,338	4,514,600	17,880,078
Presented as:				
Contract assets	2,517,818	8,719,958	4,872,031	17,926,981
Contract liabilities	(60)	(78,620)	(357,431)	(46,903)
	2,517,758	8,641,338	4,514,600	17,880,078

The contract assets primarily relate to the Group's rights to consideration for work performed but not yet billed at the reporting date for its construction activities. The contract assets will be transferred to trade receivables when the rights become unconditional.

The contract liabilities primarily relate to the advance consideration received from customer for construction contract, which revenue is recognised over time during the construction activities.

(b) Cleaning and maintenance services

Contract assets relate to revenue earned from cleaning and maintenance services which is conditional on successful rendering of service, upon completion of acceptance by the customers. Contract assets are reclassified to trade receivables when customers' acceptance is received and invoice is issued.

15. **Contract Assets/(Liabilities) (Cont'd)**

(c) Rendering of services

	Audited			
	At 31 December			At 31 July
	2020	2021	2022	2023
	RM	RM	RM	RM
Rendering of services	1,123,030	726,034	2,440,443	3,315,087
Less: Accumulated impairment losses	-	-	-	1,837
	1,123,030	726,034	2,440,443	3,316,924

The contract assets relate to the Group's rights to consideration for work performed but not yet billed at the reporting date for its services rendered. The contract assets will be transferred to trade receivables when the rights become unconditional.

(d) Deferred revenue

Deferred revenue represents advance consideration received (or an amount of consideration is due) from the customer in respect of services which are yet to be provided. The deferred revenue will be recognised as revenue when the related services is rendered.

Included in the contract costs for the financial year/period are as follows:

	Audited				
	At 31 December			FPE 31 July	
	2020	2021	2022	2022	2023
	RM	RM	RM	RM	RM
Staff costs (Note 31)	561,596	392,361	251,608	120,925	675,568

15. **Contract Assets/(Liabilities) (Cont'd)**

Contract value yet to be recognised as revenue

The followings table shows the revenue expected to be recognised in the future relating to performance obligations that were unsatisfied (or partially satisfied) at the reporting date. The Group expects to recognise this revenue over the next 12 to 24 months.

	Audited				
	FYE 31 December			**FPE 31 July**	
	2020	**2021**	**2022**	**2022**	**2023**
	RM	**RM**	**RM**	**RM**	**RM**
Construction contracts	9,215,952	18,923,220	29,666,087	24,846,696	36,584,658

16. **Amount Due from Associates**

		Audited			
		At 31 December			**At 31 July**
		2020	**2021**	**2022**	**2023**
	Note	**RM**	**RM**	**RM**	**RM**
Amount due from associates	(i)	3,083,184	3,561,045	3,715,350	3,646,238
Amount due to associates	(ii)	(194,232)	(221,477)	(317,544)	(200,800)
		2,888,952	3,339,568	3,397,806	3,445,438

(i) This represents unsecured, non-interest bearing advances and repayable on demand except for:

(1) As at 31 July 2023, an amount of RM777,896 (31.12.2022: RM777,896; 31.12.2021: RMNil; 31.12.2020: RMNil) represents advances to associates which bear interest at a rate of 7.25% (31.12.2022: 4.33%; 31.12.2021: Nil; 31.12.2020: Nil) per annum at the reporting date.

(2) As at 31 July 2023, an amount of RM381,616 (31.12.2022: RM559,095; 31.12.2021: RM364,346; 31.12.2020: RM554,139) represents trade transactions which generally on 30 days (31.12.2022: 30 days; 31.12.2021: 30 days; 31.12.2020: 30 days) term.

16. **Amount Due from Associates (Cont'd)**

(ii) This represents unsecured, non-interest bearing advances and repayable on demand except for:

(1) As at 31 July 2023, an amount of RM128,922 (31.12.2022: RM128,922; 31.12.2021: RMNil; 31.12.2020: RMNil) represents advances from associates which bear interest at a rate of 0.75% (31.12.2022: 0.75%; 31.12.2021: Nil; 31.12.2020: Nil) per annum at the reporting date.

(2) As at 31 July 2023, an amount of RM71,878 (31.12.2021: RM188,622; 31.12.2021: RM92,555; 31.12.2020: RM194,232) represents trade transactions which generally on 30 days (31.12.2022: 30 days; 31.12.2021: 30 days; 31.12.2020: 30 days) term.

17. **Deposits, Bank and Cash Balances**

	Audited			
	At 31 December			**At 31 July**
	2020	**2021**	**2022**	**2023**
	RM	**RM**	**RM**	**RM**
Cash and bank balances	7,151,446	9,910,592	7,812,716	6,783,699
Fixed deposit with a licensed bank	2,141,537	2,193,245	2,234,152	2,262,635
Total deposits, bank and cash balances	9,292,983	12,103,837	10,046,868	9,046,334

As at 31 July 2023, the interest rates and maturities of deposits of the Group at the reporting date is 2.75% (31.12.2022: 1.75%; 31.12.2021: 2.08%; 31.12.2020: 3.22%) per annum and 365 days (31.12.2022: 365 days; 31.12.2021: 365 days; 31.12.2020: 365 days).

The fixed deposit of the Group is pledged as security to a licensed bank for banking facilities granted to the Group as disclosed in Note 20(a).

18. Share Capital and Invested Equity

(i) Share capital

	Audited							
	At 31 December						At 31 July	
	Number of shares 2020 Units	Amount 2020 RM	Number of shares 2021 Units	Amount 2021 RM	Number of shares 2022 Units	Amount 2022 RM	Number of shares 2023 RM	Amount 2023 RM
Issued and fully paid with no par value:								
At 1 January/ date of incorporation	-	-	-	-	2	2	100	100
Issuance of ordinary shares	-	-	-	-	98	98	-	-
At 31 December/ 31 July	-	-	-	-	100	100	100	100

18. **Share Capital and Invested Equity (Cont'd)**

(ii) Invested equity

	Audited							
	At 31 December						At 31 July	
	Number of shares 2020 Units	**Amount 2020 RM**	**Number of shares 2021 Units**	**Amount 2021 RM**	**Number of shares 2022 Units**	**Amount 2022 RM**	**Number of shares 2023 Units**	**Amount 2023 RM**
Issued and fully paid with no par value:								
At 1 January	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000
Issuance of ordinary shares	-	-	-	-	-	-	58,000	6,139,880
At 31 December/ 31 July	750,000	750,000	750,000	750,000	750,000	750,000	808,000	6,889,880

During the financial period ended 31 July 2023, the Company increased its issued and paid-up share capital from 750,000 to 808,000 ordinary shares by way of issuance of 58,000 new ordinary shares at an issue price of RM105.86 each per share for a total cash consideration of RM6,139,880.

The new ordinary shares issued during the financial period rank pari passu in all respects with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

19. Reserves

		Audited			
		At 31 December			At 31 July
		2020	2021	2022	2023
	Note	RM	RM	RM	RM
Non-distributable					
Foreign currency translation reserve	(a)	(36,508)	(9,078)	187,223	390,404
Other reserve	(b)	-	-	75,536	75,536
		(36,508)	(9,078)	262,759	465,940

(a) Foreign currency translation reserve

Foreign currency translation reserve represents the exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's presentation currency.

(b) Other reserve

Other reserve represents the difference between the Group's share of net assets before and after the acquisition of equity interest from its non-controlling interests, and any consideration paid.

20. **Bank Borrowings**

	Audited			
	At 31 December			At 31 July
	2020	2021	2022	2023
	RM	RM	RM	RM
Secured				
Fixed rate:				
Term loan II	50,000	45,381	35,910	30,246
Floating rates:				
Bank overdraft	-	-	-	2,855
Term loan I	2,009,031	1,713,791	1,384,737	1,149,155
Term loan III	-	2,541,019	3,028,629	2,887,101
	2,009,031	4,254,810	4,413,366	4,039,111
	2,059,031	4,300,191	4,449,276	4,069,357
Presented as:				
Non-current	1,670,902	3,665,804	3,600,929	3,176,936
Current	388,129	634,387	848,347	892,421
	2,059,031	4,300,191	4,449,276	4,069,357

Maturities of bank borrowings are as follows:

	Audited			
	At 31 December			At 31 July
	2020	2021	2022	2023
	RM	RM	RM	RM
Within one year	388,129	634,387	848,347	892,421
More than one year and less than two years	417,052	1,342,568	894,203	935,789
More than two years and less than five years	1,248,472	2,323,236	1,964,046	1,767,485
More than five years	5,378	-	742,680	473,662
	2,059,031	4,300,191	4,449,276	4,069,357

20. **Bank Borrowings (Cont'd)**

Term loan I is repayable by one hundred and one (101) equal instalments of RM41,288 upon the full drawdown of principal amounting to RM2,990,000.

Term loan II is repayable by sixty (60) equal instalments of RM910 upon the full drawdown of principal amounting to RM50,000.

Term loan III is repayable by one hundred and one (101) equal instalments of RM43,015 upon the full drawdown of principal amounting to RM3,241,056.

The term loans are secured by the followings:

(a) Fixed deposits pledged with a licensed bank as disclosed in Note 17;

(b) Deed of assignment of proceeds between the Group and a customer in respect of the monthly capital expenditure repayment and the comprehensive operation and maintenance payment derived from a project as disclosed in Note 9(a);

(c) Deed of assignment of proceeds between the Group and a customer for the finance, design, retrofit, testing, commissioning, operation and maintenance of the chiller plant derived from a project as disclosed in Note 9(c);

(d) Joint and several guarantee by certain Directors of the Company; and

(e) Corporate guarantee by a company which a substantial shareholder of a subsidiary has financial interest.

The range of effective interest rates per annum at the end of the reporting period are as follows:

	Audited			
	At 31 December			**At 31 July**
	2020	**2021**	**2022**	**2023**
	%	**%**	**%**	**%**
Bank overdraft	-	-	-	7.33
Term loans	3.50 - 6.10	3.50 - 6.10	3.08 - 6.60	3.50 - 7.35

21. Lease Liabilities

	Audited			
	At 31 December			At 31 July
	2020	2021	2022	2023
	RM	RM	RM	RM
At 1 January	1,381,908	1,232,556	975,458	939,003
Acquisition of a subsidiary	56,104	-	-	-
Additions	471,560	497,438	410,604	201,025
Rent concessions related to Covid-19	(11,975)	-	-	-
Payments	(744,978)	(823,690)	(751,918)	(519,698)
Accretion of interest	79,937	69,154	58,868	31,230
Modification of lease contracts	-	-	245,991	45,560
At 31 December/ 31 July	1,232,556	975,458	939,003	697,120
Presented as:				
Non-current	580,129	440,033	308,580	337,117
Current	652,427	535,425	630,423	360,003
	1,232,556	975,458	939,003	697,120

21. **Lease Liabilities (Cont'd)**

The maturity analysis of lease liabilities of the Group at the end of the reporting period are as follows:

	Audited			
	At 31 December			At 31 July
	2020	2021	2022	2023
	RM	RM	RM	RM
Within one year	710,076	589,301	666,716	390,947
More than one year and less than two years	341,729	354,183	145,783	186,236
More than two years and less than five years	275,316	109,341	189,676	177,573
After five years	5,490	-	-	-
	1,332,611	1,052,825	1,002,175	754,756
Less: Future charges	(100,055)	(77,367)	(63,172)	(57,636)
Present value of lease liabilities	1,232,556	975,458	939,003	697,120

The Group leases various buildings and motor vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

As at 31 July 2023, the interest rates applied to lease liabilities of the Group at the reporting date range from 2.46% to 7.60% (31.12.2022: 2.45% to 7.60%; 31.12.2021: 2.45% to 7.60%; 31.12.2020: 2.46% to 7.60%).

22. **Employee Benefit Obligations**

The retirement of employee and other long-term employee benefits are recognised based on the best estimation at the reporting date.

Movements of defined benefit obligations of the Group are as follows:

	Audited			
	At 31 December			At 31 July
	2020	2021	2022	2023
	RM	RM	RM	RM
At 1 January	-	-	5,344	162,880
Recognised in profit or loss	-	5,535	155,317	(133,110)
Exchange differences	-	(191)	2,219	4,266
At 31 December/ 31 July	-	5,344	162,880	34,036

The subsidiary in Thailand operates an unfunded defined benefit retirement benefit scheme for its employees based on the provisions of Section 118, Chapter 11 of the Thai Labor Protection Act 1998 (Revised 2019) and Retirement Pension Plan. The independent actuarial report is dated 9 February 2023.

The principal actuarial assumptions at the end of the reporting period are as follows:

	Audited	
	At 31 December	At 31 July
	2022	2023
Discount rate at 31 December/31 July	2.73%	2.73%
Expected rate of salary increases	5.00%	5.00%
Normal retirement age	55 years	55 years

22. Employee Benefit Obligations (Cont'd)

Sensitivity analysis

The effect of changes in the principal actuarial assumptions on the present value of unfunded obligations of the Group are as follows:

	+1% RM	-1% RM
31 December 2022		
(Decrease)/Increase of present value of unfunded obligation		
- Discount rate	(14,896)	16,568
- Salary growth rate	15,859	(14,565)
- Turnover rate	(15,470)	15
- Life expectancy	395	(394)
31 July 2023		
(Decrease)/Increase of present value of unfunded obligation		
- Discount rate	(2,827)	3,120
- Salary growth rate	3,297	(3,025)
- Turnover rate	(2,950)	37
- Life expectancy	88	(88)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

23. Trade Payables

	Audited			
	At 31 December			At 31 July
	2020	2021	2022	2023
	RM	RM	RM	RM
Trade payables				
- Third parties	9,636,822	10,397,937	10,795,074	13,229,788
- Related parties	4,300	129,941	176,232	367,079
	9,641,122	10,527,878	10,971,306	13,596,867

Related parties represent companies in which certain substantial shareholder of certain subsidiaries have financial interest. As at 31 July 2023, the amount due to related parties are unsecured, non-interest bearing and subject to trade credit term of 30 days (31.12.2022: 30 days; 31.12.2021: 30 days; 31.12.2020: 30 days).

As at 31 July 2023, the normal trade credit terms granted to the Group range from 7 to 90 days (31.12.2022: 7 to 90 days; 31.12.2021: 7 to 90 days; 31.12.2020: 7 to 90 days) depending on the terms of contracts.

24. Other Payables

	Audited			
	At 31 December			At 31 July
	2020	2021	2022	2023
	RM	RM	RM	RM
Other payables				
- Third parties	1,552,968	1,002,145	1,786,744	2,695,231
- Related parties	-	14,481	628,457	1,435,516
	1,552,968	1,016,626	2,415,201	4,130,747
Amount due to Directors	522,641	888,194	1,570,580	1,822,936
Accruals	9,192,671	14,202,600	7,516,382	13,013,543
Goods and Services Tax payable	323,257	327,511	352,498	630,917
	11,591,537	16,434,931	11,854,661	19,598,143

24. **Other Payables (Cont'd)**

Related parties represent companies which a substantial shareholder of a subsidiary have financial interest. The amount due from related parties are unsecured, non-interest bearing and repayable on demand.

The amount due to Directors are unsecured, non-interest bearing and repayable on demand.

25. **Revenue**

	Audited				
	FYE 31 December			FPE 31 July	
	2020	2021	2022	2022	2023
	RM	RM	RM	RM	RM
Revenue from contracts with customers					
Services					
- Chilled water supply	8,618,835	7,416,316	8,980,367	5,976,692	5,838,157
- Operations and maintenance	14,321,492	17,355,510	22,485,252	13,517,428	11,441,096
Construction contract income	21,020,502	26,395,973	13,733,659	6,718,264	21,989,120
Revenue from retrofit of cooling energy systems	4,110,323	5,650,349	5,838,037	2,599,377	-
Concession revenue	4,814,554	4,874,000	7,253,375	3,258,701	4,031,932
Cleaning contract services	20,761,847	23,310,328	35,797,213	17,826,978	28,072,321
	73,647,553	85,002,476	94,087,903	49,897,440	71,372,626
Revenue from other source					
Finance income on concession of financial assets	109,264	282,127	349,827	195,073	394,785
	73,756,817	85,284,603	94,437,730	50,092,513	71,767,411

25. Revenue (Cont'd)

	Audited				
	FYE 31 December			FPE 31 July	
	2020	2021	2022	2022	2023
	RM	RM	RM	RM	RM
Timing of revenue recognition					
At a point in time	726,868	1,708,860	3,658,307	1,968,662	2,195,285
Over time	72,920,685	83,293,616	90,429,596	47,928,778	69,177,341
Total revenue from contracts with customers	73,647,553	85,002,476	94,087,903	49,897,440	71,372,626

25. **Revenue (Cont'd)**

The following table is disaggregation of the Group's revenue from contracts with customers:

	Cooling energy RM	Cleaning services RM	Facilities management RM	Total RM
Group				
FYE 31 December 2020				
Revenue				
Services				
- Chilled water supply	8,618,835	-	-	8,618,835
- Operations and maintenance	6,630,184	-	7,691,308	14,321,492
Construction contract income	21,020,502	-	-	21,020,502
Revenue from retrofit of cooling energy systems	4,110,323	-	-	4,110,323
Concession revenue	4,814,554	-	-	4,814,554
Cleaning contract services	-	20,761,847	-	20,761,847
	45,194,398	20,761,847	7,691,308	73,647,553
Geographical market				
Malaysia	45,194,398	878,057	7,691,308	53,763,763
Singapore	-	19,883,790	-	19,883,790
	45,194,398	20,761,847	7,691,308	73,647,553

25. **Revenue (Cont'd)**

	Cooling energy RM	Cleaning services RM	Facilities management RM	Building construction RM	Total RM
Group					
FYE 31 December 2021					
Revenue					
Services					
- Chilled water supply	7,416,316	-	-	-	7,416,316
- Operations and maintenance	6,821,566	-	10,533,944	-	17,355,510
Construction contract income	16,496,315	-	-	9,899,658	26,395,973
Revenue from retrofit of cooling energy systems	5,650,349	-	-	-	5,650,349
Concession revenue	4,874,000	-	-	-	4,874,000
Cleaning contract services	-	23,310,328	-	-	23,310,328
	41,258,546	23,310,328	10,533,944	9,899,658	85,002,476
Geographical market					
Malaysia	35,527,744	4,884,169	10,533,944	9,899,658	60,845,515
Singapore	-	18,426,159	-	-	18,426,159
Thailand	5,730,802	-	-	-	5,730,802
	41,258,546	23,310,328	10,533,944	9,899,658	85,002,476

25. **Revenue (Cont'd)**

The following table is disaggregation of the Group's revenue from contracts with customers: (Cont'd)

	Cooling energy RM	Cleaning services RM	Facilities management RM	Total RM
Group				
FYE 31 December 2022				
Revenue				
Services				
- Chilled water supply	8,980,367	-	-	8,980,367
- Operations and maintenance	7,594,316	-	14,890,936	22,485,252
Construction contract income	13,733,659	-	-	13,733,659
Revenue from retrofit of cooling energy systems	5,838,037	-	-	5,838,037
Concession revenue	7,253,375	-	-	7,253,375
Cleaning contract services	-	35,797,213	-	35,797,213
	43,399,754	35,797,213	14,890,936	94,087,903
Geographical market				
Malaysia	38,995,316	16,904,487	14,890,936	70,790,739
Singapore	-	18,892,726	-	18,892,726
Thailand	4,404,438	-	-	4,404,438
	43,399,754	35,797,213	14,890,936	94,087,903

25. **Revenue (Cont'd)**

The following table is disaggregation of the Group's revenue from contracts with customers: (Cont'd)

	Cooling energy RM	Cleaning services RM	Facilities management RM	Total RM
Group				
FPE 31 July 2022				
Revenue				
Services				
- Chilled water supply	5,976,692	-	-	5,976,692
- Operations and maintenance	5,153,814	-	8,363,614	13,517,428
Construction contract income	6,718,264	-	-	6,718,264
Revenue from retrofit of cooling energy systems	2,599,377	-	-	2,599,377
Concession revenue	3,258,701	-	-	3,258,701
Cleaning contract services	-	17,826,978	-	17,826,978
	23,706,848	17,826,978	8,363,614	49,897,440
Geographical market				
Malaysia	20,218,701	7,053,805	8,363,614	35,636,120
Singapore	-	10,773,173	-	10,773,173
Thailand	3,488,147	-	-	3,488,147
	23,706,848	17,826,978	8,363,614	49,897,440

25. **Revenue (Cont'd)**

The following table is disaggregation of the Group's revenue from contracts with customers: (Cont'd)

	Cooling energy RM	Cleaning services RM	Facilities management RM	Total RM
Group				
FPE 31 July 2023				
Revenue				
Services				
- Chilled water supply	5,838,157	-	-	5,838,157
- Operations and maintenance	3,781,244	-	7,659,852	11,441,096
Construction contract income	21,989,120	-	-	21,989,120
Concession revenue	4,031,932	-	-	4,031,932
Cleaning contract services	-	28,072,321	-	28,072,321
	35,640,453	28,072,321	7,659,852	71,372,626
Geographical market				
Malaysia	34,220,838	14,231,710	7,659,852	56,112,400
Singapore	-	13,840,611	-	13,840,611
Thailand	1,419,615	-	-	1,419,615
	35,640,453	28,072,321	7,659,852	71,372,626

26. Finance Costs

	Audited				
	FYE 31 December			FPE 31 July	
	2020	2021	2022	2022	2023
	RM	RM	RM	RM	RM
Interest expenses on:					
Advances from an associate	-	-	3,591	-	570
Advances from a shareholder	-	-	4,616	570	11,615
Term loans	132,096	104,095	186,592	102,817	128,749
Lease liabilities	79,937	69,154	58,868	33,353	31,230
	212,033	173,249	253,667	136,740	172,164
Less: Amount presented under cost of sales	-	(1,818)	(6,988)	(3,072)	(4,328)
	212,033	171,431	246,679	133,668	167,836

27. Profit before Tax

Profit before tax is arrived after charging/(crediting):

	Audited				
	FYE 31 December			FPE 31 July	
	2020	2021	2022	2022	2023
	RM	RM	RM	RM	RM
Auditors' remuneration					
- Statutory	105,066	136,780	174,363	83,287	120,162
- Under provision in prior years	2,700	-	-	-	-
- Non-statutory	-	-	52,707	167,542	-
Deposit forfeited	3,000	-	-	-	-
Depreciation of:					
- investment properties	-	9,364	11,236	6,554	3,628
- property, plant and equipment	542,527	521,876	636,350	382,673	341,190
- right-of-use assets	816,342	661,237	717,007	390,480	476,361
Impairment losses on:					
- investment properties	-	171,780	-	-	-
- trade receivables	23,823	373,773	87,498	103,551	46,072
- contract assets	-	-	-	-	65,649

27. Profit before Tax (Cont'd)

Profit before tax is arrived after charging/(crediting): (Cont'd)

	Audited				
	FYE 31 December			FPE 31 July	
	2020	2021	2022	2022	2023
	RM	RM	RM	RM	RM
Incorporation fee	-	-	7,360	7,360	-
Lease expenses relating to:					
- low value assets	675	900	900	-	4,624
- short-term leases	137,291	412,984	1,071,802	579,217	723,936
Loss/(Gain) on foreign exchange:					
- Realised	28	16,247	23,327	10,945	20,504
- Unrealised	576	(1,123)	(1,857)	(41)	(31,689)
Non-Executive Directors' remuneration					
- Fees	-	-	10,667	-	56,000
Property, plant and equipment written off	184,720	617	-	-	1,613
Provision for/(Reversal of) employee benefits	-	5,535	155,317	34,884	(133,110)
Dividend income from financial assets measured at fair value through profit or loss	(4,892)	(2,732)	(90)	(89)	(4)
Fair value loss/(gain) on revaluation of financial assets measured at fair value through profit or loss	14	(518)	(1,006)	(989)	(30)
Gain on disposal of property, plant and equipment	(570)	-	(11,948)	-	-
Gain on modification of lease contracts	(1,073)	-	-	-	-
Income from rent concessions	(11,975)	-	-	-	-
Interest income:					
- Licensed banks	(144,305)	(99,688)	(90,065)	(62,610)	(70,572)
- Advances to an associate	-	-	(40,220)	-	(32,905)

27. Profit before Tax (Cont'd)

Profit before tax is arrived after charging/(crediting): (Cont'd)

	Audited				
	FYE 31 December			FPE 31 July	
	2020	2021	2022	2022	2023
	RM	RM	RM	RM	RM
Reversal of impairment losses on trade receivables	(2,475)	(118,197)	(124,730)	(88)	(19,830)
Waiver of debt income	(1,022,000)	-	-	-	-

28. Taxation

	Audited				
	FYE 31 December			FPE 31 July	
	2020	2021	2022	2022	2023
	RM	RM	RM	RM	RM
Tax expenses recognised in profit or loss					
Current tax provision	1,389,421	1,094,863	2,000,949	1,238,967	550,890
(Over)/Under provision in prior years	(11,613)	8,068	7,075	7,075	327,725
	1,377,808	1,102,931	2,008,024	1,246,042	878,615
Deferred tax (Note 10)					
Relating to origination and reversal of temporary differences	23,551	435,854	(450,307)	(444,539)	(6,738)
(Over)/Under provision in prior years	(84,711)	1,966	7,252	6,552	5,724
	(61,160)	437,820	(443,055)	(437,987)	(1,014)
Tax expenses for the financial year/period	1,316,648	1,540,751	1,564,969	808,055	877,601

28. Taxation (Cont'd)

For the financial period ended 31 July 2023, Malaysian income tax is calculated at the statutory tax rate of 24% (31.12.2022: 24%; 31.12.2021: 24%; 31.12.2020: 24%) of the estimated assessable profits for the financial year/period. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expenses applicable to profit before tax at the statutory income tax rate at the effective income tax rate of the Group is as follows:

	Audited				
	FYE 31 December			FPE 31 July	
	2020 RM	2021 RM	2022 RM	2022 RM	2023 RM
Profit before tax	6,603,670	7,523,136	8,720,668	3,331,765	4,677,775
At Malaysian statutory tax rate of 24% (31.12.2022: 24%; 31.7.2022: 24%; 31.12.2021: 24%; 31.12.2020: 24%)	1,584,881	1,805,553	2,092,960	799,624	1,122,666
Effects of different tax rates in other jurisdictions	(162,233)	(141,814)	3,576	(34,794)	-
Income not subject to tax	(773,780)	(217,862)	(183,589)	(305,287)	(11,448)
Expenses not deductible for tax purposes	273,910	590,875	370,548	206,000	84,685
Deferred tax assets not recognised	496,246	85,352	144,468	363,086	184,665
Utilisation of previously unrecognised deferred tax assets	(6,052)	(591,387)	(877,321)	(234,201)	(836,416)
(Over)/Under provision of income tax in prior years	(11,613)	8,068	7,075	7,075	327,725
(Over)/Under provision of deferred tax in prior years	(84,711)	1,966	7,252	6,552	5,724
Tax expenses for the financial year/period	1,316,648	1,540,751	1,564,969	808,055	877,601

28. **Taxation (Cont'd)**

The Group has estimated unutilised capital allowances and unused tax losses carry forward, available for offset against future taxable profits as follows:

	Audited			
	At 31 December			At 31 July
	2020	2021	2022	2023
	RM	RM	RM	RM
Unutilised capital allowances	796,779	1,271,633	134,083	186,255
Unused tax losses	24,299,773	26,114,669	23,811,621	21,061,302
	25,096,552	27,386,302	23,945,704	21,247,557

29. Earnings per Share

(a) Basic earnings per share

The basic earnings per share are calculated based on the profit for the financial year/period attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year/period as follows:

	Audited				
	FYE 31 December			FPE 31 July	
	2020	2021	2022	2022	2023
Profit for the financial year, attributable to owners of the parent (RM)	5,392,149	5,909,842	6,865,977	1,722,541	4,296,938
Weighted average number of ordinary shares in issue (units):					
Issued ordinary shares at 1 January	750,000	750,000	750,000	750,000	750,100
Effect of ordinary shares issued during the financial year/period	-	-	100	2	26,389
Weighted average number of ordinary shares at 31 December/ 31 July	750,000	750,000	750,100	750,002	776,489
Basic earnings per ordinary shares (sen)	7.19	7.88	9.15	2.30	5.53

29. **Earnings per Share (Cont'd)**

(b) Diluted earnings per share

Diluted earnings per ordinary share equals basic earnings per ordinary share because there are no potentially dilutive instruments in existence as at the end of each reporting period.

30. **Dividends**

	Audited			
	At 31 December			**At 31 July**
	2020	**2021**	**2022**	**2023**
	RM	**RM**	**RM**	**RM**
In respect of the financial year ended 31 December 2020				
A single-tier first interim dividend of RM1.33333 per ordinary share on 750,000 ordinary shares	1,000,000	-	-	-

The Directors do not recommend the payment of any dividend in respect of FYE 31 December 2021, FYE 31 December 2022 and FPE 31 July 2023.

31. Staff Costs

	Audited				
	FYE 31 December			FPE 31 July	
	2020	2021	2022	2022	2023
	RM	RM	RM	RM	RM
Fees	240,000	240,000	240,000	140,000	80,000
Salaries, wages and other emoluments	27,576,312	28,639,190	33,507,003	20,297,472	26,062,036
Defined contribution plans	2,113,532	2,501,359	2,947,186	1,660,987	2,018,758
Social security contributions	140,477	171,490	224,353	121,941	188,092
Employment insurance scheme	11,537	15,401	18,359	11,278	14,009
Provision for/ (Reversal of) employee benefits	-	5,535	155,317	34,884	(133,110)
Other staff related expenses	295,426	173,499	162,623	99,468	140,215
Total staff costs	30,377,284	31,746,474	37,254,841	22,366,030	28,370,000
Less: Amount capitalised under construction contracts (Note 15)	(561,596)	(392,361)	(251,608)	(120,925)	(675,568)
Less: Amount presented under cost of sales	(21,706,820)	(21,212,754)	(25,555,197)	(15,097,124)	(18,615,376)
	8,108,868	10,141,359	11,448,036	7,147,981	9,079,056

31. **Staff Costs (Cont'd)**

Included in the staff costs is aggregate amount of remuneration received by the Directors of the Company and of the subsidiaries during the financial year/period as below:

	Audited				
	FYE 31 December			FPE 31 July	
	2020	2021	2022	2022	2023
	RM	RM	RM	RM	RM
Executive Directors					
Company's Directors					
- fees	240,000	240,000	240,000	140,000	80,000
- salaries and other emoluments	1,462,533	1,336,638	1,243,167	849,322	845,000
- defined contribution plans	161,424	161,280	161,280	94,080	101,280
- social security contributions	1,657	1,657	1,798	967	1,213
- employment insurance scheme	190	190	206	111	139
- other employee benefits	-	9,921	5,074	2,793	4,083
	1,865,804	1,749,686	1,651,525	1,087,273	1,031,715
Subsidiaries' Directors					
- salaries and other emoluments	116,250	1,015,000	1,337,930	716,690	1,177,203
- defined contribution plans	13,950	121,800	160,552	81,900	137,556
- social security contributions	414	2,270	2,564	1,312	1,931
- employment insurance scheme	48	237	206	110	128
	130,662	1,139,307	1,501,252	800,012	1,316,818

During the financial period ended 31 July 2023, the Group's Directors' remuneration does not include the estimated monetary value of benefits-in-kind amounting to RM15,400 (FYE 31 December 2022: RM26,650; FPE 31 July 2022: RM15,400; FYE 31 December 2021: RM47,900; FYE 31 December 2020: RM47,900) respectively.

32. **Reconciliation of Liabilities Arising from Financing Activities**

The table below show the details changes in the liabilities of the Group arising from financing activities, including both cash and non-cash changes:

	Note	At 1 January RM	Financing cash flows (i) RM	New leases [Note 5(b)] RM	Other changes (ii) RM	At 31 December/ 31 July RM
Audited						
31 December 2020						
Bank borrowings	20	2,124,662	(65,631)	-	-	2,059,031
Lease liabilities	21	1,381,908	(665,041)	471,560	44,129	1,232,556
		3,506,570	(730,672)	471,560	44,129	3,291,587
31 December 2021						
Bank borrowings	20	2,059,031	2,241,160	-	-	4,300,191
Lease liabilities	21	1,232,556	(754,536)	497,438	-	975,458
		3,291,587	1,486,624	497,438	-	5,275,649
31 December 2022						
Bank borrowings	20	4,300,191	149,085	-	-	4,449,276
Lease liabilities	21	975,458	(693,050)	410,604	245,991	939,003
		5,275,649	(543,965)	410,604	245,991	5,388,279
31 July 2023						
Bank borrowings	20	4,449,276	(382,774)	-	-	4,066,502
Lease liabilities	21	939,003	(488,468)	201,025	45,560	697,120
		5,388,279	(871,242)	201,025	45,560	4,763,622

32. Reconciliation of Liabilities Arising from Financing Activities (Cont'd)

(i) The financing cash flows include net drawdown/repayments of term loans and payment of lease liabilities in the statements of cash flows.

(ii) Other changes include lease liabilities arising from acquisition of a subsidiary, income from rent concessions and modification of lease contracts.

33. Related Party Disclosures

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group and/or if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

33. **Related Party Disclosures (Cont'd)**

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the significant related party transactions of the Group are as follows:

	Audited				
	FYE 31 December			**FPE 31 July**	
	2020	**2021**	**2022**	**2022**	**2023**
	RM	**RM**	**RM**	**RM**	**RM**
Transactions with associates:					
Disposal of property, plant and equipment	14,557	-	-	-	-
Income					
Sales	-	2,027,034	2,738,035	1,363,997	1,314,755
Management fee received/ receivable	-	24,000	24,000	14,000	14,000
Interest received/ receivable	-	-	40,220	-	32,905
Expenses					
Purchases	-	1,110,785	1,534,382	746,320	522,220
Interest paid/ payable	-	-	3,591	-	570
Transactions with related parties:					
Income					
Sales	1,511,345	1,324,776	992,402	992,402	-
Expenses					
Purchases	1,049,468	1,225,389	1,022,496	763,963	340,994
Administrative expenses paid/ payable	-	18,202	59,491	7,500	29,457
Interest paid/ payable	-	840	4,616	570	11,615
Rental paid/ payable	-	-	-	-	9,600

33. Related Party Disclosures (Cont'd)

(b) Significant related party transactions (Cont'd)

The nature and relationship between the Group with the related parties are as follows:

(i) a person who has financial interest in the Company;
(ii) a firm in which a close family member of a Director of the Company has financial interest;
(iii) a company in which a Director of the Company has financial interest; and
(iv) companies in which a substantial shareholder of certain subsidiaries has financial interest.

(c) Compensation of key management personnel

Remunerations of the Directors and other members of key management are as follows:

	Audited				
	FYE 31 December			FPE 31 July	
	2020	2021	2022	2022	2023
	RM	RM	RM	RM	RM
Fees	240,000	240,000	250,667	140,000	136,000
Salaries, wages and other emoluments	2,273,720	3,220,414	3,464,712	2,053,814	2,562,182
Defined contribution plans	276,081	387,492	424,144	234,684	300,918
Social security contributions	5,385	7,241	7,958	4,213	5,570
Employment insurance scheme	618	807	824	443	545
Other employee benefits	-	9,921	5,074	2,793	4,083
	2,795,804	3,865,875	4,153,379	2,435,947	3,009,298

During the financial period ended 31 July 2023, the Group's Directors' remuneration does not include the estimated monetary value of benefits-in-kind amounting to RM15,400 (FYE 31 December 2022: RM26,650; FPE 31 July 2022: RM15,400; FYE 31 December 2021: RM47,900; FYE 31 December 2020: RM47,900).

34. Segment Information

The Group has four major reporting segments, as described below, which are the Group's strategic business units. Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure. The following summary describes the operations in each of the Group's reportable segments:

The main business segments of the Group comprise the followings:

Cooling energy	Cooling energy segment comprises the following services: (a) Cooling energy management services which mainly involves the supply of chilled water for space cooling as well as providing operations and maintenance services for cooling energy systems. (b) EPCC of cooling energy system which mainly involves the construction of new, upgrading and/or retrofitting of cooling energy systems.
Cleaning services	Cleaning services to maintain the cleanliness, tidiness and hygiene of buildings and outdoor areas.
Facilities management	Facilities management services are mainly related to the repair and maintenance of machinery and equipment.
Building construction	Building construction services for the construction of buildings.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the combined financial statements.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year/period.

34. **Segment Information (Cont'd)**

The total of segment assets is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Group's Directors. Segment total assets are used to measure the return of assets of each segment.

Additions to non-current assets represent addition of property, plant and equipment, right-of-use assets and investment properties.

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's managing director. Hence no disclosure is made on segment liabilities.

Geographical segments

In determining the Group segment, revenue and non-current assets are based on the geographical location of customers as follows:

	Audited				
	FYE 31 December			**FPE 31 July**	
	2020	**2021**	**2022**	**2022**	**2023**
	RM	**RM**	**RM**	**RM**	**RM**
Revenue					
Malaysia	53,873,027	61,127,642	71,020,485	35,770,139	56,423,626
Singapore	19,883,790	18,426,159	18,892,726	10,773,173	13,840,611
Thailand	-	5,730,802	4,524,519	3,549,201	1,503,174
	73,756,817	85,284,603	94,437,730	50,092,513	71,767,411

	Audited			
	At 31 December			**At 31 July**
	2020	**2021**	**2022**	**2023**
	RM	**RM**	**RM**	**RM**
Non-current assets				
Malaysia	8,260,198	8,468,626	9,956,783	9,001,689
Singapore	766,916	751,502	582,268	384,165
Thailand	-	5,115,303	7,434,121	7,419,800
	9,027,114	14,335,431	17,973,172	16,805,654

34. **Segment Information (Cont'd)**

Segment results

	Cooling energy RM	Cleaning services RM	Facilities management RM	Total RM
Audited				
FYE 31 December 2020				
Revenue				
Total revenue	53,981,740	20,995,571	7,691,308	82,668,619
Less: Inter-segment revenue	(8,678,078)	(233,724)	-	(8,911,802)
Revenue from external customers	45,303,662	20,761,847	7,691,308	73,756,817
Financial results				
Segment results				8,015,854
Interest income				144,305
Finance costs				(212,033)
Depreciation				(1,358,869)
Share of profit of associates, net of tax				14,413
Profit before tax				6,603,670
Taxation				(1,316,648)
Profit for the financial year				5,287,022

34. **Segment Information (Cont'd)**

Segment results (Cont'd)

	Cooling energy RM	Cleaning services RM	Facilities management RM	Total RM
Audited				
31 December 2020				
Assets				
Additions to non-current assets				1,321,904
Segment assets				46,712,675
FYE 31 December 2020				
Other non-cash expenses				
Deposit forfeited				3,000
Impairment losses on trade receivables				23,823
Unrealised loss on foreign exchange				576
Property, plant and equipment written off				184,720
Fair value loss on revaluation of financial assets measured at fair value through profit or loss				14
Other non-cash income				
Gain on disposal of property, plant and equipment				(570)
Gain on modification of lease contracts				(1,073)
Income from rent concessions				(11,975)
Reversal of impairment losses on trade receivables				(2,475)
Waiver of debt income				(1,022,000)

34. **Segment Information (Cont'd)**

Segment results (Cont'd)

	Cooling energy RM	Cleaning services RM	Facilities management RM	Building construction RM	Total RM
Audited					
FYE 31 December 2021					
Revenue					
Total revenue	50,322,765	24,418,205	10,691,083	9,899,658	95,331,711
Less: Inter-segment revenue	(8,782,092)	(1,107,877)	(157,139)	-	(10,047,108)
Revenue from external customers	41,540,673	23,310,328	10,533,944	9,899,658	85,284,603
Financial results					
Segment results					8,553,340
Interest income					99,688
Finance costs					(173,249)
Depreciation					(1,192,477)
Share of profit of associates, net of tax					235,834
Profit before tax					7,523,136
Taxation					(1,540,751)
Profit for the financial year					5,982,385

34. **Segment Information (Cont'd)**

Segment results (Cont'd)

	Cooling energy RM	Cleaning services RM	Facilities management RM	Building construction RM	Total RM
Audited					
Assets					
31 December 2021					
Additions to non-current assets					2,002,103
Segment assets					61,743,934
FYE 31 December 2021					
Other non-cash expenses					
Impairment losses on:					
- investment properties					171,780
- trade receivables					373,773
Property, plant and equipment written off					617
Provision for employee benefits					5,535
Other non-cash income					
Unrealised gain on foreign exchange					(1,123)
Fair value gain on revaluation of financial assets measured at fair value through profit or loss					(518)
Reversal of impairment losses on trade receivables					(118,197)

34. **Segment Information (Cont'd)**

Segment results (Cont'd)

	Cooling energy RM	Cleaning services RM	Facilities management RM	Total RM
Audited				
FYE 31 December 2022				
Revenue				
Total revenue	52,086,144	36,590,222	14,890,936	103,567,302
Less: Inter-segment revenue	(8,336,563)	(793,009)	-	(9,129,572)
Revenue from external customers	43,749,581	35,797,213	14,890,936	94,437,730
Financial results				
Segment results				10,219,545
Interest income				130,285
Finance costs				(253,667)
Depreciation				(1,364,593)
Share of loss of associates, net of tax				(10,902)
Profit before tax				8,720,668
Taxation				(1,564,969)
Profit for the financial year				7,155,699

34. **Segment Information (Cont'd)**

Segment results (Cont'd)

	Cooling energy RM	Cleaning services RM	Facilities management RM	Total RM
Audited				
31 December 2022				
Assets				
Additions to non-current assets				969,951
Segment assets				65,190,889
FYE 31 December 2022				
Other non-cash expenses				
Impairment losses on trade receivables				87,498
Provision for employee benefits				155,317
Other non-cash income				
Unrealised gain on foreign exchange				(1,857)
Fair value gain on revaluation of financial assets measured at fair value through profit or loss				(1,006)
Gain on disposal of property, plant and equipment				(11,948)
Reversal of impairment losses on trade receivables				(124,730)

34. **Segment Information (Cont'd)**

Segment results (Cont'd)

	Cooling energy RM	Cleaning services RM	Facilities management RM	Total RM
Audited				
FYE 31 July 2022				
Revenue				
Total revenue	26,997,042	18,396,409	8,366,235	53,759,686
Less: Inter-segment revenue	(3,095,121)	(569,431)	(2,621)	(3,667,173)
Revenue from external customers	23,901,921	17,826,978	8,363,614	50,092,513
Financial results				
Segment results				4,195,704
Interest income				62,610
Finance costs				(136,740)
Depreciation				(779,707)
Share of loss of associates, net of tax				(10,102)
Profit before tax				3,331,765
Taxation				(808,055)
Profit for the financial year				2,523,710

34. **Segment Information (Cont'd)**

Segment results (Cont'd)

	Cooling energy RM	Cleaning services RM	Facilities management RM	Total RM
Audited				
31 July 2022				
Assets				
Additions to non-current assets				603,042
Segment assets				63,041,546
FPE 31 July 2022				
Other non-cash expenses				
Impairment losses on trade receivables				103,551
Provision for employee benefits				34,884
Other non-cash income				
Unrealised gain on foreign exchange				(41)
Fair value gain on revaluation of financial assets measured at fair value through profit or loss				(989)
Reversal of impairment losses on trade receivables				(88)

34. **Segment Information (Cont'd)**

Segment results (Cont'd)

	Cooling energy RM	Cleaning services RM	Facilities management RM	Total RM
Audited				
FYE 31 July 2023				
Revenue				
Total revenue	51,888,929	28,214,722	7,764,785	87,868,436
Less: Inter-segment revenue	(15,853,691)	(142,401)	(104,933)	(16,101,025)
Revenue from external customers	36,035,238	28,072,321	7,659,852	71,767,411
Financial results				
Segment results				5,585,927
Interest income				103,477
Finance costs				(172,164)
Depreciation				(821,179)
Share of loss of associates, net of tax				(18,286)
Profit before tax				4,677,775
Taxation				(877,601)
Profit for the financial year				3,800,174

34. **Segment Information (Cont'd)**

Segment results (Cont'd)

	Cooling energy RM	Cleaning services RM	Facilities management RM	Total RM
Audited				
31 July 2023				
Assets				
Additions to non-current assets				699,561
Segment assets				84,748,589
FPE 31 July 2023				
Other non-cash expenses				
Impairment losses on:				
- trade receivables				46,072
- contract assets				65,649
Property, plant and equipment written off				1,613
Other non-cash income				
Unrealised gain on foreign exchange				(31,689)
Fair value gain on revaluation of financial assets measured at fair value through profit or loss				(30)
Reversal of employee benefits				(133,110)
Reversal of impairment losses on trade receivables				(19,830)

34. **Segment Information (Cont'd)**

Information about major customer

Revenue from major customers with revenue equal or more than 10% of the Group's revenue is as follows:

		Audited				
		FYE 31 December			FPE 31 July	
Customer	**Segment**	**2020**	**2021**	**2022**	**2022**	**2023**
		RM	**RM**	**RM**	**RM**	**RM**
Customer Group A	Cooling energy and cleaning services	8,194,112	-	8,579,273	5,148,979	-
Company B	Cooling energy	11,015,593	13,558,128	8,076,122	4,922,321	-
Company C	Cooling energy	8,908,557	-	-	-	-
Company D	Building construction	-	9,899,658	-	-	-
Company E	Cooling energy	-	-	-	5,138,979	-
Company F	Cooling energy	-	-	-	-	9,908,595
Company G	Cleaning services	-	-	-	-	7,433,866
Company H	Cooling energy	-	-	-	-	7,424,059
		28,118,262	23,457,786	16,655,395	15,210,279	24,766,520

35. **Financial Instruments**

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of the financial instruments are measured and how income and expense, including fair value gains or losses are recognised.

The following table analyses the financial assets and liabilities in the combined statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis:

	Financial asset at FVTPL RM	**Financial assets at amortised cost RM**	**Financial liabilities at amortised cost RM**	**Total RM**
Audited				
31 July 2023				
Financial assets				
Other investments	1,604	-	-	1,604
Concession receivables	-	13,530,833	-	13,530,833
Trade receivables	-	20,373,255	-	20,373,255
Other receivables*	-	2,581,560	-	2,581,560
Amount due from associates	-	3,445,438	-	3,445,438
Deposits, bank and cash balances	-	9,046,334	-	9,046,334
	1,604	48,977,420	-	48,979,024
Financial liabilities				
Trade payables	-	-	13,596,867	13,596,867
Other payables#	-	-	18,967,226	18,967,226
Bank borrowings	-	-	4,069,357	4,069,357
Lease liabilities	-	-	697,120	697,120
	-	-	37,330,570	37,330,570

35. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

The following table analyses the financial assets and liabilities in the combined statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis: (Cont'd)

	Financial asset at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
Audited				
31 December 2022				
Financial assets				
Other investments	1,570	-	-	1,570
Concession receivables	-	14,522,707	-	14,522,707
Trade receivables	-	16,437,361	-	16,437,361
Other receivables*	-	1,955,498	-	1,955,498
Amount due from associates	-	3,397,806	-	3,397,806
Deposits, bank and cash balances	-	10,046,868	-	10,046,868
	1,570	46,360,240	-	46,361,810
Financial liabilities				
Trade payables	-	-	10,971,306	10,971,306
Other payables#	-	-	11,502,163	11,502,163
Bank borrowings	-	-	4,449,276	4,449,276
Lease liabilities	-	-	939,003	939,003
	-	-	27,861,748	27,861,748

35. **Financial Instruments (Cont'd)**

(a) Classification of financial instruments (Cont'd)

The following table analyses the financial assets and liabilities in the combined statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis: (Cont'd)

	Financial asset at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
Audited				
31 December 2021				
Financial assets				
Other investments	42,447	-	-	42,447
Concession receivables	-	10,494,091	-	10,494,091
Trade receivables	-	16,945,484	-	16,945,484
Other receivables*	-	1,787,707	-	1,787,707
Amount due from associates	-	3,339,568	-	3,339,568
Deposits, bank and cash balances	-	12,103,837	-	12,103,837
	42,447	44,670,687	-	44,713,134
Financial liabilities				
Trade payables	-	-	10,527,878	10,527,878
Other payables#	-	-	16,107,420	16,107,420
Bank borrowings	-	-	4,300,191	4,300,191
Lease liabilities	-	-	975,458	975,458
	-	-	31,910,947	31,910,947

35. **Financial Instruments (Cont'd)**

(a) Classification of financial instruments (Cont'd)

The following table analyses the financial assets and liabilities in the combined statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis: (Cont'd)

	Financial asset at FVTPL RM	**Financial assets at amortised cost RM**	**Financial liabilities at amortised cost RM**	**Total RM**
Audited				
31 December 2020				
Financial assets				
Other investments	491,767	-	-	491,767
Concession receivables	-	6,082,982	-	6,082,982
Trade receivables	-	15,994,299	-	15,994,299
Other receivables*	-	1,599,452	-	1,599,452
Amount due from associates	-	2,888,952	-	2,888,952
Deposits, bank and cash balances	-	9,292,983	-	9,292,983
	491,767	35,858,668	-	36,350,435
Financial liabilities				
Trade payables	-	-	9,641,122	9,641,122
Other payables#	-	-	11,268,280	11,268,280
Bank borrowings	-	-	2,059,031	2,059,031
Lease liabilities	-	-	1,232,556	1,232,556
	-	-	24,200,989	24,200,989

* *Exclude government grant receivable, prepayments and Goods and Services Tax receivable.*

\# *Exclude Goods and Services Tax payable.*

35. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The Group has exposure to the following risks from its use of financial instruments:

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, amount due from associates and deposits with banks. There are no significant changes as compared to prior years.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposits with banks with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Group provides unsecured advances to associates. The Group monitors on an ongoing basis the results of the associates and repayments made by the associates.

At each reporting date, the Group assesses whether any of the receivables and contracts assets are credit impaired.

The gross carrying amounts of credit impaired receivables and contract assets are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, receivables that are written off could still be subject to enforcement activities.

35. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

The Group has exposure to the following risks from its use of financial instruments: (Cont'd)

(i) Credit risk (Cont'd)

The carrying amounts of the financial assets recorded on the combined statements of financial position at the end of the reporting period represent the Group's maximum exposure to credit risk.

The Group has no significant concentration of credit risk as its exposure spread over a large number of customers.

At the end of the reporting period, the Group has 1 debtor (31.12.2022: 2 debtors; 31.7.2022: 2 debtors; 31.12.2021: 2 debtors; 31.12.2020: 2 debtors) that accounted for 13% (31.12.2022: 31%; 31.7.2022: 27%; 31.12.2021: 32%; 31.12.2020: 42%) of total outstanding trade receivables.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposures to liquidity risk arises principally from mismatches of maturities of financial assets and liabilities.

The Group's funding requirements and liquidity risks is managed with the objective of meeting business obligations on a timely basis. The Group monitors its cash flows and ensure that sufficient funding is in place to meet the obligations as and when they fall due.

35. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Audited						
31 December 2020						
Non-derivative financial liabilities						
Trade payables	9,641,122	-	-	-	9,641,122	9,641,122
Other payables	11,268,280	-	-	-	11,268,280	11,268,280
Bank borrowings	500,916	506,376	1,355,683	5,435	2,368,410	2,059,031
Lease liabilities	710,076	341,729	275,316	5,490	1,332,611	1,232,556
Financial guarantees*	5,793,900	-	-	-	5,793,900	-
	27,914,294	848,105	1,630,999	10,925	30,404,323	24,200,989

35. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. (Cont'd)

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Audited					
31 December 2021					
Non-derivative financial liabilities					
Trade payables	10,527,878	-	-	10,527,878	10,527,878
Other payables	16,107,420	-	-	16,107,420	16,107,420
Bank borrowings	803,707	1,538,743	2,453,259	4,795,709	4,300,191
Lease liabilities	589,301	354,183	109,341	1,052,825	975,458
Financial guarantees*	3,579,500	-	-	3,579,500	-
	31,607,806	1,892,926	2,562,600	36,063,332	31,910,947

35. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. (Cont'd)

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Audited						
31 December 2022						
Non-derivative financial liabilities						
Trade payables	10,971,306	-	-	-	10,971,306	10,971,306
Other payables	11,502,163	-	-	-	11,502,163	11,502,163
Bank borrowings	1,032,984	1,032,984	2,144,333	763,190	4,973,491	4,449,276
Lease liabilities	666,716	145,783	189,676	-	1,002,175	939,003
Financial guarantees*	2,577,895	-	-	-	2,577,895	-
	26,751,064	1,178,767	2,334,009	763,190	31,027,030	27,861,748

35. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. (Cont'd)

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Audited						
31 July 2023						
Non-derivative financial liabilities						
Trade payables	13,596,867	-	-	-	13,596,867	13,596,867
Other payables	18,967,226	-	-	-	18,967,226	18,967,226
Bank borrowings	1,050,562	1,050,562	1,906,946	481,857	4,489,927	4,069,357
Lease liabilities	390,947	186,236	177,573	-	754,756	697,120
Financial guarantees*	4,574,171	-	-	-	4,574,171	-
	38,579,773	1,236,798	2,084,519	481,857	42,382,947	37,330,570

* *Based on the maximum amount that can be called under the financial guarantee contracts.*

35. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks

(1) Foreign currency risk

The Group are exposed to foreign currency risk on transactions that are denominated in currencies other than the functional currency of Company. The currencies giving rise to this risk are primarily Thai Baht (THB), United States Dollar (USD) and Singapore Dollar (SGD).

The Group has not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

The carrying amounts of the Group's foreign currency denominated monetary assets and liability at the end of the reporting period are as follows:

	Denominated in			
	THB	**USD**	**SGD**	**Total**
	RM	**RM**	**RM**	**RM**
Audited				
31.12.2020				
Monetary asset				
Cash and bank balances	-	29,736	-	29,736
31.12.2021				
Monetary assets				
Amount due from an associate	1,965,881	-	-	1,965,881
Cash and bank balances	-	30,738	1,544,800	1,575,538
	1,965,881	30,738	1,544,800	3,541,419
31.12.2021				
Monetary liability				
Trade payables	(9,750)	-	-	(9,750)
	1,956,131	30,738	1,544,800	3,531,669

35. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(1) Foreign currency risk (Cont'd)

The carrying amounts of the Group's foreign currency denominated monetary assets and liability at the end of the reporting period are as follows: (Cont'd)

	Denominated in			
	THB	**USD**	**SGD**	**Total**
	RM	**RM**	**RM**	**RM**
Audited				
31.12.2022				
Monetary assets				
Amount due from an associate	2,193,458	-	-	2,193,458
Cash and bank balances	-	32,568	-	32,568
	2,193,458	32,568	-	2,226,026
Monetary liability				
Trade payables	(38,063)	(18,190)	-	(56,253)
	2,155,395	14,378	-	2,169,773
31.7.2023				
Monetary assets				
Amount due from an associate	2,276,624	-	-	2,276,624
Cash and bank balances	-	33,232	-	33,232
	2,276,624	33,232	-	2,309,856
Monetary liabilities				
Trade payables	-	(22,732)	-	(22,732)
Other payables	(21,285)	-	(3,994)	(25,279)
	(21,285)	(22,732)	(3,994)	(48,011)
	2,255,339	10,500	(3,994)	2,261,845

35. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(1) Foreign currency risk (Cont'd)

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the THB, USD and SGD exchange rates against RM, with all other variables held constant.

	Audited FYE 31 December 2020		Audited FYE 31 December 2021		Audited FYE 31 December 2022		Audited FPE 31 July 2023	
	Change in currency rate	**Effect on profit before tax RM**	**Change in currency rate**	**Effect on profit before tax RM**	**Change in currency rate**	**Effect on profit before tax RM**	**Change in currency rate**	**Effect on profit before tax RM**
THB	Strengthen 10%	-	Strengthen 10%	195,613	Strengthen 10%	215,540	Strengthen 10%	225,534
	Weakened 10%	-	Weakened 10%	(195,613)	Weakened 10%	(215,540)	Weakened 10%	(225,534)
USD	Strengthen 10%	2,974	Strengthen 10%	3,074	Strengthen 10%	1,438	Strengthen 10%	1,050
	Weakened 10%	(2,974)	Weakened 10%	(3,074)	Weakened 10%	(1,438)	Weakened 10%	(1,050)
SGD	Strengthen 10%	-	Strengthen 10%	154,480	Strengthen 10%	-	Strengthen 10%	(399)
	Weakened 10%	-	Weakened 10%	(154,480)	Weakened 10%	-	Weakened 10%	399

35. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(2) Interest rate risk

The Group's fixed rate deposit placed with a licensed bank and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposit with a licensed bank by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long-term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market.

The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

35. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(2) Interest rate risk (Cont'd)

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts at the end of the reporting period was:

	Audited			
	At 31 December			**At 31 July**
	2020	**2021**	**2022**	**2023**
	RM	**RM**	**RM**	**RM**
Fixed rate instruments				
Financial asset				
Fixed deposit with a licensed bank	2,141,537	2,193,245	2,234,152	2,262,635
Financial liabilities				
Bank borrowings	50,000	45,381	35,910	30,246
Lease liabilities	1,232,556	975,458	939,003	697,120
	1,282,556	1,020,839	974,913	727,366
Floating rate instruments				
Financial asset				
Amount due from an associate	-	-	777,896	777,896
Financial liabilities				
Amount due to an associate	-	-	128,922	128,922
Bank borrowings	2,009,031	4,254,810	4,413,366	4,039,111
	2,009,031	4,254,810	4,542,288	4,168,033

35. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(2) Interest rate risk (Cont'd)

Cash flow sensitivity analysis for floating rate instruments

For the financial period ended 31 July 2023, a change in 1% interest rate at the end of the reporting period would have (decreased)/increased the Group's profit before tax by RM33,901 (FYE 31 December 2022: RM37,644; FYE 31 December 2021: RM42,548; FYE 31 December 2020: RM20,090), arising mainly as a result of higher/lower interest expense on floating rate financial liabilities. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(c) Fair value of financial instruments

The carrying amounts of short-term receivables and payables, cash and cash equivalents and short-term loans and borrowings approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

The carrying amount of long-term floating rate loans and borrowings approximately their fair value as the loans will be re-priced to market interest rate on or near reporting date.

It was not practical to estimate the fair value of investment in unquoted equity due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

35. **Financial Instruments (Cont'd)**

(c) Fair value of financial instruments (Cont'd)

The table below analyses financial instruments carried at fair value, together with their fair value and carrying amounts shown in the combined statements of financial position.

	Fair value of financial instruments carried at fair value			Carrying amount
	Level 1	**Level 2**	**Level 3**	
	RM	**RM**	**RM**	**RM**
Audited				
31.12.2020				
Financial asset				
Other investments	491,767	-	-	491,767
31.12.2021				
Financial asset				
Other investments	42,447	-	-	42,447
31.12.2022				
Financial asset				
Other investments	1,570	-	-	1,570
31.7.2023				
Financial asset				
Other investments	1,604	-	-	1,604

The fair value of the trust funds was determined by reference to the quoted prices provided by the financial intermediaries.

Transfer between levels of fair value hierarchy

There is no transfer between levels of fair value hierarchy during the financial year/period.

36. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using gearing ratio, which is the net debts divided by total equity. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at the end of the reporting period are as follows:

	Audited			
	At 31 December			**At 31 July**
	2020	**2021**	**2022**	**2023**
	RM	**RM**	**RM**	**RM**
Bank borrowings	2,059,031	4,300,191	4,449,276	4,069,357
Lease liabilities	1,232,556	975,458	939,003	697,120
Total debts	3,291,587	5,275,649	5,388,279	4,766,477
Less: Cash and cash equivalents	(7,151,446)	(9,910,592)	(7,812,716)	(6,783,699)
Total excess funds	(3,859,859)	(4,634,943)	(2,424,437)	(2,017,222)
Total equity	21,961,145	28,694,924	36,067,671	46,251,566
Gross gearing ratio (%)	15%	18%	15%	10%
Net gearing ratio (%)	*	*	*	*

* *Gearing ratio is not presented as the Group are in net cash position as at 31 July 2023, 31 December 2022, 31 December 2021 and 31 December 2020.*

37. **Financial Guarantees**

	Audited			
	At 31 December			At 31 July
	2020	**2021**	**2022**	**2023**
	RM	**RM**	**RM**	**RM**
Secured				
Bank guarantee for:				
- projects tender bond	30,000	449,500	10,000	100,000
- projects performance bond	5,763,900	3,130,000	2,567,895	2,567,895
- suppliers	-	-	-	1,906,276
	5,793,900	3,579,500	2,577,895	4,574,171

38. **Comparative Figures**

Certain comparative figures have been reclassified where necessary to conform with the current year presentation.

	As previously stated RM	**Reclassification RM**	**As restated RM**
Combined Statements of Financial Position			
At 31 December 2020			
Trade receivables	16,548,438	(554,139)	15,994,299
Amount due from associates	2,529,045	359,907	2,888,952
Trade payables	(10,122,386)	481,264	(9,641,122)
Other payables	(11,304,505)	(287,032)	(11,591,537)
At 31 December 2021			
Trade receivables	17,309,830	(364,346)	16,945,484
Amount due from associates	3,067,777	271,791	3,339,568
Trade payables	(10,911,719)	383,841	(10,527,878)
Other payables	(16,143,645)	(291,286)	(16,434,931)

38. **Comparative Figures (Cont'd)**

Certain comparative figures have been reclassified where necessary to conform with the current year presentation. (Cont'd)

	As previously stated RM	Reclassification RM	As restated RM
Combined Statements of Profit or Loss and Other Comprehensive Income			
FYE 31 December 2020			
Revenue	73,647,553	109,264	73,756,817
Cost of sales	(65,239,495)	3,438,961	(61,800,534)
Other income	5,531,994	(109,120)	5,422,874
Administrative expenses	(7,117,400)	(3,439,119)	(10,556,519)
Changes on impairment of financial instruments	(21,362)	14	(21,348)
FYE 31 December 2021			
Revenue	85,002,476	282,127	85,284,603
Cost of sales	(69,358,432)	4,050,217	(65,308,215)
Other income	2,058,735	(281,537)	1,777,198
Administrative expenses	(9,988,988)	(4,050,289)	(14,039,277)
Changes on impairment of financial instruments	(255,058)	(518)	(255,576)
Combined Statements of Cash Flows			
FYE 31 December 2020			
Receivables	4,249,508	841,171	5,090,679
Amount due from/(to) associates	(976,565)	(359,907)	(1,336,472)
Payables	758,384	(481,264)	277,120
FYE 31 December 2021			
Receivables	(1,904,133)	(189,793)	(2,093,926)
Amount due from/(to) associates	(538,732)	88,116	(450,616)
Payables	5,254,389	101,677	5,356,066

39. **Significant Events**

(a) On 26 April 2023, KJ Technical Services has entered into a share subscription agreement with Yeow Boon Siang to subscribe for 7.18% equity interest in KJ Technical Services comprising 58,000 ordinary shares for a total cash consideration of RM6,139,880. Consequently, KJ Technical Services paid-up shares capital had increased from RM750,000 to RM6,889,880 comprising of 808,000 ordinary shares.

(b) On 29 May 2023, KJTS has entered into a conditional share sale agreement with the KJ Technical Services Vendors to acquire the entire equity interest in KJ Technical Services comprising 808,000 ordinary shares for a total purchase consideration of RM41,827,570.30 ("Acquisition"). The purchase consideration for the Acquisition will be satisfied by the issuance of 469,972,700 new Shares to the KJ Technical Services Vendors at an issue price of RM0.0890 each. The completion of the Acquisition is conditional upon, amongst others, approval of the listing scheme by the relevant authorities. The Acquisition was completed on 13 December 2023 subsequent to the fulfilment of conditions precedent pursuant to the share sale agreement. Consequently, KJ Technical Services became a wholly-owned subsidiary of KJTS.

STATEMENT BY DIRECTORS

We, the undersigned, being two of the Directors of the KJTS Group Berhad, do hereby state that, in the opinion of the Directors, the accompanying combined financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines - Equity issued by the Securities Commission Malaysia so as to give a true and fair view of the financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 July 2023, and of their financial performance and their cash flows for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 and financial period ended 31 July 2022 and 31 July 2023.

Approved and adopted on behalf of the Board of Directors of KJTS Group Berhad in accordance with a resolution dated 15 DEC 2023

LEE KOK CHOON	SHELDON WEE TAH POH

KUALA LUMPUR

UHY

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15 DEC 2023

The Board of Directors
KJTS Group Berhad
Suite 3.03, Level 3, Wisma E&C
No. 2, Lorong Dungun Kiri
Damansara Heights
50490 Kuala Lumpur

Dear Sirs,

KJTS GROUP BERHAD
REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023

We have completed our assurance engagement to report on the compilation of the pro forma combined statements of financial position of KJTS Group Berhad ("KJTS" or the "Company") and its combining entities (the "Group") for which the Directors of KJTS are solely responsible. The pro forma combined statements of financial position consist of the pro forma combined statements of financial position as at 31 July 2023 together with the accompanying notes thereon, as set out in the accompanying statements, for which we have stamped for the purpose of identification.

The applicable criteria on the basis of which the Directors of KJTS have compiled the pro forma combined statements of financial position are as disclosed in Note 2 to the pro forma combined statements of financial position ("Applicable Criteria"). The pro forma combined statements of financial position is prepared in accordance with paragraphs 9.18, 9.20 and 9.22 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The pro forma combined statements of financial position of the Group has been compiled by the Directors of KJTS, for illustrative purposes only, for the inclusion in the prospectus of KJTS ("Prospectus") in connection with the initial public offering ("IPO") and the listing of and quotation for the entire enlarged issued share capital of KJTS on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing"), after making certain assumptions and such adjustments to show the effects on the pro forma combined statements of financial position of KJTS as at 31 July 2023 adjusted for the events and transactions as disclosed in Notes 3, 4 and 5 to the pro forma combined statements of financial position respectively. As part of this process, financial information about KJTS's pro forma combined statements of financial position has been extracted by the Directors of KJTS from the audited financial statements of the Company and its combining entities for the financial period ended 31 July 2023, on which their auditors' report have been issued without any modifications.

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KJTS GROUP BERHAD
REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023 (CONT'D)

Directors' Responsibility for the Pro Forma Combined Statements of Financial Position

The Directors are responsible for compiling the pro forma combined statements of financial position based on the Applicable Criteria.

Reporting Accountants' Independence and Quality Control

We are independent of the Group and of the Company 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 IESBA Code.

Our firm applies *International Standard on Quality Management 1 ("ISQM 1"), Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by the Prospectus Guidelines about whether the pro forma combined statements of financial position has been compiled, in all material aspects, by the Directors of KJTS based on the Applicable Criteria and Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.

We conducted our engagement in accordance with International Standards on Assurance Engagement (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors of KJTS have compiled, in all material aspects, the pro forma combined statements of financial position based on the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the pro forma combined statements of financial position, nor have we, in the course of this engagement, perform an audit or review of the financial information used in compiling the pro forma combined statements of financial position.

The purpose of the pro forma combined statements of financial position included in the Prospectus is solely to illustrate the impact of significant events or transactions on the unadjusted financial information of the Group as if the events had occured or the transactions had been undertaken at an earlier date selected for illustrative purposes only. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

KJTS GROUP BERHAD
REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023 (CONT'D)

Reporting Accountants' Responsibilities (Cont'd)

A reasonable assurance engagement to report on whether the pro forma combined statements of financial position has been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors of KJTS in the compilation of the pro forma combined statements of financial position of the Group provide a reasonable basis for presenting the significant effects directly attributable to listing scheme as disclosed in Note 4 to the pro forma combined statements of financial position, and to obtain sufficient appropriate evidence about whether:

(a) the pro forma combined statements of financial position of KJTS has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma combined statements of financial position, based on audited financial statements of the Company and its combining entities for the financial period ended 31 July 2023, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited financial statements for the financial period ended 31 July 2023; and

(b) each material adjustment made to the information used in the preparation of the pro forma combined statements of financial position of the Group is appropriate for the purpose of preparing the pro forma combined statements of financial position.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma combined statements of financial position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma combined statements of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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KJTS GROUP BERHAD
REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023 (CONT'D)

Opinion

In our opinion:

(a) the pro forma combined statements of financial position of the Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma combined statements of financial position, based on the audited financial statements of KJTS and its combining entities for the financial period ended 31 July 2023, and in a manner consistent with both the format of the financial statements and accounting policies adopted by the Group in the preparation of its audited financial statements for the financial period ended 31 July 2023; and

(b) each material adjustments made to the information used in the preparation of the pro forma combined statements of financial position of the Group is appropriate for the purposes of preparing the pro forma combined statements of financial position.

Other Matters

This report has been prepared for inclusion in the Prospectus of KJTS in connection with the Listing. As such, this report should not be used, circulated, quoted or otherwise referred to in any document or used for any purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

UHY
Firm Number: AF 1411
Chartered Accountants

YEOH AIK CHUAN
Approved Number: 02239/07/2024 J
Chartered Accountant

KUALA LUMPUR
15 DEC 2023

KJTS GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023

1. **Introduction**

The pro forma combined statements of financial position of KJTS Group Berhad ("KJTS" or the "Company") and its combining entities (hereinafter collectively referred to as the "Group") has been compiled by the Directors of KJTS, for illustrative purposes only, for inclusion in the prospectus of KJTS in connection with the initial public offering ("IPO") and the listing of and quotation for of the entire enlarged share capital of KJTS on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("the Listing").

2. **Basis of Preparation**

2.1 The pro forma combined statements of financial position of the Group as at 31 July 2023 has been compiled based on the audited financial statements of KJTS and its combining entities for the financial period ended ("FPE") 31 July 2023:

Company name	**FPE**
KJTS	31 July 2023
KJ Technical Services Sdn. Bhd.	31 July 2023

The audited financial statements of KJTS and KJ Technical Services Sdn. Bhd. ("KJ Technical Services") for the FPE 31 July 2023 were prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

2.2 The pro forma combined statements of financial position of the Group have been presented on a manner consistent with both the format of the audited financial statements and accounting policies adopted by the Group in the preparation of its audited financial statements for the FPE 31 July 2023.

2.3 The audited financial statements of KJTS and KJ Technical Services for the FPE 31 July 2023 were reported without any modifications and were not subject to any audit qualifications and disclaimer of opinions.

2.4 The pro forma combined statements of financial position of the Group, of which the Directors of KJTS are solely responsible, have been prepared to illustrate that the pro forma combined statements of financial position of the Group as at 31 July 2023 have been adjusted for based on the assumption that the events and transactions as disclosed in Notes 3, 4 and 5 to the pro forma combined statements of financial position have occurred on 31 July 2023.

2.5 The Group is regarded as a continuing entity resulting from the acquisition exercise as this business combination involves entities or business which are ultimately controlled by the same parties before and after the business combination. The pro forma combined statements of financial position of the Group has been applied the merger method of accounting on a restrospective basis and restated its comparative as if the consolidation had taken place before the start of the earliest period presented in the financial statements.

STAMPED FOR IDENTIFICATION PURPOSES ONLY UHY CHARTERED ACCOUNTANTS (AF 1411)

KJTS GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023 (CONT'D)

2. **Basis of Preparation (Cont'd)**

2.5 Under the merger method,

(i) the assets and liabilities of the acquired entities are recognised and measured in the combined financial statements at the pre-combination carrying amounts.
(ii) the retained earnings and other equity balances of the acquired entities immediately before the business combination are those of the Group.
(iii) if the cost of merger is lower than the nominal value of the share capital of the subsidiaries, a credit balance will arise and be treated as merger reserve in the pro forma combined statements of financial position.
(iv) if the cost of merger is exceeding the nominal value of the share capital of the subsidiaries, a debit balance will arise and be treated as merger deficit in the pro forma combined statements of financial position.

Inter-company transactions, balances and unrealised gain or losses on transactions between Group companies are eliminated.

2.6 In preparing the pro forma combined statements of financial position, the financial information of the following subsidiaries of KJ Technical Services was translated into Ringgit Malaysia ("RM") and has been rounded to nearest RM except when otherwise stated:

Company name	**Functional currency**
KJ FEM Pte. Ltd.	Singapore Dollar (SGD)
KJTN Engineering Co., Ltd.	Thai Baht (THB)

All assets and liabilities of foreign operations that have a functional currency other than RM are translated at the exchange rates ruling at the reporting date. Income and expenses items are translated at an average exchange rate during the financial period. All exchange differences arising from the translation of the financial statements of foreign operations are accounted for under foreign currency translation reserve.

The exchange rates used for the purpose of this report are extracted from Bank Negara Malaysia as follows:

Closing rate		**At 31 July 2023**
SGD	SGD1.00	: RM3.3851
THB	THB1.00	: RM0.1314

2.7 The pro forma combined statements of financial position of the Group has been prepared for illustrative purposes only and, such information may not, because of its nature, give a true picture of the actual financial position and the results of the Group and does not purport to predict the future financial position and results of the Group.

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KJTS GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023 (CONT'D)

3. **Acquisition**

On 29 May 2023, KJTS has entered into a conditional share sale agreement with the KJ Technical Services Vendors (as listed in the table below) to acquire the entire equity interest in KJ Technical Services comprising 808,000 ordinary shares for a total purchase consideration of RM41,827,570.30 only ("Acquisition"). The purchase consideration for the Acquisition was satisfied by the issuance of 469,972,700 new KJTS Shares to the KJ Technical Services Vendors at an issue price of RM0.0890 each, details of which are as follows:

KJ Technical Services Vendors	No. of KJ Technical Services shares acquired	% of share capital in KJ Technical Services	Purchase consideration RM	No. of shares to be issued
Lee Kok Choon	375,000	46.41	19,412,548.10	218,118,518
Sheldon Wee Tah Poh	375,000	46.41	19,412,548.10	218,118,518
Yeow Boon Siang	58,000	7.18	3,002,474.10	33,735,664
Total	808,000	100.00	41,827,570.30	469,972,700

The Acquisition was completed on 13 December 2023 and KJ Technical Services became a wholly-owned subsidiary of KJTS. Please refer to Section 6.3 of the Prospectus for the details of the Acquisition.

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KJTS GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023 (CONT'D)

4. **Listing Scheme**

(a) Public Issue

The Public Issue of 218,027,200 new KJTS Shares ("IPO Share(s)") representing 31.69% of the enlarged issued share capital of KJTS, at an issue price of RM0.27 per IPO Share, is subject to the clawback and reallocation provisions as set out in the Prospectus and will be allocated in the following manner:

(i) Allocation via balloting to the Malaysian Public

34,400,000 IPO Shares, representing 5.00% of the enlarged issued share capital, will be made available for application by the Malaysian Public investors through a balloting process, of which 17,200,000 IPO Shares representing 2.50% shall be set aside for Bumiputera investors including individuals, companies, societies, co-operatives and institutions.

(ii) Allocation to the eligible Directors, Key Senior Management, employees and persons who have contributed to the success of the Group

15,000,000 IPO Shares, representing 2.18% of the enlarged issued share capital will be reserved for application by the eligible Directors, Key Senior Management, employees and persons who have contributed to the success of the Goup under the Pink Form Allocations.

(iii) Institutional Offering

168,627,200 IPO Shares, representing 24.51% of the enlarged issued share capital will be be allocated to the institutional and selected investors under the Institutional Offering.

The Public Issue will increase the issued share capital by RM57,291,970.10[(1)] comprising 218,027,200 KJTS Shares.

Note:

(1) After deducting the estimated listing expenses of approximately RM1.58 million which is directly attributable to the IPO and set-off against the KJTS's share capital.

(b) Listing of and Quotation for KJTS Shares on the ACE Market of Bursa Securities

In conjunction with the IPO, the Company's entire enlarged issued share capital of RM99,119,640.40 comprising 688,000,000 ordinary shares will be listed and quoted on the ACE Market of Bursa Securities.

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KJTS GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023 (CONT'D)

5. **Utilisation of Proceeds from IPO**

The gross proceeds from the IPO of RM58,867,344 are intended to be utilised as follows:

Utilisation of proceeds	Amount of proceeds		Estimated timeframe for utilisation from listing date
	RM	%	
Business expansion(i)			
• Expansion of Cooling Energy Segment	40,417,490	68.66	Within 36 months
• Expansion of offices in Malaysia, Singapore and Thailand	4,500,000	7.64	Within 12 months
Working capital	8,117,784	13.79	Within 12 months
Defraying the listing expenses	5,832,070	9.91	Within 1 month
Total	58,867,344	100.00	

Note

(i) As at the latest practicable date ("LPD") prior to the date of the Prospectus, the Group has yet to enter into any contractual binding arrangements or issue any purchase orders in relation to the above business expansion. Accordingly, the use of proceeds earmarked for business expansion is not reflected in the Pro Forma Combined Statements of Financial Position.

6. **Long-term Incentive Plan ("LTIP")**

In conjunction with the Listing, KJTS will establish an LTIP which entails the granting of Executives' Share Grant Scheme shares and Executives' Share Option Scheme options to eligible executive directors and eligible executives of the Group who meet the criteria of eligibility for participation in the LTIP in accordance with the by-laws governing the LTIP ("By-Laws").

The LTIP shall be administered by the LTIP committee and governed by the rules, terms and conditions of the By-Laws. The maximum number of Shares which may be made available under the LTIP shall not in aggregate exceed 10.00% of the total number of issued Shares at any point of time during the duration of the LTIP.

The LTIP is not illustrated in the Pro Forma Combined Statements of Financial Position as the awards under the LTIP have yet to be granted as of the date of this report.

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KJTS GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023 (CONT'D)

7. **Pro Forma Combined Statements of Financial Position as at 31 July 2023**

The pro forma combined statements of financial position of the KJTS and its combining entities (the "Group") as at 31 July 2023 have been prepared for illustrative purposes only to show the effects of the events and transactions as mentioned in Notes 3, 4 and 5 to the Pro Forma Combined Statements of Financial Position on the assumption that these events and transactions were completed on 31 July 2023, and should be read in conjunction with the notes accompanying to the Pro Forma Combined Statements of Financial Position.

	Note	Audited Group 31.7.2023 RM	Pro Forma I After Acquisition RM	Pro Forma II After Pro Forma I and after Public Issue RM	Pro Forma III After Pro Forma II and after Utilisation of Proceeds RM
NON-CURRENT ASSETS					
Property, plant and equipment		1,251,395	1,251,395	1,251,395	1,251,395
Right-of-use assets		696,146	696,146	696,146	696,146
Investment properties		905,136	905,136	905,136	905,136
Investment in associates		842,833	842,833	842,833	842,833
Goodwill on consolidation		1,808,278	1,808,278	1,808,278	1,808,278
Concession receivables		11,301,866	11,301,866	11,301,866	11,301,866
Tax recoverable		172,366	172,366	172,366	172,366
		16,978,020	16,978,020	16,978,020	16,978,020
CURRENT ASSETS					
Inventories		83,556	83,556	83,556	83,556
Other investment		1,604	1,604	1,604	1,604
Concession receivables		2,228,967	2,228,967	2,228,967	2,228,967
Trade receivables		20,373,255	20,373,255	20,373,255	20,373,255
Other receivables	7.2	10,961,305	10,961,305	10,961,305	8,361,404
Contract assets		21,244,523	21,244,523	21,244,523	21,244,523
Amount due from associates		3,445,438	3,445,438	3,445,438	3,445,438
Tax recoverable		385,587	385,587	385,587	385,587
Deposits, cash and bank balances	7.3	9,046,334	9,046,334	67,913,678	64,681,509
		67,770,569	67,770,569	126,637,913	120,805,843
TOTAL ASSETS		84,748,589	84,748,589	143,615,933	137,783,863

KJTS GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023 (CONT'D)

7. **Pro Forma Combined Statements of Financial Position as at 31 July 2023 (Cont'd)**

The pro forma combined statements of financial position of the KJTS and its combining entities (the "Group") as at 31 July 2023 have been prepared for illustrative purposes only to show the effects of the events and transactions as mentioned in Notes 3, 4 and 5 to the Pro Forma Combined Statements of Financial Position on the assumption that these events and transactions were completed on 31 July 2023, and should be read in conjunction with the notes accompanying to the Pro Forma Combined Statements of Financial Position. (Cont'd)

	Note	Audited Group 31.7.2023 RM	Pro Forma I After Acquisition RM	Pro Forma II After Pro Forma I and after Public Issue RM	Pro Forma III After Pro Forma II and after Utilisation of Proceeds RM
EQUITY					
Share capital	7.4(i)	100	41,827,670	100,695,014	99,119,640
Invested equity	7.4(ii)	6,889,880	-	-	-
Merger reserve	7.5	-	(34,937,690)	(34,937,690)	(34,937,690)
Other reserve		75,536	75,536	75,536	75,536
Foreign currency translation reserve		390,404	390,404	390,404	390,404
Retained earnings	7.6	38,898,071	38,898,071	38,898,071	34,641,375
Total equity attributable to owners of the parent		46,253,991	46,253,991	105,121,335	99,289,265
Non-controlling interests		(2,425)	(2,425)	(2,425)	(2,425)
Total equity		46,251,566	46,251,566	105,118,910	99,286,840
NON-CURRENT LIABILTIES					
Bank borrowings		3,176,936	3,176,936	3,176,936	3,176,936
Lease liabilities		337,117	337,117	337,117	337,117
Employee benefit obligations		34,036	34,036	34,036	34,036
Deferred tax liabilities		20,663	20,663	20,663	20,663
		3,568,752	3,568,752	3,568,752	3,568,752

KJTS GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023 (CONT'D)

7. **Pro Forma Combined Statements of Financial Position as at 31 July 2023 (Cont'd)**

The pro forma combined statements of financial position of the KJTS and its combining entities (the "Group") as at 31 July 2023 have been prepared for illustrative purposes only to show the effects of the events and transactions as mentioned in Notes 3, 4 and 5 to the Pro Forma Combined Statements of Financial Position on the assumption that these events and transactions were completed on 31 July 2023, and should be read in conjunction with the notes accompanying to the Pro Forma Combined Statements of Financial Position. (Cont'd)

	Audited Group 31.7.2023 RM	Pro Forma I After Acquisition RM	Pro Forma II After Pro Forma I and after Public Issue RM	Pro Forma III After Pro Forma II and after Utilisation of Proceeds RM
CURRENT LIABILTIES				
Trade payables	13,596,867	13,596,867	13,596,867	13,596,867
Other payables	19,598,143	19,598,143	19,598,143	19,598,143
Contract liabilities	63,524	63,524	63,524	63,524
Bank borrowings	892,421	892,421	892,421	892,421
Lease liabilities	360,003	360,003	360,003	360,003
Tax payable	417,313	417,313	417,313	417,313
	34,928,271	34,928,271	34,928,271	34,928,271
TOTAL LIABILITIES	38,497,023	38,497,023	38,497,023	38,497,023
	84,748,589	84,748,589	143,615,933	137,783,863

KJTS GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023 (CONT'D)

7. **Pro Forma Combined Statements of Financial Position as at 31 July 2023 (Cont'd)**

The pro forma combined statements of financial position of the KJTS and its combining entities (the "Group") as at 31 July 2023 have been prepared for illustrative purposes only to show the effects of the events and transactions as mentioned in Notes 3, 4 and 5 to the Pro Forma Combined Statements of Financial Position on the assumption that these events and transactions were completed on 31 July 2023, and should be read in conjunction with the notes accompanying to the Pro Forma Combined Statements of Financial Position. (Cont'd)

	Audited	Pro Forma I	Pro Forma II	Pro Forma III
	Group 31.7.2023 RM	After Acquisition RM	After Pro Forma I and after Public Issue RM	After Pro Forma II and after Utilisation of Proceeds RM
No. of ordinary shares assumed to be in issue ^	100	469,972,800	688,000,000	688,000,000
Net assets ("NA")	46,253,991	46,253,991	105,121,335	99,289,265
NA per share (RM)	462,539.91	0.10	0.15	0.14
Borrowings	4,766,477	4,766,477	4,766,477	4,766,477
Gearing (times) #	0.10	0.10	0.05	0.05

^ Pursuant to Section 74 of the Companies Act, 2016 (the "Act"), all shares issued before or upon the commencement of this Act shall have no par or nominal value.

\# Calculated based on borrowings divided by net assets.

KJTS GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023 (CONT'D)

7. Pro Forma Combined Statements of Financial Position as at 31 July 2023 (Cont'd)

7.1 Notes to Pro Forma Combined Statements of Financial Position

Pro Forma I

Pro forma I incorporates the effects after Acquisition by KJTS as disclosed in Note 3 to the pro forma combined statements of financial position.

Pro Forma II

Pro forma II incorporates the effects of Pro forma I and after Public Issue as disclosed in Note 4 to the pro forma combined statements of financial position.

Pro Forma III

Pro forma III incorporates the effects of Pro forma II and after utilisation of proceeds from the IPO as disclosed in Note 5 to the pro forma combined statements of financial position.

The gross proceeds arising from the IPO will be utilised by the Group in the following manner:

Utilisation of proceeds	Notes	Amount of proceeds		Estimated timeframe for utilisation from the listing date
		RM	%(1)	
Business expansion				
• Expansion of Cooling Energy Segment	(a)(i)	40,417,490	68.66	Within 36 months
• Expansion of offices in Malaysia, Singapore and Thailand	(a)(ii)	4,500,000	7.64	Within 12 months
Working capital	(b)	8,117,784	13.79	Within 12 months
Defraying the listing expenses	(c)	5,832,070	9.91	Within 1 month
Total		58,867,344	100.00	

Note:

(1) Based on estimated gross proceeds from the IPO.

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KJTS GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023 (CONT'D)

7. **Pro Forma Combined Statements of Financial Position as at 31 July 2023 (Cont'd)**

7.1 **Notes to Pro Forma Combined Statements of Financial Position (Cont'd)**

Pro Forma III (Cont'd)

Further details of the utilisation of proceeds are set out in the ensuing paragraphs:

(a) Business expansion

The Group intends to utilise approximately RM40.42 million of the proceeds arising from the Public Issue to defray the cost to be incurred for the Group business expansion for the next 12 to 36 months, which includes the following:

(i) Expansion of Cooling Energy Segment

The Group intends to expand its Cooling Energy Segment business activities in Malaysia, comprising both cooling energy management services and engineering, procurement, construction and commissioning (EPCC) of cooling energy systems.

As part of the plan to expand its cooling energy management services business activities in Malaysia, the Group intends to make additional funds available to finance the EPCC of cooling energy systems as part of its cooling energy management services for suitable customers. It intends to use its in-house resources to carry out the EPCC work, and subsequently deploy its personnel to operate and maintain the cooling energy system for a certain period of time.

In addition, the Group also intends to expand its EPCC of cooling energy systems business on a stand-alone basis (i.e. without the provision of cooling energy management services subsequently) by securing new contracts, whereby it intends to utilise in-house resources to implement new contracts secured. In this connection, the Group intends to invest in the construction of new district cooling system (DCS) or chiller plants or upgrading and/or retrofitting of existing cooling energy systems for potential customers, including amongst others, those with large commercial or industrial buildings.

As such, the Group has earmarked RM40.42 million or approximately 68.66% of the gross proceeds from the IPO for the expansion of the Cooling Energy Segment in Malaysia (i.e. to finance the EPCC of cooling energy systems as part of the Group's cooling energy management services and to expand the Group's EPCC of cooling energy systems business on a stand-alone basis), details of which are as follows:

Details of utilisation	***Reference***	***RM***
Expansion of Cooling Energy Segment		
Preliminary expenses	*(1)*	*2,082,480*
Purchase of major equipment	*(2)*	*16,213,540*
Purchase of other equipment, components and materials	*(3)*	*12,527,900*
Engagement of sub-contractors and specialists	*(4)*	*9,593,570*
Total		***40,417,490***

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KJTS GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023 (CONT'D)

7. **Pro Forma Combined Statements of Financial Position as at 31 July 2023 (Cont'd)**

7.1 **Notes to Pro Forma Combined Statements of Financial Position (Cont'd)**

Pro Forma III (Cont'd)

Further details of the utilisation of proceeds are set out in the ensuing paragraphs: (Cont'd)

(a) Business expansion (Cont'd)

(i) Expansion of Cooling Energy Segment (Cont'd)

(1) From the RM40.42 million that the Group has allocated, it has earmarked RM2.08 million for the preliminary expenses relating to its future cooling energy projects in Malaysia such as mobilisation, insurance, placements with financial institutions as a form of security collateral for procurement of bank guarantees for projects performance bond and projects tender bond, engagement of external consultants to design and advise on civil and structural works, as well as payment of levy and stamp duty.

(2) It intends to use RM16.21 million to purchase major equipment such as chillers, pumps and cooling towers for the cooling energy systems with a total capacity of 11,200 refrigeration ton (RT). The amount allocated for the purchase of those major equipment are estimated based on the prices of its previous purchases of similar equipment.

(3) The Group has further earmarked RM12.53 million for the purchase of other equipment, components and materials such as electrical panel, valves, plate heat exchangers, instruments, variable speed drives, piping and cabling for the cooling energy systems. The amount allocated for the purchase of those other equipment, components and materials are estimated based on the prices of its previous purchases of similar equipment, components and materials.

(4) The Group intends to use the remaining RM9.59 million for the engagement of sub-contractors and specialists to carry out certain portions of the construction and installation work for EPCC of cooling energy systems contracts where they will be involved in installing new machinery and equipment. The types of sub-contractors that the Group intends to engage include, amongst others, subcontractors for mechanical, electrical and civil and structural works. The Group also intends to engage specialists with the required technical skills, experience and access to specialised tools for the installation of control systems.

The purchase of major equipment and other equipment, components, and materials will be incurred as construction cost as such equipment, components, and materials are to be acquired and installed at the customers' project sites, and eventually owned by the customers after the end of the contract period.

As KJTS has been in discussions with various potential customers to secure new contracts, the total amount of funds required for the contracts to be secured may differ from the amount highlighted above. Any excess amount required for the expansion of its Cooling Energy Segment business activities in Malaysia will be funded by internally generated funds and/or bank borrowings. Conversely, if the actual cost of such expansion is lower than the earmarked amount, the surplus will be used for working capital purposes. Upon completion of the Listing, in the event of a change to the utilisation of proceeds of 25.00% or more of the total proceeds raised from the IPO, the Group must seek the shareholders' approval, in accordance with the Listing Requirements.

KJTS GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023 (CONT'D)

7. Pro Forma Combined Statements of Financial Position as at 31 July 2023 (Cont'd)

7.1 Notes to Pro Forma Combined Statements of Financial Position (Cont'd)

Pro Forma III (Cont'd)

Further details of the utilisation of proceeds are set out in the ensuing paragraphs: (Cont'd)

(a) Business expansion (Cont'd)

(ii) Expansion of offices in Malaysia, Thailand and Singapore

The Group intends to use RM4.50 million or approximately 7.64% to expand or renovate its offices in Malaysia, Thailand and Singapore as follows:

Details of utilisation	***RM***
Expansion of offices	
- Malaysia	*2,000,000*
- Thailand	*1,500,000*
- Singapore	*1,000,000*
Total	***4,500,000***

(a) Malaysia

The Group's existing head office is currently operating from rented office units in Wisma E&C, Kuala Lumpur, Malaysia. As at the LPD[(1)], there are 49 employees located in the Group head office. The Group occupies an aggregate built-up area of 8,090 sq. ft. in Wisma E&C as its office, central command centre and storage area. Given its business expansion plans, it intends to move to and renovate other larger office units in Klang Valley, Malaysia with an estimated aggregate built-up area of approximately 10,000 sq. ft.

The breakdown of the costs is as follows:

Details of utilisation	***RM***
Office rental	*600,000[(2)]*
Renovation and fit out works (comprising, amongst others, office workstations, furniture and fittings)	*1,400,000*
Total	***2,000,000***

As at the LPD[(1)], the Group is in the midst of identifying a suitable office premise as its new Group head office. The Group expects to finalise the location of its new Group head office and execute the relevant tenancy agreement in the fourth quarter of 2024 and thereafter, commence renovation and fit out works in the fourth quarter of 2024 which is expected to take approximately 3 months. The Group intends to move to its new headquarters office in the first quarter of 2025.

KJTS GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023 (CONT'D)

7. Pro Forma Combined Statements of Financial Position as at 31 July 2023 (Cont'd)

7.1 Notes to Pro Forma Combined Statements of Financial Position (Cont'd)

Pro Forma III (Cont'd)

Further details of the utilisation of proceeds are set out in the ensuing paragraphs: (Cont'd)

(a) Business expansion (Cont'd)

(ii) Expansion of offices in Malaysia, Thailand and Singapore (Cont'd)

(b) Thailand

KJTN Engineering Co., Ltd. is currently operating from the office of its Thailand shareholder in Samutsakorn, Thailand, being one of the neighbouring provinces of Bangkok. As at the LPD[1], there are 5 employees located in the Thailand office. To enhance its market presence, the Group intends to move to and renovate a new office in Bangkok, Thailand with estimated aggregate built-up area of approximately 4,306 sq. ft. The location of the new office is expected to be within the city centre in Bangkok and can be easily accessed via public transport.

The breakdown of the costs is as follows:

Details of utilisation	***RM***
Office rental	*700,000[2]*
Renovation and fit out works (comprising, amongst others, office workstations, furniture and fittings)	*800,000*
Total	***1,500,000***

As at the LPD[1], the Group is in the midst of identifying suitable office premises as its new Thailand office. It expects to finalise the location of its new Thailand office and execute the relevant tenancy agreement in the fourth quarter of 2024 and thereafter, commence renovation and fit out works in the fourth quarter of 2024 which is expected to take approximately 3 months. The Group intends to move to its new Thailand office in the first quarter of 2025.

(c) Singapore

The Group's existing Singapore office is currently operating from a rented office unit in Tradehub 21, Singapore with build-up area of approximately 2,110 sq.ft. As at the LPD[1], there are 10 employees located in the Singapore office and KJ FEM Pte. Ltd. also stores some cleaning services consumables and equipment at this facility. Given space constraints, the Group intends to renovate and upgrade its existing Singapore office to increase usable working and storage space.

The total costs of renovation and fit out works which include, amongst others, office workstations, storage racks, furniture and fittings are estimated to be approximately RM1.00 million.

The Group expects to commence renovation and fit out works in the fourth quarter of 2024 which is expected to take approximately 3 months.

KJTS GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023 (CONT'D)

7. **Pro Forma Combined Statements of Financial Position as at 31 July 2023 (Cont'd)**

7.1 **Notes to Pro Forma Combined Statements of Financial Position (Cont'd)**

Pro Forma III (Cont'd)

Further details of the utilisation of proceeds are set out in the ensuing paragraphs: (Cont'd)

(a) Business expansion (Cont'd)

(ii) Expansion of offices in Malaysia, Thailand and Singapore (Cont'd)

If the actual cost of expansion of its offices in Malaysia, Thailand and Singapore is higher than the earmarked amount, the shortfall will be funded out of the amount allocated for working capital purposes. Conversely, if the actual cost of such expansion is lower than the earmarked amount, the surplus will be used for working capital purposes.

Notes:

(1) LPD as at 6 December 2023, being the latest practicable date is used.
(2) Comprising 12-month rental and 3-month deposits.

(b) Working capital

The Group has earmarked RM8.12 million or approximately 13.79% of the proceeds to fund the working capital requirements of the Group, which is expected to increase primarily as a result of the expansion plan of its Cooling Energy Segment. The breakdown of the expected utilisation of proceeds for the working capital is as follows:

Details of utilisation	***RM***
Salaries and staff welfare and allowances [(1)]	*4,726,316*
Other administrative and operating expenses [(2)]	*3,391,468*
Total	***8,117,784***

Notes:

(1) The estimated timeframe for utilisation upon Listing is 12 months and the allocated amount is expected to cover approximately 3 months of salaries and staff welfare and allowances of the Group.
(2) Comprising, amongst others, office utilities, office supplies (such as stationeries) as well as upkeep and maintenance of office equipment.

(c) Defraying the listing expenses

The Group has earmarked RM5.83 million or 9.91% from the proceeds to pay the estimated expenses of the Listing. The following summarises the estimated expenses incidental to the Listing to be borne by the Group:

Expenses	***RM***
Professional fees [(1)]	*3,282,000*
Fees payable to authorities [(2)]	*137,576*
Underwriting commission, placement fees and brokerage fees	*1,605,064*
Fees and expenses for printing, advertising, roadshow and contingencies	*807,430*
Total	***5,832,070***

KJTS GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023 (CONT'D)

7. Pro Forma Combined Statements of Financial Position as at 31 July 2023 (Cont'd)

7.1 Notes to Pro Forma Combined Statements of Financial Position (Cont'd)

Pro Forma III (Cont'd)

Further details of the utilisation of proceeds are set out in the ensuing paragraphs: (Cont'd)

(c) Defraying the listing expenses (Cont'd)

Notes:

(1) Comprising advisory fees for, amongst others, the Principal Adviser, Solicitors, Auditors and Reporting Accountants, Issuing House and Share Registrar, Independent Business and Market Research Consultants, Company Secretary, Internal Control Review Consultant and tax agents.

(2) Comprising fees payable to authorities such as the processing fee, listing fee, registration fee for the Prospectus and lodgement fee of the Prospectus.

If the actual listing expenses are higher than the earmarked amount, the shortfall will be funded out of the amount allocated for working capital purposes. Conversely, if the actual listing expenses are lower than the earmarked amount, the surplus will be used for working capital purposes.

The Group will bear all expenses and fees incidental to the Listing, which include underwriting commission, placement fees, brokerage fee under retail offering, professional fees, authorities' fees, advertising and other fees, the aggregate of which is estimated to be approximately RM5,832,070. As at 31 July 2023, RM2,599,901 has been paid. A total of RM1,575,373.90 is assumed to be directly attributable to the IPO and as such will be debited against the share capital in equity and the remaining expenses of RM4,256,696.10 are assumed to be attributable to the Listing and as such, will be expensed off to the statements of profit or loss and other comprehensive income pursuant to MFRS 132 Financial Instruments: Presentation. Any difference arising from the utilisation as set out above will be adjusted accordingly with the working capital requirements.

The actual proceeds accruing to the Group will depend on the Institutional Price and the Final Retail Price. If the actual proceeds are higher than budgeted above, the excess will be used for working capital. Conversely, if the actual proceeds are lower than budgeted above, the proceeds allocated for working capital will be reduced accordingly.

Upon completion of the IPO, the issued and paid-up share capital of KJTS will increase from RM41,827,670.30 comprising 469,972,800 KJTS Shares to RM99,119,640.40 comprising 688,000,000 KJTS Shares.

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STAMPED FOR IDENTIFICATION PURPOSES ONLY
UHY CHARTERED ACCOUNTANTS (AF 1411)

KJTS GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023 (CONT'D)

7. **Pro Forma Combined Statements of Financial Position as at 31 July 2023 (Cont'd)**

7.2 **Other Receivables**

	RM
As at 31 July 2023/As per Pro Forma I and II	10,961,305
Utilisation of proceeds	(2,599,901)
As per Pro Forma III	8,361,404

7.3 **Deposits, Cash and Bank Balances**

	RM
As at 31 July 2023/As per Pro Forma I	9,046,334
Public Issue	58,867,344
As per Pro Forma II	67,913,678
Utilisation of proceeds	(3,232,169)
As per Pro Forma III	64,681,509

7.4 **Share Capital and Invested Equity**

(i) Share Capital

	Number of shares Units	RM
As at 31 July 2023	100	100
Acquisition	469,972,700	41,827,570
As per Pro Forma I	469,972,800	41,827,670
Public Issue	218,027,200	58,867,344
As per Pro Forma II	688,000,000	100,695,014
Expenses in relation to issuance of shares	-	(1,575,374)
As per Pro Forma III	688,000,000	99,119,640

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KJTS GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023 (CONT'D)

7. **Pro Forma Combined Statements of Financial Position as at 31 July 2023 (Cont'd)**

7.4 **Share Capital and Invested Equity (Cont'd)**

(ii) Invested Equity

	Number of shares Units	RM
As at 31 July 2023	808,000	6,889,880
Acquisition	(808,000)	(6,889,880)
As per Pro Forma I, II and III	-	-

7.5 **Merger Reserve**

	RM
As at 31 July 2023	-
Acquisition	(34,937,690)
As per Pro Forma I, II and III	(34,937,690)

7.6 **Retained Earnings**

	RM
As at 31 July 2023/As per Pro Forma I and II	38,898,071
Utilisation of proceeds	(4,256,696)
As per Pro Forma III	34,641,375

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KJTS GROUP BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2023 (CONT'D)

Approval by Board of Directors

Approved and adopted on behalf of the Board of Directors of KJTS Group Berhad in accordance with a resolution dated 15 DEC 2023

LEE KOK CHOON Director	SHELDON WEE TAH POH Director

15. ADDITIONAL INFORMATION

15.1 SHARE CAPITAL

(i) The share capital of our Group and associated companies as at the LPD and the movement in share capital during the Financial Years and Period Under Review and up to the LPD are set out in Sections 6.2 and 6.4 of this Prospectus.

(ii) As at the date of this Prospectus, we only have 1 class of shares, namely, ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.

(iii) Save for our Pink Form Allocations and LTIP as disclosed in Sections 4.2.2 and 4.2.4 of this Prospectus, as at the date of this Prospectus:

(a) no Director or employee of our Group has been or is entitled to be given or has exercised any option to subscribe for any shares in our Company or our subsidiaries; and

(b) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.

(iv) There were no shares which has been paid for with assets other than cash within the past 3 years from the LPD. Save as disclosed in Sections 4.2.1, 4.2.2, 4.2.4, 6.2 and 6.3 of this Prospectus, no shares of our Company have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 2 years immediately preceding the date of this Prospectus.

(v) Other than our IPO and LTIP as disclosed in Section 4.2 of this Prospectus, there is no intention on the part of our Directors to further issue any Shares on the basis of this Prospectus.

(vi) As at the date of this Prospectus, save for our LTIP, we do not have any outstanding convertible debt securities, options, warrants or uncalled capital.

15.2 EXTRACTS OF OUR CONSTITUTION

The following provisions are extracted from our Constitution. The words and expressions appearing in the following provisions shall bear the same meanings used in our Constitution unless otherwise defined or the context otherwise requires. The following provisions extracted from our Constitution are based on the Listing Requirements.

15.2.1 Remuneration, voting and borrowing powers of Directors

The provisions in our Constitution dealing with remuneration, voting and borrowing powers of Directors are as follows:

(i) Remuneration of Directors

Clause 93 - Remuneration of Directors

(1) The Company may from time to time by an ordinary resolution passed at a General Meeting, approve the remuneration of the Directors, who hold non-executive office with the Company, for their services as non-executive Directors.

(2) Subject to Clause 84, the fees of the Directors and any benefits payable to the Directors shall be subject to annual shareholders' approval at a General Meeting.

(3) If the fee of each such non-executive Director is not specifically fixed by the Members, then the quantum of fees to be paid to each non-executive Director within the overall limits fixed by the Members, shall be decided by resolution of the Board. In default of any decision being made in this respect by the Board, the fees payable to the non-executive Directors shall be divided equally amongst themselves and such a Director holding office for only part of a year shall be entitled to a proportionate part of a full year's fees. The non-executive Directors shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.

(4) The following expenses shall be determined by the Directors:

(a) Traveling, hotel and other expenses properly incurred by the Directors in attending and returning from meetings of the Directors or any committee of the Directors or General Meetings of the Company or in connection with the business of the Company; and

(b) Other expenses properly incurred by the Directors arising from the requirements imposed by the authorities to enable the Directors to effectively discharge their duties.

(5) Executive Directors of the Company shall be remunerated in the manner referred to in Clause 84 but such remuneration shall not include a commission on or percentage of turnover.

(ii) Borrowing powers of Directors

Clause 95 - Powers of Directors

Without limiting the generality of Clause 94(1) and (2), the Directors may, subject to the Act and the Listing Requirements, exercise all the powers of the Company to do all or any of the following for any debt, liability, or obligation of the Company or of any third party:

(1) borrow money;

(2) mortgage or charge its undertaking, property, and uncalled capital, or any part of the undertaking, property and uncalled capital;

(3) issue debentures and other Securities whether outright or as security; and/or

(4) (a) lend and advance money or give credit to any person or company;

(b) guarantee and give guarantees or indemnities for the payment of money or the performance of contracts or obligations by any person or company;

(c) secure or undertake in any way the repayment of moneys lent or advanced to or the liabilities incurred by any person or company;

and otherwise to assist any person or company.

(iii) Voting of Directors

Clause 118 - Voting at Board meetings

(1) Subject to this Constitution, questions arising at a Board Meeting shall be decided by a majority of votes of Directors present and voting and any such decision shall for all purposes be deemed a decision of the Directors.

(2) Each Director is entitled to cast one (1) vote on each matter for determination.

Clause 119 - Casting Vote

In the case of an equality of votes, the chairperson of the Board Meeting is entitled to a second or casting vote, except where two (2) Directors form a quorum, the chairperson of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question at issue shall not have a casting vote.

Clause 105 – Directors' Interest in Contracts

(1) A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest.

(2) Every Director shall observe the provisions of Sections 221 and 222 of the Act relating to the disclosure of the interest of the Directors in contracts or proposed contracts with the Company or of any office or property held by the Directors which might create duties or interest in conflict with their duties or interest as Directors and participation in discussion and voting. Such disclosure of material personal interest by the Directors shall be in the form of a notice. Such notice shall be in the form and manner prescribed under Section 221 of the Act.

15.2.2 Changes to share capital

The provisions in the Constitution dealing with changes in share capital are as follows:

Clause 46 - Alteration of Capital

(1) The Company may from time to time by ordinary resolution and subject to other applicable laws or requirements:

(a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or

(b) subdivide its shares or any of them into shares, whichever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived.

(2) The Company may from time to time by special resolution and subject to other applicable requirements:

(a) cancel shares which, at the date of the passing of the resolution in that regard, have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled or in such other manner allowed by law; or

(b) reduce its share capital in such manner permitted by law, and (where applicable) subject to the relevant required approvals being obtained.

(3) The Company shall have the power, subject to and in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines in respect thereof for the time being in force, to purchase its own shares and thereafter to deal with the shares purchased in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines thereunder or issued by Bursa Securities and any other relevant authorities in respect thereof.

15.2.3 Transfer of Shares

The provisions in the Constitution in respect of the arrangement for transfer of securities of our Company and restrictions on their free transferability are as follows:

Clause 14 - Transfer of securities

The transfer of any Deposited Security or class of Deposited Security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities.

Clause 17 - Transfer of shares or debentures

(1) Subject to this Constitution and other written laws, any Shareholder or debenture holder may transfer all or any of his shares or debentures by instrument of transfer as prescribed under the Act.

(2) The instrument of transfer must be executed by or on behalf of the transferor and the transferee.

(3) The transferor shall remain as the holder of such shares or debentures until the transfer is registered and the name of the transferee is entered in the Register of Members or register of debenture holders in respect of the shares or debentures respectively.

Clause 18 - Items for transfer of shares or debentures

(1) To enable the Company to register the name of the transferee, the following items in relation to the transfer of shares or debentures must be delivered by the transferor to the Office of the Company:

(a) the instrument of transfer duly executed and stamped;

(b) the certificate of the shares or debentures which the instrument of transfer relates; and

(c) any other evidence as the Directors may reasonably require showing the right of the transferor to make the transfer.

(2) Upon receipt of the items referred to in Clause 18(1), the Company shall, upon the approval of the Board and unless otherwise resolved, register the name of the transferee in the Register of Members or register of debenture holders (as applicable).

Clause 19 - Refusal of registration

(1) The Directors may decline or delay to register the transfer of shares within thirty (30) days from the receipt of the instrument of transfer if:

(a) the shares are not fully paid shares;

(b) the Directors passed a resolution with full justification to refuse or delay the registration of transfer;

(c) the Company has a lien on the shares; and/or

(d) the Shareholder fails to pay the Company an amount due in respect of those shares, whether by way of consideration for the issue of the shares or in respect of the sums payable by the Shareholder in accordance with this Constitution.

(2) Where applicable, the Company shall send a notice of the resolution referred to in Clause 19(1)(b) to the transferor and transferee, within seven (7) days of the resolution being passed by the Directors.

Clause 20 - Closing the Register of Members or Register of Debenture Holders

On giving at least fourteen (14) days' notice to the Registrar to close the Register of Members or register of debenture holders, the Company may close the Register of Members or register for any class of members or register of debenture holders (collectively, the "Registers") for the purpose of updating the Registers. The registration of transfer may be suspended at such time and for such period as the Directors may from time to time determine, provided that no part of the relevant Register(s) be closed for more than thirty (30) days in aggregate in any calendar year.

15.2.4 Rights, preferences and restrictions attached to each class of shares relating to voting, dividend, liquidation and any special rights

The provisions in the Constitution in respect of the rights, preferences and restrictions attached to each class of shares relating to voting, dividend, liquidation and any special rights are as follows:

Clause 8 - Variation of Rights

(1) If at any time the share capital is divided into different classes of shares, the rights attached to each class of shares (unless otherwise provided by the terms of issue of the shares of that class) may only, whether or not the Company is being wound up, be varied:

(a) with the consent in writing of the holders holding not less than seventy-five percent (75%) of the total voting rights of the holders of that class of shares; or

(b) by a special resolution passed by a separate meeting of the holders of that class of shares sanctioning the variation.

(2) The provisions of this Constitution relating to General Meetings apply with the necessary modifications to every separate meeting of the holders of the shares of the class referred to in Clause 8(1), except that:

(a) for a meeting other than an adjourned meeting, a quorum is constituted by two (2) persons present holding at least one-third (1/3) of the number of issued shares of such class, excluding any shares of that class held as treasury shares;

(b) if that class of shares only has one holder, a quorum is constituted by one (1) person present holding shares of such class; and

(c) for an adjourned meeting, a quorum is constituted by one (1) person present holding share(s) of such class.

(3) The rights attached to an existing class of preference shares shall be deemed to be varied by the issue of new preference shares that rank equally with the existing class of preference shares unless such issuance was authorised by:

(a) the terms of the issue of the existing preference shares; or

(b) this Constitution of the Company as in force at the time when the existing preference shares were issued.

Clause 12 - Issue of Securities

(1) Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject always to the Act, the Listing Requirements and this Constitution, the Directors have the right to:

(a) issue and allot shares in the Company; and

(b) grant rights to subscribe for shares or options over unissued shares in the Company.

(2) Subject to the Act, the Listing Requirements, this Constitution and the relevant Shareholders' approval being obtained, the Directors may issue any shares (including rights or options over subscription of such shares):

(a) with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine;

(b) to any person, whether a Member or not, in such numbers or proportions as the Directors may determine; and

(c) for such consideration as the Directors may determine.

(3) (a) Subject to the Act, the Listing Requirements and any direction to the contrary that may be given by the Company in General Meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled.

(b) The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company.

(c) The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution.

(4) Subject to Rule 6.07 of the Listing Requirements and notwithstanding the existence of a resolution pursuant to Sections 75(1) and 76(1) of the Act, the Company must not issue any shares or convertible securities if the total number of those shares or convertible securities, when aggregated with the total number of any such shares or convertible securities issued during the preceding twelve (12) months, exceeds ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company except where the shares or convertible securities are issued with the prior shareholder approval in a General Meeting of the precise terms and conditions of the issue.

15.3 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS

Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as securities to be deposited into the CDS. Consequently, the Shares offered in our IPO will be deposited directly with Bursa Depository. Any dealing in our Shares will be carried out in accordance with the SICDA and the Rules of Bursa Depository. We will not issue any share certificates to successful applicants.

Dealing in our Shares deposited with Bursa Depository may only be effected by a depositor by means of entries in the securities account of that Depositor.

A depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be our shareholder and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

15.4 LIMITATION ON THE RIGHT TO HOLD SECURITIES AND/OR EXERCISE VOTING RIGHTS

Subject to Section 15.3 above, there is no limitation on the right to own our Shares, including any limitation on the right of a non-resident or non-Malaysian shareholder to hold or exercise their voting rights on our Shares, which is imposed by Malaysian law or by our Constitution.

15.5 REPATRIATION OF CAPITAL, REMITTANCE OF PROFITS AND TAXATION

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

(i) Malaysia

Taxation

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

Pursuant to the Income Tax Act 1967, income tax is charged on income of any person accruing in or derived from Malaysia or received in Malaysia from outside Malaysia. Prior to 1 January 2022, income of any person derived from sources outside Malaysia and received in Malaysia is exempted from tax. The above exemption does not apply to a resident company carrying on the business of banking, insurance or sea or air transport.

With effect from 1 January 2022, income derived from sources outside Malaysia and received in Malaysia by any person who is a resident in Malaysia is subject to tax at the prevailing tax rates. Such income received in Malaysia by a resident is subject to tax at a concessionary tax rate of 3% of gross for the period from 1 January 2022 to 30 June 2022.

Notwithstanding the above, the Income Tax (Exemption) (No. 6) Order 2022 ("**Exemption Order**") (gazetted on 19 July 2022) provides for exemption on foreign sourced dividend income received in Malaysia by amongst others, a resident company incorporated under the Act for the period from 1 January 2022 to 31 December 2026. The exemption is given subject to the following qualifying conditions:

(a) the dividend income has been subjected in the country of origin;

(b) the highest rate of tax (headline tax) in the country of origin is not less than 15.00%; and

(c) comply with the economic substance requirements.

Reference can be made to the guidelines issued by the Inland Revenue Board of Malaysia on 29 December 2022 to determine whether the above conditions are met for the purposes of the exemption on foreign sourced dividend income received in Malaysia. The dividend income will be subject to tax in Malaysia if it is received in Malaysia. The dividend income will be exempted under the Exemption Order for the period from 1 January 2022 to 31 December 2026 where the conditions for the exemption are met.

(ii) Singapore

Return of capital proceeds

Pursuant to the provisions of the Companies Act 1967 of Singapore, capital may not be returned to shareholders unless a capital reduction exercise is carried out in accordance with the provisions of the Companies Act 1967 of Singapore and the company's constitution (or memorandum and articles of association). There are no restrictions on payment of capital from a capital reduction exercise to foreign shareholders who are not subject to any financial sanctions or other restrictions imposed by the Monetary Authority of Singapore or other regulatory authorities.

A company may, if so authorised by its constitution (or memorandum and articles of association) and subject to the requirements imposed by the Companies Act 1967 of Singapore, buy back its own shares. Similarly, there are no restrictions on payment of the purchase price to foreign shareholders in respect of such purchase.

Dividend distribution

There are no foreign exchange control restrictions imposed under Singapore laws and there are no exchange control formalities or approvals required for all forms of payments (including dividends out of profits) or capital transfers into or out of Singapore. There are no restrictions on the payment of dividends to a foreign shareholder. As such, KJ FEM is not restricted in its ability to repatriate profits to Malaysia.

No dividend is payable to the shareholders of any company except out of profits. Under Singapore law, KJ FEM may, by ordinary resolution, declare dividends at a general meeting, but it may not pay dividends in excess of the amount recommended by its directors.

Taxation

Singapore does not impose taxes on capital gains. Dividend payments to resident and non-resident shareholders are not subject to withholding tax in Singapore.

(iii) Thailand

Return of capital proceeds

Return of capital proceeds may be divided into 2 scenarios as follows.

(a) Return of capital due to capital reduction

Pursuant to the provisions of the Civil and Commercial Code of Thailand, capital can be returned to shareholders if an approval is granted in a shareholders' meeting by at least three-quarters of the total votes of the shareholders present and entitled to vote.

There are no restrictions on the repatriation of reduced capital from a Thai company to its shareholders outside Thailand, and no approval is required under the Exchange Control Act of Thailand (B.E. 2485) (the "**Exchange Control Act**").

(b) Return of capital due to company dissolution

Pursuant to the provisions of the Civil and Commercial Code of Thailand, a limited company can be dissolved if an approval is granted in a shareholders' meeting by at least three-quarters of the total votes of the shareholders present and entitled to vote.

In addition, a limited company may also be dissolved by other causes as stipulated under the Civil and Commercial Code of Thailand, for example, bankruptcy.

There are no restrictions on the repatriation of capital return due to a company's dissolution from the dissolved Thai company to its shareholders outside Thailand, and no approval is required under the Exchange Control Act.

Dividend distribution

There are no restrictions on the repatriation of dividends and no approvals are required to repatriate dividends to Malaysia under the Exchange Control Act. Dividend payment is categorised as a payment for goods and services that are allowed up to the amount of the obligations imposed upon the payer. Under Thai laws, dividends can only be paid out of the profits of a company.

All foreign exchange transactions are to be conducted through authorised banks or non-banks, such as authorised money changers and authorised money transfer agents holding foreign exchange license granted by the Minister of Finance of Thailand.

Taxation

(a) Capital reduction

Section 40(4)(d) of Thailand Revenue Code, B.E. 2481 (1938) considers the proceeds from capital reduction which do not exceed the sum of the company's profits and any reserves allocated from such profits to be taxable income. For the repatriation of reduced capital to shareholders outside Thailand, withholding tax at the rate of 15.00% from the taxable income shall be deducted by the payer at source.

(b) Capital return from company dissolution

Section 40(4)(f) of Thailand Revenue Code, B.E. 2481 (1938) considers the benefit derived from the dissolution of a company which exceeds the company's capital to be taxable income. For the repatriation of capital return to shareholders outside Thailand, withholding tax at the rate of 15.00% from the taxable income shall be deducted by the payer at source.

(c) Dividend

Section 40(4)(b) of Thailand Revenue Code, B.E. 2481 (1938) considers a dividends to be taxable income. The dividends paid by a company incorporated in Thailand to its shareholders outside Thailand is taxable/assessable income and is subject to withholding tax at the rate of 10% of the taxable income, which shall be deducted by the payer at source.

Also, withholding tax for payment made from Thailand to a juristic person registered under Malaysian laws is also subject to the double taxation agreement between the government of the Kingdom of Thailand and the government of Malaysia (the "**Thai-Malaysia DTA**"), Therefore, the Thai-Malaysia DTA shall also be taken into consideration in order to determine whether such rate shall be reduced.

15.6 CONSENTS

(i) The written consents of our Principal Adviser, Sponsor, Sole Underwriter and Sole Bookrunner, Solicitors, Issuing House and Share Registrar and Company Secretaries as set out in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names and all references thereto in the form and context in which such names appear have been given before the issuance of this Prospectus and have not subsequently been withdrawn.

(ii) The written consents of our Auditors and Reporting Accountants for the inclusion in this Prospectus of their names, Accountants' Report and Reporting Accountants' Report on the Compilation of the Pro Forma Combined Statements of Financial Position, and all references thereto in the form and context in which they are contained in this Prospectus have been given before the issuance of this Prospectus and have not subsequently been withdrawn.

(iii) The written consent of our IMR for the inclusion in this Prospectus of its name, IMR Report and all references thereto in the form and context in which they are contained in this Prospectus have been given before the issuance of this Prospectus and have not subsequently been withdrawn.

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15.7 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, during normal business hours for a period of 6 months from the date of this Prospectus:

(i) our Constitution;

(ii) our material contracts referred to in Section 6.6 of this Prospectus;

(iii) the IMR Report as referred to in Section 8 of this Prospectus;

(iv) the Accountants' Report as referred to in Section 13 of this Prospectus;

(v) the Reporting Accountants' Report on the Compilation of the Pro Forma Combined Statements of Financial Position as referred to in Section 14 of this Prospectus;

(vi) the audited financial statements of our Company and subsidiaries for FYE 2020, FYE 2021 and FYE 2022;

(vii) the audited financial statements of our Company and subsidiaries for FPE 2023; and

(viii) the letters of consent as referred to in Section 15.6 above.

15.8 RESPONSIBILITY STATEMENTS

Our Directors and Promoters have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statements or other facts which if omitted, would make any statement in this Prospectus false or misleading.

HLIB, being the Principal Adviser, Sponsor, Sole Underwriter and Sole Bookrunner in relation to our IPO, acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC COPY OF THIS PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in this Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

16.1 OPENING AND CLOSING OF APPLICATION

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 5 JANUARY 2024.

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 11 JANUARY 2024.

In the event there is any change to the dates and times stated above, we will advertise the notice of the change in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia and will make the relevant announcement through Bursa Securities.

Late Applications will not be accepted.

16.2 METHODS OF APPLICATIONS

16.2.1 Institutional Offering

Institutional and selected investors being allocated our IPO Shares under the Institutional Offering will be contacted directly by the Sole Bookrunner and will follow the instructions as communicated by the Sole Bookrunner.

Selected investors may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

16.2.2 Retail Offering

Application must accord with this Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application and category of investors	Application Method
Applications by eligible Directors, Key Senior Management, employees and persons who have contributed to the success of our Group.	Pink Application Form only
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

16.3 ELIGIBILITY

16.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in the list of ADAs set out in the Detailed Procedures for Application and Acceptance accompanying the electronic copy of this Prospectus on the website of Bursa Securities. The CDS account must be in your own name. **Invalid, nominee or third party CDS accounts will not be accepted** for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

16.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

(i) You must be one of the following:

- (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or
- (b) a corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
- (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

(iii) You must submit Applications by using only one of the following methods:

- (a) White Application Form;
- (b) Electronic Share Application; or
- (c) Internet Share Application.

16.3.3 Application by eligible Directors, Key Senior Management, employees and persons who have contributed to the success of our Group

The eligible Directors, Key Senior Management, employees and persons who have contributed to the success of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated IPO Shares. Applicants must follow the notes and instructions in the said document and where relevant, in this Prospectus.

16.4 APPLICATION BY WAY OF APPLICATION FORM

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of this Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The **FULL** amount payable is RM0.27 for each IPO Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NO. 753"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

(i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd
(Registration No. 197101000970 (11324-H))
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

or

(ii) **DELIVER BY HAND AND DEPOSIT** in the Drop-in Boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

so as to arrive not later than 5.00 p.m. on 11 January 2024.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

16.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATION

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

16.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATION

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

16.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:-

(i) reject Applications which:-

  (a) do not conform to the instructions of this Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

  (b) are illegible, incomplete or inaccurate; or

  (c) are accompanied by an improperly drawn up, or improper form of, remittance; or

(ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(iii) bank in all Application monies (including those from unsuccessful / partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 16.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at anytime within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

16.8 OVER/UNDER SUBSCRIPTION

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at https://tiih.online within 1 Market Day after the balloting date.

Pursuant to the Listing Requirements, we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or eligible Directors, Key Senior Management, eligible employees and persons who have contributed to the success of our Group, subject to the clawback and reallocation provisions as set out in Section 4.2.3 of this Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by our Sole Underwriter based on the terms of the Underwriting Agreement.

16.9 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful / partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

16.9.1 For applications by way of Application Forms

(i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

(ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).

(iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

16.9.2 For applications by way of Electronic Share Application and Internet Share Application

(i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.

(ii) You may check your account on the 5th Market Day from the balloting date.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

16.10 SUCCESSFUL APPLICANTS

If you are successful in your Application:-

(i) Our IPO Shares allotted to you will be credited into your CDS account.

(ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued / offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.

(iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

16.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services at telephone no. 603-2783 9299.
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House's website at https://tiih.online, 1 Market Day after the balloting date.

You may also check the status of your Application at the above website, 5 Market Days after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in the Detailed Procedures for Application and Acceptance accompanying the electronic copy of this Prospectus on the website of Bursa Securities.

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KJTS GROUP BERHAD

(Registration No. 202201020004 (1465701-T))

THE BY-LAWS OF THE LONG TERM INCENTIVE PLAN OF KJTS GROUP BERHAD

1. DEFINITIONS

1.1 In these By-Laws, except where the context otherwise requires, the following expressions shall have the following meanings:

"Act"	:	Companies Act 2016
"Award Date"	:	The date of the letter or electronic mail of which an LTIP Award is offered by the LTIP Committee to the Eligible Persons to participate in the Scheme
"Board"	:	The Board of Directors of the Company
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"By-Laws"	:	These rules, terms and conditions contained in these by-laws governing the Scheme, as amended from time to time in accordance with By-Law 28
"CDS"	:	Central Depository System
"CDS Account"	:	An account established by Bursa Depository for a depositor for the recording of deposits and withdrawal of securities and for dealings in such securities by a depositor
"Company" or "KJTS"	:	KJTS Group Berhad
"Constitution"	:	The Constitution of the Company, as amended from time to time
"Date of Acceptance"	:	The date on which the LTIP Committee shall receive the written notice accepting an ESOS Award from an Eligible Person in accordance with By-Law 7.1
"Date of Expiry"	:	The last day of the Duration of the Scheme as defined in By-Law 25.2
"Director"	:	A director within the meaning of Section 2 of the Act, which for the avoidance of doubt, excludes an alternate director
"Disciplinary Proceedings"	:	Proceedings instituted by any company in the Group against any Grantee or Eligible Person for any alleged misbehaviour, misconduct and/or any other acts of such Grantee or Eligible Person deemed to be unacceptable by the said company whether or not such disciplinary proceedings may give rise to a dismissal or termination of service of such Grantee or Eligible Person
"Duration of the Scheme"	:	The duration of the Scheme as defined in By-Law 25.1 and includes any extension thereof in accordance with By-Law 25.2;
"Effective Date"	:	The date on which the Scheme comes into force as provided in By-Law 25.1;

"Eligible Person(s)"	:	An eligible Executive Director and eligible executive who meets the criteria of eligibility for participation as set out in By-Law 4;
"Employee"	:	Any person in the employment of the Group including Directors of subsidiaries of KJTS
"Entitlement Date"	:	The date (and as at the close of business) on which shareholders' name must appear in KJTS's record of depositors maintained at Bursa Depository in order to be entitled to any dividends, rights, allotments and/or other distributions
"ESGS"	:	The executive share grant scheme for the Company to grant Shares at no consideration to Eligible Persons according to the terms of these By-Laws
"ESGS Grant"	:	A grant of existing Shares made in writing by the LTIP Committee from time to time to an Eligible Person to participate in the ESGS in the manner provided in By-Law 11
"ESGS Grantee"	:	An Eligible Person who has accepted an ESGS Grant in the manner as provided in By-Law 12
"ESGS Vesting Date(s)"	:	The date or dates as may be determined by the LTIP Committee on which all or some of the Shares awarded under an ESGS Grant to an Eligible Person is/are vested in accordance with By-Law 13
"ESOS"	:	The executive share option scheme for the benefit of the Eligible Persons to subscribe for new Shares according to the terms of these By-Laws
"ESOS Award"	:	An award of ESOS Options made in writing by the LTIP Committee from time to time to an Eligible Person to participate in the ESOS in the manner provided in By-Law 6
"ESOS Grantee"	:	An Eligible Person who has accepted an ESOS Award in the manner provided in By-Law 7
"ESOS Options" or "Options"	:	The right of an ESOS Grantee to subscribe for new Shares at the Option Price pursuant to an ESOS Award in the manner provided in By-Law 9
"ESOS Vesting Date(s)"	:	The date or dates on which all or some of the Options is/are vested pursuant to an ESOS Award as stipulated by the LTIP Committee in accordance with By-Law 7.4
"Executive Director"	:	A Director who, on the Award Date, is on the payroll of the Group and is involved in the day-to-day management of any company within the Group

"Grantee"	:	An ESOS Grantee and/or ESGS Grantee, as the case may be
"Group"	:	The Company and its subsidiary company(ies) as defined in Section 4 of the Act (which for the avoidance of doubt shall exclude the Company's associate company(ies)) and which are not dormant. Subject to the foregoing, the expression "subsidiary company(ies)" shall for the purposes hereof include subsidiaries which are existing as at the Effective Date and such subsidiaries which the LTIP Committee may, from time to time, determine at its discretion, and subsidiaries which are incorporated or acquired at any time during the Duration of the Scheme but excludes: (i) subsidiaries which have been divested in the manner provided in By-Law 23; and (ii) subsidiaries which are dormant
"Listing Requirements"	:	ACE Market Listing Requirements of Bursa Securities
"LTIP" or "Scheme"	:	The KJTS Group Berhad Long Term Incentive Plan comprising ESOS and ESGS, which shall be administered in accordance with these By-Laws
"LTIP Awards"	:	Collectively, the ESOS Award and ESGS Grant offered by the LTIP Committee to the Eligible Person and "LTIP Award" shall mean any one of them in the context of these By-Laws
"LTIP Committee"	:	The committee as appointed from time to time by the Board pursuant to By-Law 2.1 to implement and administer the LTIP in accordance with these By-Laws
"Market Day"	:	A day on which Bursa Securities is open for trading of securities
"Maximum Allowable Allotment"	:	The maximum aggregate number of new Shares in respect of the LTIP Awards that can be offered and allotted to an Eligible Person in accordance with the provisions of By-Law 5.2
"Offer Period"	:	A period of thirty (30) days from the Award Date or such longer period as may be determined by the LTIP Committee at its sole and absolute discretion during which an ESOS Award is valid for acceptance as stipulated in By-Law 6.3
"Option Period"	:	The period commencing from the ESOS Vesting Date and expiring on a date on which the Options terminates, expires or lapses and/or otherwise ceases to be of any force and effect in accordance with these By-Laws and as set out in the ESOS Award

"Option Price"	:	The price at which an ESOS Grantee shall be entitled to subscribe for each new Share upon the exercise of an ESOS Option, as initially determined in accordance with the provisions of By-Law 10 and as may be adjusted pursuant thereto in accordance with the provisions of By-Law 21
"Performance Targets"	:	The performance targets determined and prescribed by the LTIP Committee, which are to be achieved by the Grantee and/or Group (and/or such business units within the Group as determined by the LTIP Committee), during such period as specified in the LTIP Award
"persons connected"	:	Shall have the meaning as that assigned to "person connected" in Rule 1.01 of the Listing Requirements
"Principal Adviser"	:	Shall have the meaning as that assigned to "Adviser" in Rule 1.01 of the Listing Requirements
"RM"	:	Ringgit Malaysia
"Rules of Bursa Depository"	:	The Rules of Bursa Depository, as issued pursuant to SICDA
"Shares"	:	Ordinary shares in the Company
"SICDA"	:	Securities Industry (Central Depositories) Act 1991
"Validity Period"	:	A period of thirty (30) days from the Award Date or such longer period as may be determined by the LTIP Committee at its sole and absolute discretion on a case-to-case basis during which an ESGS Grant is valid for acceptance as stipulated in By-Law 11.4
"Vesting Conditions"	:	The conditions determined by the LTIP Committee and stipulated in the LTIP Awards which must be fulfilled for the Options under the ESOS Award or the Shares under the ESGS Grant to be vested in an ESOS Grantee or ESGS Grantee as provided in By-Laws 7.4 and 13 respectively

1.2 Any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision and the Listing Requirements, policies and/or guidelines of Bursa Securities and/or other relevant authorities respectively (whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with reasonable commercial practice of persons to whom such requirements, policies, regulations and/or guidelines are addressed by Bursa Securities and /or other relevant authorities).

1.3 Any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of these By-Laws so far as such modification or re-enactment applies or is capable of applying to the LTIP Awards made, offered and/or accepted within the Duration of the Scheme, and shall also include any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced.

1.4 In these By-Laws, unless the context requires otherwise, words denoting the singular number shall include the plural number and vice versa, and words denoting one gender shall include the other gender.

1.5 The headings in these By-Laws are for convenience only and shall not be taken into account in the interpretation of these By-Laws.

1.6 If an event is to occur on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day; and if an event is to occur on a stipulated day which falls after the Date of Expiry then the stipulated day shall be taken to be the last Market Day of the Duration of the Scheme.

1.7 Any liberty or power of discretion which may be exercised, and/or any decision or determination which may be made, under these By-Laws:

(i) by the Board may be exercised in the Board's sole and absolute discretion and the Board shall not be under any obligation to give any reasons therefor;

(ii) by the LTIP Committee may be exercised in the LTIP Committee's sole and absolute discretion and the LTIP Committee shall not be under any obligation to give any reason therefor, but subject always to the Board's power to overrule any decision of the LTIP Committee.

1.8 In the event of any change in the name of the Company from its present name, all references to "KJTS Group Berhad" in these By-Laws and all other documents pertaining to the Scheme shall be deemed to be references to the Company's new name.

1.9 This Scheme shall be known as the "KJTS Group Berhad Long Term Incentive Plan".

2. ADMINISTRATION AND TRUST

2.1 The Scheme shall be administered by the LTIP Committee consisting of such number of Directors and/or senior management personnel of the Group as shall be appointed and duly authorised by the Board from time to time. The Board shall have the power to determine all matters pertaining to the LTIP Committee, including, without limitation, setting the terms of reference for the LTIP Committee, determining its composition, duties, powers and limitations. The Board is also entitled, at any time and from time to time to rescind the appointment of any member of the LTIP Committee and appoint replacement members to the LTIP Committee, to change the terms of appointment of the members of the LTIP Committee, to determine and change the terms of reference for the LTIP Committee, and to assume and/or exercise or execute any of the powers and authorities conferred upon the LTIP Committee pursuant to these By-Laws.

2.2 The LTIP Committee shall administer the Scheme in such manner as it shall in its discretion deem fit and with such powers and duties as are conferred upon it, subject only to these By-Laws as may be amended from time to time. The LTIP Committee may meet together for the despatch of business, to adjourn or otherwise regulate its meetings as it thinks fit.

2.3 In implementing the Scheme, the LTIP Committee may, at its discretion, decide that any vesting of Shares comprised in an ESGS Grant shall be satisfied through:

(i) the issuance of new Shares;

(ii) the acquisition and transfer of existing Shares (including treasury shares, if any);

(iii) any other methods as may be permitted by the Act; or

(iv) a combination of any of the above.

In considering the modes of satisfaction as referred to in (i) to (iv) above, the LTIP Committee will take into consideration factors such as, among others, the prevailing market price of the Shares, funding considerations, dilutive effects of any such issuance on the Company's share capital base, and cash requirements of the Group.

2.4 For the purposes of facilitating the implementation and administration of the Scheme, the Company may (but shall not be obliged to) establish a trust to be administered by a trustee to be appointed by the Company for the Scheme from time to time ("**Trustee**"), if required, for the purposes of subscribing for new Shares and/or acquiring existing Shares from the ACE Market of Bursa Securities and transferring them to the Grantees at such times as the LTIP Committee shall direct ("**Trust**"). For this purpose, the Trustee may, to the extent permitted by law, be entitled from time to time to accept funding and/or assistance, financial or otherwise, from the Group and/or any third party to be paid into the bank account(s) to be established by the Trustee for the purpose of the Trust as the Trustee may direct for any such payment. The LTIP Committee shall have the discretion to revoke or suspend any such direction that has earlier been given to the Trustee.

2.5 The Trustee, if and when the Trust is established, shall administer the Trust in accordance with the terms of a trust deed to be entered into between the Company and the Trustee constituting the Trust ("**Trust Deed**"). For the purpose of administering the Trust, the Trustee shall do all such acts and things and enter into any transactions, agreements, deeds, documents or arrangements or make rules, regulations or impose terms and conditions or delegate part of its power relating to the administration of the Trust, as the LTIP Committee may in its sole and absolute discretion direct for the implementation and administration of the Trust.

2.6 The Company shall have power from time to time, at any time, to appoint or rescind or terminate the appointment of the Trustee as it deems fit in accordance with the provisions of the Trust Deed. The Company shall have the power from time to time, at any time, to negotiate with the Trustee to amend the provisions of the Trust Deed.

2.7 Without limiting the generality of By-Laws 2.1 and 2.2, the LTIP Committee may, for the purpose of administering the Scheme, do all acts and things, rectify any errors in the LTIP Award subject to By-Laws 6.5 and 11.5, enter into or execute all transactions, agreements, deeds, documents and arrangements, construe and interpret the Scheme and LTIP Award granted under it, to define the terms and to recommend to the Board to establish, amend, waive (not inconsistent with the Scheme) and revoke rules and regulations relating to the Scheme and its administration, to give effect to the provisions of the Scheme, to enhance the befit of the LTIP Award to the Grantees, to determine all questions of policy and expediency that may arise in the administration of the Scheme and delegate any of its powers and duties relating to the Scheme as it may at its discretion consider to be necessary or desirable for giving effect to the Scheme. The LTIP Committee in the exercise of this power may correct any defect, supply any omission, or reconcile any inconsistency in the Scheme or in any agreement providing for an LTIP Award in a manner and to the extent it shall deem necessary to expedite and make the Scheme fully effective. Any decisions of the LTIP Committee which are made in accordance with these By-Laws shall be final, binding and conclusive.

3. MAXIMUM NUMBER OF SHARES AVAILABLE UNDER THE SCHEME

3.1 The maximum number of Shares which may be made available under the Scheme shall not in aggregate exceed ten percent (10%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time during the Duration of the Scheme.

3.2 Notwithstanding the provision of By-Law 3.1 above and any other provision herein contained, in the event the maximum number of new Shares granted under the Scheme exceeds in aggregate the aforesaid ten percent (10%) of the total number of issued shares of the Company (excluding treasury shares, if any) as a result of the Company purchasing or cancelling its own Shares in accordance with the provisions of Section 127 of the Act or undertaking any other corporate proposal and thereby reducing its issued share capital, then such LTIP Awards granted prior to the variation of the issued share capital of the Company shall remain valid and exercisable in accordance with the provisions of this Scheme as if that purchase or cancellation or reduction had not occurred. However, in such a situation, the LTIP Committee shall not make any further LTIP Awards unless the total number of new Shares under the subsisting LTIP Awards including new Shares that have been issued under the Scheme falls below ten percent (10%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time during the Duration of the Scheme.

4. ELIGIBILITY

4.1 Any Eligible Person who fulfils the following criteria as at the Award Date shall be eligible to participate in the LTIP and qualify for consideration and/or selection by the LTIP Committee:

(i) such person is at least eighteen (18) years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

(ii) he/she is employed on full-time basis and who has been confirmed in service/employment as a full-time employee of the Group; and/or

(iii) he/she falls within any other categories or criteria as may be determined by the LTIP Committee from time to time in its absolute discretion;

provided that nothing herein shall invalidate any selection of any Eligible Person which may have been made by the Board on or prior to the Effective Date. For the avoidance of doubt, the LTIP Committee may determine any other eligibility criteria and/or waive any of the conditions of eligibility as set out in this By-Law 4.1, for purposes of selecting an Eligible Person at any time and from time to time, in the LTIP Committee's discretion, whose decision shall be final and binding.

4.2 Where a specific allocation of Options and/or Shares is proposed to be made pursuant to a LTIP Award to the chief executive, Director or major shareholder of the Company, or a person connected with such chief executive, Director or major shareholder of the Company, such specific allocation to the said person requires prior shareholders' approval in a general meeting provided always that the chief executive, Director and/or major shareholder of the Company and/or persons connected with them shall not have voted on the resolution approving the said allocation of Shares and/or Options to be made thereunder and any such allocation is not prohibited or disallowed by the relevant authorities or by any laws or regulation.

4.3 Without prejudice to the generality of the foregoing and subject to the LTIP Committee's discretion otherwise, any LTIP Award made by the LTIP Committee shall become void, of no force and effect and cease to be capable of acceptance by the Eligible Persons upon any of the following events occurring (prior to such LTIP Award being accepted by the Eligible Person selected by the LTIP Committee to whom an LTIP Award was made in accordance with By-Laws 7 and/or 12 hereof ("**Selected Executive**")):

(i) the death of the Selected Executive;

(ii) the Selected Executive having received a letter of termination or ceasing to be an employee of the Group, for any reason whatsoever;

(iii) the Selected Executive giving notice of his or her resignation from service/employment;

(iv) the company within the Group which employs the Selected Executive ceasing to be part of the Group or becomes dormant;

(v) the Selected Executive is subject to Disciplinary Proceedings (whether or not such Disciplinary Proceedings will give rise to a dismissal or termination of service); or

(vi) the Selected Executive is adjudicated a bankrupt.

4.4 The LTIP Committee may from time to time at its absolute discretion select and identify suitable Eligible Persons to be offered the LTIP Award. In the event that any

Eligible Persons are a member of the LTIP Committee, such Eligible Persons shall not participate in the deliberation or discussion of their own allocations.

4.5 No Employee of a dormant company within the Group shall be eligible to participate in the Scheme.

4.6 Eligibility under the Scheme does not confer on an Eligible Person a claim or right to participate in or any rights whatsoever under the Scheme and an Eligible Person does not acquire or have any rights over or in connection with the LTIP Awards unless an LTIP Award has been made by the LTIP Committee to the Eligible Person and the Eligible Person has accepted the LTIP Award in accordance with By-Laws 7 and/or 12 hereof.

4.7 Subject to these By-Laws and any applicable law, the LTIP Committee shall have the discretion, at any time and from time to time, to extend the benefit of this Scheme to any Eligible Person who is seconded to a corporation which is not within the Group but which is a corporation associated with the Group or a subsidiary of a corporation associated with the Group, and deem such Eligible Person (whether seconded before or after the coming into force of these By-Laws) to be an Employee and such a corporation to be within the Group for the purposes of such Eligible Person being seconded from the Group to that corporation.

5. BASIS OF ALLOTMENT AND MAXIMUM ALLOWABLE ALLOTMENT

5.1 Subject to By-Laws 3.1 and 5.2, and any adjustments which may be made under By-Law 21, the LTIP Committee shall be entitled in its discretion to determine the aggregate maximum number of Shares that may be allocated between the ESOS and the ESGS, and to any one class/grade of Eligible Person.

5.2 Not more than ten percent (10%) of the total number of Shares to be made available under the LTIP at the point in time when an LTIP Award is offered shall be allocated to any Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds twenty percent (20%) or more of the total number of issued shares of the Company (excluding treasury shares, if any) ("**Maximum Allowable Allotment**").

5.3 Subject to By-Law 5.2, the aggregate number of Shares that may be allocated to any class or grade of Eligible Persons under the LTIP shall be determined at the absolute discretion of the LTIP Committee, after taking into consideration, among others:

(i) the Eligible Person's performance, seniority (denoted by employee job grade), length of service, contribution to the performance of the Group;

(ii) in the case of an Eligible Person who is a Director, the Eligible Person's contribution towards the growth of the Group and positions held in various board committees of the Company; and

(iii) any other criteria which the LTIP Committee deems relevant.

At the time the LTIP Award is offered, the LTIP Committee shall set out the basis of allocation of the LTIP Award(s) made to the Eligible Person(s) having the further particulars as set out in By-Law 6.4 and/or By-Law 11.3 (as the case may be).

5.4 The aggregate maximum allocation to the Directors and senior management of the Group shall not be more than seventy percent (70.0%) of the total number of Shares to be made available under the LTIP, after taking into consideration the number of Directors and senior management of the Group who are eligible to participate in the LTIP, as well as the maximum number of Shares that may be awarded to each Director and senior management based on, among others, their position, seniority and length of service.

5.5 The LTIP Committee may make more than one (1) LTIP Award to an Eligible Person PROVIDED THAT the aggregate number of Options and/or Shares so awarded to an Eligible Person throughout the entire Duration of the Scheme does not exceed the Maximum Allowable Allotment of such Eligible Person as referred to in By-Law 5.2.

5.6 The Company shall ensure that allocation of new Shares pursuant to the Scheme is verified by the Audit Committee of the Company at the end of each financial year as being in compliance with the criteria for allocation of Shares which have been disclosed to the Employees and the Directors. A statement by the Audit Committee of the Company verifying such allocations shall be included in the annual report of the Company.

5.7 The LTIP Committee shall have the discretion in determining:

(i) whether the allocation available shall be awarded in one (1) single LTIP Award, or several separate and independent LTIP Awards; and

(ii) where the allocation is awarded in several separate and independent LTIP Awards, the number of Shares comprised in each LTIP Award as well as the vesting date(s) and vesting conditions for each LTIP Award.

5.8 No Eligible Person shall participate in the deliberation or discussion of their respective allocations.

6. ESOS AWARD

6.1 The LTIP Committee may at its discretion at any time and from time to time as it shall deem fit during the Duration of the Scheme make an ESOS Award in writing for acceptance in accordance with By-Law 7 below to an Eligible Person based on the criteria for allotment set out in By-Law 5 above and otherwise in accordance with the terms of this Scheme.

6.2 The actual number of ESOS Options which may be offered to an Eligible Person shall be at the discretion of the LTIP Committee subject to any adjustments that may be made under By-Laws 21 but shall not be more than the Maximum Allowable Allotment of such Eligible Person. The number of ESOS Options so offered which may be exercised in respect of all or any part of the Shares shall not be less than one hundred

(100) Shares and shall be in multiples of one hundred (100) Shares (or in any other denomination as prescribed by Bursa Securities as a board lot).

6.3 An ESOS Award shall be valid for acceptance for a period of thirty (30) days from the Award Date or such longer period as may be determined by the LTIP Committee at its sole and absolute discretion ("**Offer Period**").

6.4 The LTIP Committee shall state the following particulars in the letter of offer of an ESOS Award:

(i) the number of ESOS Options that are subject of the ESOS Award;

(ii) the number of new Shares which the Eligible Person shall be entitled to subscribe for upon the vesting and exercise of the ESOS Options;

(iii) the date of the ESOS Award;

(iv) the Option Period;

(v) the Option Price;

(vi) the Offer Period as mentioned in By-Law 6.3;

(vii) the Vesting Conditions;

(viii) the ESOS Vesting Date(s);

(ix) the basis of the allocation of the ESOS Award(s) made having regard to the Eligible Person(s)' annual appraised performance, class or grade of employment, Maximum Allowable Allotment and such other consideration that the LTIP Committee may in its sole and absolute discretion deem fit; and

(x) any other information deemed necessary by the LTIP Committee.

6.5 Without prejudice to By-Law 2, in the event of an error on the part of the Company in stating any of the particulars referred to in By-Law 6.4 above, the following provisions shall apply:

(i) as soon as possible but in any event no later than one (1) month after discovery of the error, the Company shall issue a supplemental letter of offer, stating the correct particulars referred to in By-Law 6.4 above;

(ii) in the event that the error relates to particulars other than the Option Price, the Option Price applicable in the supplemental letter of offer shall remain as the Option Price as per the original letter of offer; and

(iii) in the event that the error relates to the Option Price, the Option Price stated in the supplemental letter of offer shall be the Option Price applicable as at the date of the original letter of offer, save and except with respect to any ESOS Option which has already been exercised as at the date of issue of the supplemental letter of offer.

6.6 When an ESOS Award is made pursuant to these By-Laws, the LTIP Committee shall ensure that the Company makes an announcement of the following to Bursa Securities on the date of the ESOS Award:

(i) the date of ESOS Award;

(ii) the Option Price;

(iii) the number of Options or Shares offered;

(iv) the market price of its Shares on the date of the ESOS Award;

(v) the number of Options or Shares to each Director, if any; and

(vi) the vesting period of the Options or Shares offered.

6.7 The Company shall keep and maintain at its expense a register of options granted as required under Section 129 of the Act.

7. ACCEPTANCE OF ESOS AWARD

7.1 An ESOS Award shall be accepted by the Eligible Person within the Offer Period by way of a written notice of acceptance addressed to the LTIP Committee accompanied by a payment to the Company of a sum of Ringgit Malaysia One (RM1.00) only as non-refundable consideration for the ESOS Award (regardless of the number of Shares comprised therein). The date of receipt by the LTIP Committee of such written notice and the payment shall constitute the Date of Acceptance.

7.2 The LTIP Committee shall within thirty (30) days of the Date of Acceptance issue to the ESOS Grantee an option certificate in such form as may be determined by the LTIP Committee.

7.3 If the ESOS Award is not accepted in the manner set out in By-Law 7.1 above, such ESOS Award shall upon the expiry of the Offer Period automatically lapse and be null and void and of no further force and effect. The new Shares comprised in such Options may, at the discretion of the LTIP Committee, be re-offered to other Eligible Persons or for future ESOS Award.

7.4 The Options or such part thereof as may be satisfied in the ESOS Award will only vest with the ESOS Grantee on the ESOS Vesting Date(s) if as at the ESOS Vesting Date(s) the Vesting Conditions (if any) are fully and duly satisfied, including the following:

(i) the said ESOS Grantee has not been adjudicated a bankrupt;

(ii) the said ESOS Grantee remains an Employee or a Director and has not given notice of resignation, or received a notice of termination, or has otherwise ceased or had his/her employment terminated; and

(iii) any other conditions as may be determined by the LTIP Committee.

7.5 The LTIP Committee shall have full discretion to determine whether any Vesting Condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the LTIP Committee shall have the right to make reference to, among others, the audited financial results of the Company or the Group (as the case may be) and to take into account such factors as the LTIP Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend and/or waive any Vesting Condition if the LTIP Committee decides that a changed Performance Target would be a fairer measure of performance. If the LTIP Committee determines, in its discretion, that the Vesting Condition and/or any other condition applicable to that ESOS Award has not been satisfied (whether fully or partially), that ESOS Award shall lapse and be of no value.

8. CANCELLATION OF ESOS AWARDS

The LTIP Committee may cancel any ESOS Awards awarded under this Scheme or any Options that has not been exercised and any unvested ESOS Options awarded under this Scheme. In the event of any such cancellation, the LTIP Committee may, at its discretion, authorise the granting of new ESOS Awards (which may or may not cover the same number of Shares that had been the subject of any prior ESOS Award) in such manner, at such Option Price and subject to such terms, conditions and discretion as would have been applicable under this Scheme had the cancelled ESOS Awards not been awarded.

9. EXERCISE OF ESOS OPTIONS

9.1 Each Option shall be exercisable into one (1) new Share in accordance with the provisions of these By-Laws.

9.2 Subject to By-Laws 4.7, 17, 22, 23, 24 and 25, an ESOS Grantee shall be allowed to exercise the ESOS Options granted to him/her (subject to By-Law 9.4 during the Duration of the Scheme) as provided in these By-Laws whilst he/she is in the employment with the Group or during his/her tenure as Director and within the Option Period.

9.3 An ESOS Grantee shall exercise the Options granted to him/her in whole or part in multiples of one hundred (100) Shares. Notwithstanding anything herein to the contrary, in the event of any alteration in the share capital of the Company during the Option Period in accordance with By-Law 21 which results in the number of Shares comprised in the Options not being in multiples of one hundred (100) Shares, then the requirement that the Options shall be exercised in multiples of one hundred (100) Shares shall not be applicable for the ESOS Grantee's final exercise of the balance Options and such balance Options have to be executed in a single application.

9.4 An ESOS Grantee shall exercise his/her ESOS Options vested in him/her in such form and manner as the LTIP Committee may prescribe or approve ("**Notice of Exercise**"), which will be attached to the letter of offer. The procedure for the exercise of ESOS Options to be complied with by an ESOS Grantee shall be determined by the LTIP Committee from time to time. Any ESOS Option including vested Options which remains unexercised at the expiry of the Option Period shall be automatically terminated and lapse without any claim against the Company.

9.5 Subject to By-Law 9.4, an ESOS Grantee shall exercise his/her ESOS Options by issuing the Notice of Exercise, stating the number of ESOS Options to be exercised and number of Shares to be subscribed and be accompanied with the remittance for the full amount of the subscription monies payable in respect thereof in Ringgit Malaysia in the form of a banker's draft or cashier's order drawn and payable in Malaysia or any other mode acceptable to the LTIP Committee for the full amount of the Option Price in relation to the number of Shares in respect of which the Notice of Exercise is given PROVIDED THAT the number of new Shares stated therein shall not exceed the amount granted to such ESOS Grantees and be subject to By-Laws 9.2 and 9.3 above. The LTIP Committee may, pursuant to By-Law 28 hereof, at any time and from time to time, before or after the ESOS Award is awarded, limit the times and exercise, and the exercise of the ESOS Option to a maximum number of new Shares and/or such percentage of total new Shares comprised in the ESOS Award during such periods within the Option Period and impose any other terms and/or conditions deemed appropriate by the LTIP Committee in its sole discretion including amending or varying any terms and conditions imposed earlier. The exercise by an ESOS Grantee of some but not all of the ESOS Options which have been offered to and accepted by him/her shall not preclude the ESOS Grantee from subsequently exercising any other ESOS Options which have been or will be offered to and accepted by him/her, during the Option Period.

9.6 The ESOS Grantee shall provide all information as required in the Notice of Exercise. Within eight (8) Market Days of the receipt by the Company of such notice and payment, or such other period as may be prescribed by Bursa Securities, and subject to the Constitution, SICDA and the Rules of Bursa Depository, the Company shall allot and issue the relevant number of Shares to the ESOS Grantee, despatch the notice of allotment to the ESOS Grantee stating the number of Shares so credited, and apply to Bursa Securities for the quotation for such new Shares arising from the exercise of the ESOS Options. The said Shares will be credited directly into the CDS Account of the ESOS Grantee or his/her authorised nominee, as the case may be. No physical share certificates will be issued to the ESOS Grantee or his authorised nominee (as the case may be).

9.7 Notwithstanding anything to the contrary herein contained in these By-Laws, the LTIP Committee shall have the right, at its absolute discretion by notice in writing to that effect to the ESOS Grantee, to suspend the right of any ESOS Grantee who is being subjected to Disciplinary Proceedings (whether or not such Disciplinary Proceedings may give rise to a dismissal or termination of service of such ESOS Grantee or are found to have had no basis or justification) to exercise his/her ESOS Options pending the outcome of such Disciplinary Proceedings. In addition to this right of suspension, the LTIP Committee may impose such terms and conditions as the LTIP Committee shall deem appropriate at its sole and absolute discretion, on the ESOS Grantee's right to exercise his/her ESOS Options and/or have new ESOS Options vested in him/her having regard to the nature of the charges made or brought against such ESOS Grantee, PROVIDED ALWAYS that:

(i) in the event such ESOS Grantee is found not guilty of the charges which gave rise to such Disciplinary Proceedings, the LTIP Committee shall reinstate the right of such ESOS Grantee to exercise his/her Option;

(ii) in the event the Disciplinary Proceedings result in a recommendation for the dismissal or termination of service of such ESOS Grantee, all unexercised and partially exercised ESOS Options of the ESOS Grantee shall immediately lapse and be null and void and of no further force and effect, without notice to the ESOS Grantee, upon pronouncement of the dismissal or termination of service of such ESOS Grantee notwithstanding that such recommendation, dismissal and/or termination of service may be subsequently challenged or disputed by the ESOS Grantee in any other forum;

(iii) in the event the ESOS Grantee is found guilty but no dismissal or termination of service is recommended, the LTIP Committee shall have the right to determine at its absolute discretion whether or not the ESOS Grantee may continue to exercise his/her ESOS Options and/or have new ESOS Options vested in him/her and if so, to impose such terms and conditions as it deems appropriate, on such exercise and/or vesting of his/her ESOS Options; and

(iv) in the event that no decision is made and/or Disciplinary Proceedings are not concluded prior to the Date of Expiry, the ESOS Options of such ESOS Grantee shall immediately lapse on the Date of Expiry without notice,

and nothing herein shall impose any obligation on the LTIP Committee to enquire into or investigate the substantiveness and/or validity of such Disciplinary Proceedings and the LTIP Committee shall not under any circumstances be held liable for any costs, losses, expenses, damages or liabilities, gains or profits foregone, arising from the LTIP Committee's exercise of or failure to exercise any of its rights under these By-Laws. Any ESOS Award that has lapsed and become null and void pursuant to this By-Law 9.7 may, at the discretion of the LTIP Committee, be re-allocated to other Eligible Persons.

9.8 The Group, the Board (including Directors that had resigned but were a member of the Board during the Option Period) and the LTIP Committee shall not under any circumstances be held liable to any person for any costs, losses, expenses, damages or liabilities, gains or profits foregone, howsoever arising in the event of any delay on the part of the Company in allotting and issuing the Shares or in procuring Bursa Securities to list and quote the Shares subscribed for by an ESOS Grantee or any delay in receipt or non-receipt by the Company of the Notice of Exercise in respect of the ESOS Options or for any errors in any ESOS Award.

9.9 Any failure to comply with the procedures specified by the LTIP Committee or to provide information required by the Company in the Notice of Exercise or inaccuracy in the CDS Account number or any other information provided shall result in the Notice of Exercise being rejected at the discretion of the LTIP Committee. The LTIP Committee shall inform the ESOS Grantee of the rejection of the Notice of Exercise within ten (10) Market Days from the date of rejection and the ESOS Grantee shall be deemed not to have exercised his/her Option.

9.10 Every ESOS Award shall subject to the condition that no new Shares shall be issued pursuant to the ESOS Award if such issue would be contrary to any law, enactment, rule and/or regulation of any legislative or non-legislative body which may be in force during the Duration of the Scheme or such period as may be extended.

10. OPTION PRICE

10.1 The Option Price of each new Share upon the exercise of an ESOS Option shall, subject always to the provisions of By-Law 21 hereof and the Listing Requirements, be:

(i) in respect of any ESOS Award made in conjunction with the initial public offering of the Company, the Final Retail Price; or

(ii) in respect of any ESOS Award made subsequent to the initial public offering of the Company, based on the volume weighted average market price of the Shares for the five (5) Market Days immediately preceding the date of the ESOS Award less a potential discount of not more than ten percent (10%) therefrom or such other percentage or discount as may be permitted by Bursa Securities and/or any other relevant authorities from time to time, as determined by the LTIP Committee which shall be binding and conclusive.

For the purposes of By-Law 10.1(i) above, "Final Retail Price" shall refer to the final price paid by investors for the Shares issued by the Company under its retail offering pursuant to its initial public offering, as determined in the manner described in the Company's prospectus for the said initial public offering.

10.2 The Option Price shall be stipulated in each option certificate.

11. ESGS GRANT

11.1 During the Duration of the Scheme, the LTIP Committee may at its discretion at any time and from time to time as it shall deem fit make an ESGS Grant in writing for acceptance in accordance with By-Law 12 below to an Eligible Person based on the criteria for allotment as set out in By-Law 5 and otherwise in accordance with the terms of this Scheme.

11.2 The actual number of Shares which may be awarded to an Eligible Person shall be at the discretion of the LTIP Committee subject to any adjustments that may be made under By-Law 21 but shall not be more than the Maximum Allowable Allotment. The number of Shares so awarded shall not be less than one hundred (100) Shares Eligible Person and shall be in multiples of one hundred (100) Shares (or in any other denomination as prescribed by Bursa Securities as a board lot). The LTIP Committee may stipulate any terms and conditions it deems appropriate in an ESGS Grant and the terms and conditions of each may differ. Nothing herein shall require any ESGS Grant offered to be the same as ESGS Grants previously or subsequently offered whether to the same or a different Eligible Person.

11.3 The LTIP Committee will in its letter of offer for an ESGS Grant to an Eligible Person ("**ESGS Grant Letter**") state, among others:

(i) the number of Shares that are subject of the ESGS Grant;

(ii) the date of the ESGS Grant;

(iii) the Vesting Conditions, if any;

(iv) the ESGS Vesting Date(s);

(v) the Validity Period;

(vi) the basis of the allocation of the ESGS Grant(s) made having regard to the Eligible Person(s)' annual appraised performance, class or grade of employment, achievement of Performance Targets, Maximum Allowable Allotment and such other consideration that the LTIP Committee may in its sole and absolute discretion deem fit; and

(vii) any other information deemed necessary by the LTIP Committee.

11.4 The ESGS Grant shall be valid for acceptance for a period of thirty (30) days from the Award Date or such period as the LTIP Committee at its sole and absolute discretion determines on a case to case basis ("**Validity Period**").

11.5 Without prejudice to By-Law 2, in the event of an error on the part of the Company in stating any of the particulars referred to in By-Law 11.3 above in the ESGS Grant Letter, the Company shall, as soon as possible but in any event no later than one (1) month after discovery of the error, issue a supplemental ESGS Grant Letter, stating the correct particulars referred to in By-Law 11.3.

12. ACCEPTANCE OF ESGS GRANT

12.1 An ESGS Grant shall be accepted by the Eligible Person within the Validity Period by way of a written notice of acceptance accompanied by a payment to the Company of a sum of Ringgit Malaysia One (RM1.00) only as non-refundable consideration for the ESGS Grant (regardless of the number of Shares comprised therein).

12.2 If the ESGS Grant is not accepted in the manner set out in By-Law 12.1 above, the ESGS Grant shall upon the expiry of the Validity Period automatically lapse and be null and void and of no further force and effect provided that the LTIP Committee shall not be precluded from making a fresh ESGS Grant to the Eligible Person subsequently or re-awarding to any other Eligible Person at the discretion of the LTIP Committee.

12.3 The Eligible Persons are not required to pay for the Shares they are entitled to receive upon vesting of the Shares pursuant to the ESGS Grant.

13. VESTING CONDITIONS AND SATISFACTION OF VESTING CONDITIONS

13.1 The LTIP Committee shall, as and when it deems practicable and necessary, review and determine at its own discretion the Vesting Conditions specified in respect of an ESGS Grant. The Shares or such part thereof as may be specified in respect of an ESGS Grant will only vest with the ESGS Grantee on the ESGS Vesting Date(s) as at the ESGS Vesting Date(s) if the Vesting Conditions (if any) are fully and duly satisfied, including the following:

(i) the said ESGS Grantee has not been adjudicated a bankrupt;

(ii) the said ESGS Grantee remains an Employee or a Director and has not given notice of resignation, or received a notice of termination, or has otherwise ceased or had his/her employment terminated;

(iii) the Performance Targets are fully and duly satisfied; and

(iv) any other conditions as may be determined by the LTIP Committee.

13.2 The LTIP Committee shall have full discretion to determine whether the Performance Targets have been fully and duly satisfied. In the event that the LTIP Committee shall determine that the Performance Targets are not fully and duly satisfied, the LTIP Committee may, at its discretion, adjust the number of Shares (if any) which may vest in the ESGS Grantee on the ESGS Vesting Date(s) and/or take into account the shortfall in such manner as the LTIP Committee may in its discretion otherwise deem fit.

13.3 Where the LTIP Committee has determined that the Vesting Conditions have been fully and duly satisfied, the LTIP Committee shall notify the ESGS Grantee of the number of Shares vested or which will be vested in him/her on the ESGS Vesting Date ("**ESGS Vesting Notice**").

13.4 No ESGS Grantee shall have any right to or interest in the Shares comprised in an ESGS Grant until and unless the Shares are vested in him/her on and with effect from the ESGS Vesting Date.

13.5 The ESGS Grantee shall provide all information stated in the ESGS Vesting Notice and ESGS Grant Letter as required by the Company, and the Company shall within eight (8) Market Days after the ESGS Vesting Date, or such other period as may be prescribed or allowed by Bursa Securities, and subject to the Constitution, the SICDA and the Rules of Bursa Depository, allot and issue the relevant number of new Shares and/or transfer the relevant number of existing Shares to the ESGS Grantee, despatch the notice of allotment and/or notice of transfer to the ESGS Grantee stating the number of Shares so credited, and apply to Bursa Securities for the listing of and quotation for any new Shares arising from the vesting of an ESGS Grant. The said Shares pursuant to the vesting of an ESGS Grant will be credited directly into the CDS Account of the respective ESGS Grantee or his/her authorised nominee, as the case may be. No physical share certificates will be issued and/or delivered to the ESGS Grantee or his/her authorised nominee (as the case may be).

13.6 Notwithstanding anything to the contrary herein contained in these By-laws, the LTIP Committee shall have the right, at its absolute discretion by notice in writing to that effect to the ESGS Grantee, to suspend the right of any ESGS Grantee who is being subjected to Disciplinary Proceedings (whether or not such Disciplinary Proceedings may give rise to a dismissal or termination of service of such ESGS Grantee or are found to have had no basis or justification) to have any ESGS Grant awarded vested in him/her pending the outcome of such Disciplinary Proceedings. In addition to this right of suspension, the LTIP Committee may impose such terms and conditions as the LTIP Committee shall deem appropriate at its sole and absolute discretion, on the

ESGS Grantee's right to have Shares granted under an ESGS Grant vested in him/her having regard to the nature of the charges made or brought against such ESGS Grantee, PROVIDED ALWAYS that:

(i) in the event such ESGS Grantee is found not guilty of the charges which gave rise to such Disciplinary Proceedings, the LTIP Committee shall reinstate the right of such ESGS Grantee to their ESGS Grants;

(ii) in the event the Disciplinary Proceedings result in a recommendation for the dismissal or termination of service of such ESGS Grantee, all unvested ESGS Grants shall immediately lapse and be null and void and of no further force and effect, without notice to the ESGS Grantee, upon pronouncement of the dismissal or termination of service of such ESGS Grantee notwithstanding that such recommendation, dismissal and/or termination of service may be subsequently challenged or disputed by the ESGS Grantee in any other forum;

(iii) in the event the ESGS Grantee is found guilty but no dismissal or termination of service is recommended, the LTIP Committee shall have the right to determine at its absolute discretion whether or not the ESGS Grantee may continue to have the ESGS Grant vested in him/her and if so, to impose such terms and conditions as it deems appropriate, on such rights; and

(iv) in the event that no decision is made and/or Disciplinary Proceedings are not concluded prior to the Date of Expiry, the ESGS Grant of such ESGS Grantee shall immediately lapse on the Date of Expiry without notice,

and nothing herein shall impose any obligation on the LTIP Committee to enquire into or investigate the substantiveness and/or validity of such Disciplinary Proceedings and the LTIP Committee shall not under any circumstances be held liable for any costs, losses, expenses, damages or liabilities, gains or profits foregone, arising from the LTIP Committee's exercise of or failure to exercise any of its rights under these By-Laws. Any ESGS Award that has lapsed and become null and void pursuant to this By-Law 13.6 may, at the discretion of the LTIP Committee, be re-allocated to other Eligible Persons.

14. NON-TRANSFERABILITY

14.1 An LTIP Award is personal to the Grantee and subject to the provisions of By-Laws 14.2, 14.3, 17.2, 17.3 and 17.4, is exercisable only by the Grantee personally during his/her lifetime whilst he/she is in the employment of any company in the Group.

14.2 An LTIP Award shall not be transferred, assigned, disposed of or subject to any encumbrances by the Grantee. Any attempt to transfer, assign, dispose or encumber any LTIP Award shall result in the automatic cancellation of the LTIP Award.

14.3 Notwithstanding this By-Law 14, in the event a Grantee is transferred to another company within the Group which has its own share issuance scheme, the Grantee shall be entitled to continue to exercise all unexercised LTIP Awards granted under this Scheme, in accordance with these By-Laws, but such Grantee shall not upon such transfer taking effect be eligible to participate for further LTIP Awards under this Scheme.

15. RIGHTS ATTACHING TO SHARES AND LTIP AWARDS

15.1 The new Shares to be allotted and issued under the Scheme will be subject to the provisions of the Constitution and will, upon allotment and issue, rank equally in all respects with the then existing Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, unless the allotment and issue of new shares are made on or prior to the Entitlement Date of such dividends, rights, allotments and /or other distributions.

15.2 In respect of the existing Shares to be transferred to the ESGS Grantees pursuant to the vesting of the Shares comprised in an ESGS Grant, such Shares rank equally in all respects with the then existing Shares. However, the ESGS Grantee shall not be entitled to any dividends, rights, allotments and/or other distributions, unless the Shares are credited into the CDS Accounts of the ESGS Grantees on or prior to the Entitlement Date of such dividends, rights, allotments and/or other distributions.

15.3 The LTIP Awards shall not carry any rights to vote at any general meeting of the Company. For the avoidance of doubt, the Grantee shall not in any event be entitled to any dividends, rights, allotments or other distributions on his/her unexercised ESOS Options and/or unvested Shares comprised in the ESGS Grants.

16. RESTRICTION ON DEALING/RETENTION PERIOD

The new Shares to be allotted and issued and/or existing Shares to be transferred to the Eligible Persons pursuant to the Scheme will not be subjected to any retention period unless the LTIP Committee stipulates otherwise upon granting of the LTIP Awards. However, the Company encourages the Eligible Persons to hold the Shares granted to them, or subscribed for by them, as a long-term investment and not for realisation of immediate gain.

17. TERMINATION OF THE LTIP AWARD

17.1 Prior to the full vesting of any LTIP Award and/or the allotment or satisfaction by any other means of an LTIP Award in the manner as provided for under these By-Laws, such LTIP Award that remain unvested or unexercised or unsatisfied (as the case may be) shall be automatically terminated and ceased or be deemed to cease to be valid without any claim against the Group in the following circumstances:

(i) termination or cessation of employment of the Grantee with the Group by reason of resignation or for any reason whatsoever, in which event the termination of LTIP Awards shall be effective on the Grantee's last day of employment; or

(ii) bankruptcy of the Grantee, in which event the termination of LTIP Award shall be effective on the date a receiving order is made against the Grantee by a court of competent jurisdiction; or

(iii) upon the happening of any other event which results in the Grantee being deprived of the beneficial ownership of the LTIP Award; or

(iv) in accordance with By-Law 24; or

(v) termination of the Scheme pursuant to By-Law 25.4, in which event the termination of the LTIP Award shall be effective on the Termination Date (as defined below) pursuant to By-Law 25.4.

Upon the termination of the LTIP Award(s) pursuant to By-Laws 17.1(i), (ii), (iii), (iv) or (v) above, the Grantee shall have no right to compensation or damages or any claim against the Company or any other member of the Group from any loss of any right or benefit or prospective right or benefit under the Scheme which he/she might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from him/her ceasing to hold office or employment or from the suspension of his/her entitlement to the award of, acceptance or vesting of any LTIP Award(s) or right to exercise his/her ESOS Option(s) or his/her LTIP Award(s) ceasing to be valid.

17.2 Notwithstanding By-Law 17.1(i) above, the LTIP Committee may at its discretion allow vested Option to remain exercisable during the Option Period and/or as the case may be, for all or any part of any unvested LTIP Awards as may be proportionate to the duration of service provided by such Grantee to vest in accordance with the provisions of these By-Laws, and at the times or period at or within which such LTIP Awards may vest (provided that no LTIP Awards shall vest after the respective ESOS Vesting Date(s) or ESGS Vesting Date(s) has passed) and in such other manner and on such terms and conditions as it shall deem fit if the cessation of employment occurs as a result of:

(i) ill-health, injury, physical or mental disability;

(ii) retirement at or after attaining the normal retirement age, or retirement before attaining the normal retirement age with the consent of his/her employer;

(iii) redundancy or retrenchment pursuant to the acceptance by that Grantee of a voluntary separation scheme offered by a company within the Group; or

(iv) any other circumstances which are acceptable to the LTIP Committee in its sole and absolute discretion.

17.3 In the event where a Grantee dies before the Date of Expiry and at the time of his/her death held unexercised vested Options, such vested Options may be exercised by the legal or personal representative(s) of the Grantee after the date of his/her death no later than twenty four (24) months after the death of the Grantee unless otherwise approved by the LTIP Committee. Such exercise by the legal or personal representative(s) of the Grantee after his/her death shall always be subject to any restriction in the LTIP Award (unless otherwise approved by the LTIP Committee) and provided further that no vested Option shall be exercised after the Date of Expiry. All vested Options remaining unexercised after the Date of Expiry shall automatically lapse and become null and void.

17.4 In the event where a Grantee dies before the Date of Expiry and at the time of his death held unvested Options or unvested Shares, then the LTIP Committee may, in its discretion determine whether the ESOS Award and/or the ESGS Grant then held by such Grantee, to the extent not yet vested, shall lapse or that all or any part of such ESOS Award and/or ESGS Grant shall be preserved. If the LTIP Committee determines that the ESOS Award and/or ESGS Grant shall lapse, then such ESOS Award and/or ESGS Grant shall lapse without any claim whatsoever against the Company. If the LTIP Committee determines that all or any part of the ESOS Award and/or ESGS Grant shall be preserved, the LTIP Committee shall decide as soon as reasonably practicable following such event either to vest some or all of the Options and/or new Shares which are the subject of the ESOS Award and/or ESGS Grant or to preserve all or part of any ESOS Award and/or ESGS Grant and/or each ESOS Vesting Date or ESGS Vesting Date (if any) and subject to the provisions of the ESOS Award and/or ESGS Grant. In exercising its discretion, the LTIP Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Grantee and the extent to which the Vesting Conditions (if any) has/have been satisfied.

17.5 Any LTIP Award that has lapsed and become null and void pursuant to this By-Law 17 may at the discretion of the LTIP Committee be re-allocated to other Eligible Persons.

18. INSPECTION OF THE AUDITED FINANCIAL STATEMENTS

All Grantees shall be entitled to inspect a copy of the latest audited financial statements of the Company, which shall be made available on Bursa Securities' website as well as the Company's website and at the registered office of the Company during normal office hours on any working day of the Company.

19. SCHEME NOT A TERM OF EMPLOYMENT

This Scheme shall not confer or be construed to confer on an Eligible Person any special rights or privileges over the Eligible Person's terms and conditions of employment in the Group under which the Eligible Person is employed nor any rights additional to any compensation or damages that the Eligible Person may be normally entitled to arising from the cessation of such employment. This Scheme shall not form part of or be in any way construed as part of the terms and conditions of employment of any employee of the Group.

20. TAXES

All other costs, fees, levies, charges and/or taxes (including, without limitation, income taxes), if any, that are incurred by a Grantee pursuant to or relating to the exercise of any ESOS Options or vesting of any Shares under the ESGS Grants, and any holding or dealing of such Shares (including, without limitation, brokerage commissions and stamp duty) shall be borne by the Grantee for his own account and the Company shall not be liable for any one or more of such costs, fees, levies, charges and/or taxes.

21. ALTERATION OF SHARE CAPITAL AND ADJUSTMENTS

21.1 In the event of any alteration in the share capital of the Company during the Duration of the Scheme, whether by way of a rights issue, bonus issue or other capitalisation issue, subdivision or consolidation of shares or reduction or any other variation of share capital or otherwise howsoever, the LTIP Committee may, in its discretion, determine whether:

(i) in respect of the ESOS:

(a) the Option Price; and/or

(b) the number of unexercised or unvested ESOS Options; and

(c) the Option Price and/or number of ESOS Options in respect of which future ESOS Awards may be granted under the ESOS; and

(ii) in respect of the ESGS, the number of Shares comprised in the unvested ESGS Grants,

shall be adjusted, and if so, the manner in which such adjustments should be made.

21.2 The provisions of this By-Law 21 shall not apply where the alteration in the capital structure of the Company arises from any of the following:

(i) an issue of Shares pursuant to the exercise of ESOS Options and/or vesting of ESGS Grants under the Scheme;

(ii) an issue of securities as consideration or part consideration for an acquisition of any other securities, assets or business;

(iii) an issue of securities via a private placement;

(iv) any special issuance of new Shares or other securities to Bumiputera investors nominated by the Malaysian government and/or any other relevant authority of the Malaysian government to comply with the Malaysian government's policy on Bumiputera capital participation;

(v) a restricted issue of securities;

(vi) an issue of new Shares arising from the exercise/conversion of warrants, convertible loan stocks or other instruments of the Company; or

(vii) a purchase by the Company of its own Shares of all or a portion of such Shares purchased pursuant to the Section 127 of the Act.

21.3 Save as expressly provided for herein, the external auditors or Principal Adviser selected by the Directors (acting as experts and not as arbitrators) shall confirm in writing that the adjustments are in their opinion fair and reasonable. The opinion of such external auditors or Principal Adviser shall be final, binding and conclusive.

21.4 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Subdivision 2 of Division 7 of Part III of the Act, By-Law 21.1 shall be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which By-Law 21.1 is applicable, but By-Law 21.1 shall not be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which By-Law 21.1 is not applicable as described in By-Law 21.2.

21.5 Any adjustment pursuant to By-Law 21.1 shall be made according to the following terms:

(i) in the case of a rights issue, bonus issue or other capitalisation issue, on the next Market Day immediately following the Entitlement Date in respect of such issue; or

(ii) in the case of a consolidation or subdivision of Shares or reduction of share capital, on the next Market Day immediately following the date on which the consolidation, subdivision or reduction becomes effective or such other period as may be prescribed by Bursa Securities.

21.6 Upon any adjustment required to be made pursuant to this By-Law 21, the Company shall notify the Grantee (or his or her duly appointed personal representatives where applicable) in writing and deliver to him/her (or his/her duly appointed personal representatives where applicable) a statement setting forth:

(i) in respect of the ESOS, the Option Price or number of ESOS Options which are the subject of the adjusted ESOS Award; and

(ii) in respect of the ESGS, the number of Shares comprised in the unvested ESGS Grants which are the subject of the adjusted ESGS Grant.

Any adjustment shall take effect upon such written notification being given or such date as may be specified in such written notification.

21.7 In respect of the ESOS Options or the ESGS Grants, any adjustment pursuant to this By-Law 21 shall be made in accordance with the following formulae below (as applicable), pursuant to By-Law 21.6:

(a) If and whenever the number of issued Share changes by reason of any consolidation or subdivision (including subdivision by way of a bonus issue without capitalisation of profits or reserves) or conversion, in respect of ESOS Options, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{\text{Total number of issued Shares before the consolidation, subdivision or conversion}}{\text{Total number of issued Shares after the consolidation, subdivision or conversion}}$$

and the number of Shares relating to the ESOS Options and/or ESGS Grants shall be adjusted by multiplying the existing number of Shares relating to the ESOS Options and/or ESGS Grants by the following fraction:

$$\frac{\text{Total number of issued Shares after the consolidation, subdivision or conversion}}{\text{Total number of issued Shares before the consolidation, subdivision or conversion}}$$

Such adjustment will be effective from the close of business on the Market Day immediately following the date on which the consolidation or subdivision or conversion becomes effective or such other period as may be prescribed by Bursa Securities.

(b) If and whenever the Company shall make any issue of new Shares to ordinary shareholders credited as fully paid-up, by way of bonus issue or capitalisation of profits or reserves of the Company, in respect of ESOS Options, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{A + B}$$

and the number of Shares relating to the ESOS Options and/or ESGS Grants shall be adjusted by multiplying the existing number of Shares relating to the ESOS Options and/or ESGS Grants by the following fraction:

$$\frac{A + B}{A}$$

Where:

A = The aggregate number of issued Shares immediately before such bonus issue or capitalisation of profits or reserves of the Company; and

B = The aggregate number of Shares to be issued pursuant to any allotment to ordinary shareholders of the Company credited as fully issued by way of bonus issue or capitalisation of profits or reserves of the Company.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for such issue.

(c) If and whenever the Company shall make:

(i) a Capital Distribution (as defined below) to ordinary shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets);

(ii) any offer or invitation to its ordinary shareholders whereunder they may acquire or subscribe for new Shares by way of rights; or

(iii) any offer or invitation to ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares attached thereto,

then and in respect of each such case, the Option Price for ESOS Options shall be adjusted by multiplying it by the following fraction:

$$\frac{C - D}{C}$$

and in respect of the case referred to in By-Law 21.7(c)(ii) hereof, the number of Shares relating to the ESOS Options and/or ESGS Grants shall be adjusted by multiplying the existing number of Shares relating to the ESOS Options and/or ESGS Grants by the following fraction:

$$\frac{C}{C - D^*}$$

Where:

C = The current market price of each Share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation or (where appropriate) any relevant date as may be determined by the Company in consultation with the Principal Adviser;

D = (aa) In the case of an offer or invitation to acquire or subscribe for new Shares under By-Law 21.7(c)(ii) above or for securities convertible into Shares or securities with rights to acquire or subscribe for new Shares under By-Law 21.7(c)(iii) above, the value of rights attributable to one (1) Share (as defined below); or

(bb) In the case of any other transaction falling within By-Law 21.7(c) hereof, the fair market value as determined (with the concurrence of the auditor) by the external auditors or

Principal Adviser of that portion of the Capital Distribution attributable to one (1) Share; and

D* = The value of the rights attributable to one (1) Share (as defined below).

For the purpose of definition (aa) of "D" above, "**value of rights attributable to one (1) Share**" shall be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$

Where:

C = C as in By-Law 21.7(c) hereof;

E = The subscription price for one (1) new Share under the terms of such offer or invitation to acquire or subscribe for Shares or subscription price of one (1) Share upon conversion of the convertible securities or exercise of such rights to acquire or subscribe for one (1) Share under the offer or invitation; and

F = The number of Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or subscribe for security convertible into one (1) additional Share or rights to acquire or subscribe for additional Shares.

For the purpose of definition of "D*" above, the "**value of rights attributable to one (1) Share**" shall be calculated in accordance with the formula:

$$\frac{C - E^*}{F^* + 1}$$

Where:

C = C as in By-Law 21.7(c) hereof;

E* = The subscription price for one (1) additional Share under the terms of such offer or invitation; and

F* = The number of existing Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share.

For the purpose of By-Law 21.7(c) hereof, "**Capital Distribution**" shall (without prejudice to the generality of that expression) include distributions in cash or specie (other than dividends) or by way of issue of new Shares (not falling under By-Law 21.7(b) hereof) or other securities credited as fully or partly paid-up by way of capitalisation of profits or reserves of the Company.

Any dividend declared or provided for in the audited financial statements of the Company for any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the ordinary shareholders as shown in the audited consolidated financial statement of comprehensive income of the Company.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day (or such other period as may be prescribed by Bursa Securities) immediately following the Entitlement Date for such issue.

(d) If and whenever the Company makes any allotment to its ordinary shareholders as provided in By-Law 21.7(b) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Law 21.7(c)(ii) or (iii) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer of invitation, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I)}{(G + H + B) \times C}$$

and where the Company makes any allotment to its ordinary shareholders as provided in By-Law 21.7(b) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Law 21.7(c)(ii) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the number of Shares relating to the ESOS Options and/or ESGS Grants shall be adjusted by multiplying the existing number of Shares relating to the ESOS Options and/or ESGS Grants by the following fraction:

$$\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)}$$

Where:

B = B as in By-Law 21.7 (b) above;

C = C as in By-Law 21.7 (c)above;

G = The aggregate number of issued Shares on the Entitlement Date;

H = The aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into Shares or rights to acquire or subscribe for Shares, as the case may be;

H* = The aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights;

I = The subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares or the subscription price of one (1) Share upon conversion of the convertible securities or exercise of such rights to acquire or subscribe for one (1) Share under the offer or invitation, as the case may be; and

I* = The subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day (or such other period as may be prescribed by Bursa Securities) immediately following the Entitlement Date for such issue.

(e) If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for Shares as provided in By-Law 21.7(c)(ii) above together with an offer or invitation to acquire or subscribe for securities convertible into new Shares or securities with rights to acquire or subscribe for ordinary shares as provided in By-Law 21.7(c)(iii) above, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H^* \times I^*) + (J \times K)}{(G + H^* + J) \times C}$$

and the number of Shares relating to the ESOS Options and/or ESGS Grants shall be adjusted by multiplying it by the following fraction:

(1) in respect of the ESOS Options:

$$\frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*)}$$

(2) in respect of the ESGS Grants:

$$\frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*) + (J \times K)}$$

Where:

C = C as in By-Law 21.7(c) above;

G = G as in By-Law 21.7(d) above;

H* = H* as in By-Law 21.7(d) above;

I* = I* as in By-Law 21.7(d) above;

J = The aggregate number of Shares to be issued to its ordinary shareholders upon conversion of such securities or exercise of such rights to subscribe for Shares by the ordinary shareholders; and

K = The exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day (or such other period as may be prescribed by Bursa Securities) immediately following the Entitlement Date for such issue.

(f) If and whenever the Company makes an allotment to its ordinary shareholders as provided in By-Law 21.7(b) above and also makes an offer or invitation to acquire or subscribe for Shares to its ordinary shareholders as provided in By-Law 21.7(c)(ii) above, together with rights to acquire or subscribe for securities convertible into new Shares or with rights to acquire or subscribe for Shares as provided in By-Law 21.7(c)(iii) above, and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H^* \times I^*) + (J \times K)}{(G + H^* + J + B) \times C}$$

and the number of Shares relating to the ESOS Options and/or ESGS Grants shall be adjusted by multiplying it by the following fraction:

(1) in respect of the ESOS Options:

$$\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)}$$

(2) in respect of the ESGS Grants:

$$\frac{(G + H^* + J + B) \times C}{(G \times C) + (H^* \times I^*) + (J \times K)}$$

Where:

B = B as in By-Law 21.7(b) above;

C = C as in By-Law 21.7(c) above;

G = G as in By-Law 21.7(d) above;

H* = H* as in By-Law 21.7(d) above;

I* = I* as in By-Law 21.7(d) above;

J = J as in By-Law 21.7(e) above; and

K = K as in By-Law 21.7(e) above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of next the Market Day (or such other period as may be prescribed by Bursa Securities) immediately following the Entitlement Date for such issue.

For the purpose of By-Law 21.7(c), (d), (e) and (f), the current market price in relation to one (1) existing Share for any relevant day shall be the weighted average of the last traded prices for the five (5) consecutive Market Days before such date or during such other period as may be determined in accordance with any guidelines issued, from time to time, by the relevant authorities.

21.8 If an event occurs that is not set out in By-Law 21.7 or if application of any of the formula to an event results in a manifest error or does not, in the opinion of the LTIP Committee, achieve the desired result of preventing the dilution or enlargement of the Eligible Person's rights, the LTIP Committee may agree to an adjustment subject to the provision of By-Law 21.7 provided that the Eligible Persons shall be notified of the adjustment through an announcement to all Eligible Persons to be made in such manner deemed appropriate by the LTIP Committee.

21.9 Notwithstanding the provisions referred to in this By-Law, the LTIP Committee may exercise its discretion to determine whether any adjustments to the Option Price, the number of Options and/or new Shares (as the case may be) be calculated on a different basis or date or should take effect on a different date or that such adjustments be made to the Option Price and/or the number of Options notwithstanding that no such adjustment formula has been explicitly set out in this By-Law.

21.10 Any adjustment to the Option Price shall be rounded up to the nearest of RM0.01.

21.11 In the event that a fraction of a Share arises from the adjustments pursuant to this By-Law 21, the number of Shares comprised in an ESOS Award or ESGS Grant shall automatically be rounded down to the nearest whole number.

21.12 Upon any adjustment being made pursuant to this By-Law, the LTIP Committee shall, within thirty (30) days of the effective date of the alteration in the capital structure of the Company, notify the Grantee (or his legal representatives where applicable) in writing informing him of the adjusted Option Price thereafter in effect and/or the revised number of Shares thereafter to be issued on the exercise of the ESOS Options and/or to be vested under the ESGS Grants.

22. TAKE-OVER, SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION, ETC

In the event of:

22.1 a takeover offer being made for the Company through a general offer to acquire the whole of the issued share capital of the Company (or such part thereof not at the time held by the person making the general offer ("**Offeror**") or any persons acting in concert with the Offeror);

22.2 the Offeror becoming entitled or bound to exercise the rights of compulsory acquisition of Shares under the provisions of the Capital Markets and Services Act 2007 or other relevant laws applicable at the material time and gives notice to the Company that it intends to exercise such right on a specific date; or

22.3 the court sanctioning a compromise or arrangement between the Company and its members proposed for the purposes of, or in connection with, a scheme of arrangement and reconstruction of the Company under Section 366 of the Act or its amalgamation with any other company or companies under Section 370 of the Act,

the LTIP Committee may at its discretion to the extent permitted by law allow the exercise of any vested ESOS Options and/or the vesting of any unvested ESOS Awards or unvested ESGS Grants (or any part thereof) by the Grantee at any time subject to such terms and conditions as may be prescribed notwithstanding that:

(i) the ESOS Vesting Date or ESGS Vesting Date (whichever applicable) is not due or has not occurred; and/or

(ii) the other terms and conditions set out in the LTIP Award have not been fulfilled or satisfied.

Upon the compromise or arrangement becoming effective, all Options remaining unexercised and all unvested LTIP Awards shall cease to be capable of vesting and automatically lapse and become null and void.

23. DIVESTMENT FROM THE GROUP

23.1 If a Grantee who was in the employment of a corporation in the Group which was subsequently divested, then such Grantee:

(i) shall:

(a) not be entitled to continue to exercise all such unexercised vested ESOS Options held by him/her; and

(b) cease to be capable of being vested with any unvested ESOS Options or unvested ESGS Grants granted to him/her under the Scheme,

from the date of completion of such divestment unless the LTIP Committee at its discretion permit such exercise of the unexercised vested ESOS Options or the vesting of the unvested ESOS Options and/or unvested ESGS Grants including its allocation thereof. For the avoidance of doubt, save and except to the extent permitted by the LTIP Committee, all existing LTIP Awards shall automatically lapse and be null and void and of no further force and effect; and

(ii) shall not be eligible to participate for further LTIP Awards under the Scheme as from the date of completion of such divestment.

23.2 For the purposes of By-Law 23.1, a company shall be deemed to be divested from the Group or disposed of from the Group in the event that the effective interest of the Company in such company is reduced from above 50% to 50% or below so that such company would no longer be a subsidiary of the Company pursuant to Section 4 of the Act or such company ceases to form part of the Group for such reason(s) as determined by the LTIP Committee at its absolute discretion.

24. WINDING UP

All outstanding LTIP Awards shall be automatically terminated and be of no further force and effect in the event that a resolution is passed or a court order is made for the winding up of the Company commencing from the date of such resolution or the date of the court order. In the event a petition is presented in court for the winding up or liquidation of the Company, all rights to exercise and/or vest the LTIP Awards shall automatically be suspended from the date of presentation of the petition. Conversely, if the petition for winding-up is dismissed by the court, the right to exercise and/or vest the LTIP Awards shall accordingly be unsuspended.

25. DURATION OF THE SCHEME

25.1 The Scheme is conditional upon:

(i) submission of the final copy of the By-Laws to Bursa Securities together with a letter of compliance pursuant to Rule 2.12 of the Listing Requirements and a checklist showing compliance with Appendix 6E of the Listing Requirements;

(ii) approval from Bursa Securities for the listing of and quotation for such number of Shares representing up to ten percent (10%) of the total number of issued shares of the Company (excluding treasury shares, if any) on the ACE Market of Bursa Securities;

(iii) approval of the shareholders of the Company for the Scheme being obtained;

(iv) receipt of the approval(s) of any other relevant authorities (where applicable); and

(v) fulfilment or waiver (as the case may be) of all applicable conditions attached to the above approvals (if any).

The Scheme shall be in force for a duration of five (5) years commencing from the effective date of implementation of the Scheme, which shall be a date following the full compliance with all relevant requirements of the Listing Requirements and under the law in relation to the Scheme ("**Effective Date**") ("**Duration of the Scheme**").

25.2 The Duration of the Scheme, or the duration of ESOS, or the duration of ESGS, may be extended for a further period of up to five (5) years immediately from the expiry of the Duration of the Scheme ("**Date of Expiry**") at the discretion of the Board upon the recommendation of the LTIP Committee, without having to obtain approval of the

Company's shareholders. Any extension of the Scheme shall not, in aggregate with the initial term, exceed ten (10) years from the Effective Date, or such longer period as may be allowed by the relevant authorities.

25.3 On the expiry of the Scheme, any LTIP Awards which have yet to be vested (whether fully or partially) shall be deemed terminated and be null and void and of no further force and effect.

25.4 The Scheme may be terminated by the LTIP Committee at any time before the Date of Expiry, provided that the Company makes an announcement immediately to Bursa Securities.

26. SUBSEQUENT EMPLOYEES' SHARE SCHEMES

The Company may, in addition to the Scheme, implement more than one (1) employees' share scheme provided that the aggregate number of Shares available under all the employee share schemes implemented by the Company is not more than thirty percent (30%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any one time or any other limit in accordance with any prevailing guidelines issued by Bursa Securities or any other relevant authorities, as amended from time to time.

27. COMPENSATION

27.1 This Scheme shall afford the Grantee no additional right to compensation or damages in the event of the cessation of his employment or appointment for any reason whatsoever.

27.2 Participation in this Scheme by an Eligible Person is a matter entirely separate from his terms and conditions of employment and participation in this Scheme shall in no respects whatever affect in any way a Grantee's terms and conditions of employment. In particular (but without limiting the generality of the foregoing words) any Grantee who ceases to hold office or leaves employment shall not be entitled to any compensation for any loss of any right or benefit or prospective right or benefit under this Scheme which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal, dismissal without just cause or excuse, or other breach of contract or by way of compensation for loss of office or otherwise howsoever.

27.3 This Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Option or ESGS themselves) against the Company or any corporation of the Group or any members of the LTIP Committee directly or indirectly or give rise to any cause of action at law or in equity against the Company or the Group.

27.4 No Grantee or his/her legal or personal representatives shall bring any claim, action or proceedings against the Company or the LTIP Committee or any party for compensation, loss or damages whatsoever and howsoever arising including but not limited to:

(a) the suspension of his/her rights to exercise his/her Vested Options or be vested his/her ESGS Grants, or

(b) his/her Options or ESGS Grants ceasing to be valid pursuant to the provisions of these By-Laws as may be amended from time to time in accordance with By-Law 28.

27.5 Neither the Scheme nor LTIP Awards granted under the Scheme shall impose on the Company or the LTIP Committee or any of its members any liability whatsoever in connection with:

(a) the lapse of any LTIP Awards pursuant to any provision of the Scheme;

(b) the failure or refusal by the LTIP Committee to exercise, or the exercise by the LTIP Committee of, any discretion under the Scheme; and/or

(c) any decision or determination of the LTIP Committee made pursuant to any provision of the Scheme.

28. MODIFICATION/VARIATION TO THE SCHEME

28.1 The LTIP Committee may at any time and from time to time recommend to the Board any amendments and/or modifications to all or any of the provisions of the Scheme and these By-Laws and the power to amend and/or modify all or any of the provisions of the Scheme and these By-Laws shall rest with the Board PROVIDED THAT no amendment and/or modifications shall alter adversely the rights attaching to any LTIP Awards granted prior to such amendment and/or modifications, nor alter such rights to the advantage of any Grantee without the prior approval of the shareholders of the Company as set out in By-Law 28.2. The LTIP Committee shall within ten (10) Market Days of any amendment and/or modification made pursuant to this By-Law notify the Grantee in writing of any amendment and/or modification made pursuant to this By-Law. The Company is required to submit to Bursa Securities a confirmation letter that the amendment and/or modification does not contravene any of the provisions of the Listing Requirements on employees' share option scheme and the rules issued by Bursa Depository no later than five (5) Market Days after the effective date of the said amendment and/or modification is made.

28.2 No such addition or amendment, modification and/or deletion of these By-Laws shall be made which will:

(a) prejudice any rights then accrued to any Grantee without the prior consent or sanction of the majority of the Grantees at a meeting called for such purpose. The quorum for such meetings of Grantees shall be two (2);

(b) prejudice any rights of the shareholders of the Company without the prior approval of the Company's shareholders in a general meeting;

(c) increase the maximum number of new Shares which may be made available under the Scheme provided under By-Law 3.1; and

(d) alter any matter which are required to be contained in the By-Laws by virtue of the Listing Requirements to the advantage of the Eligible Person and/or Grantee,

unless allowed otherwise by the provisions of the Listing Requirements.

29. DISPUTES

Any dispute or difference of any nature arising hereunder shall be referred to the decision of the LTIP Committee. The said decision shall be final and binding on the parties unless the Eligible Person or Grantee, as the case may be, shall dispute the same by notice to the LTIP Committee within fourteen (14) days of the receipt of the decision of the LTIP Committee, in which case, such dispute or difference shall be referred to the decision of an approved company auditor as defined under Section 263 of the Act (acting as expert and not as arbitrator), whose decision shall be final and binding in all respects and whose costs shall be borne by the party against whom the decision is given on appeal.

30. COSTS AND EXPENSES

All fees, costs and expenses incurred in relation to the Scheme including but not limited to the fees, costs and expenses relating to the issue and allotment and/or transfer of the Shares pursuant to the LTIP Award, shall be borne by the Company. Notwithstanding this, the Grantee shall bear any fees, costs and expenses incurred in relation to his/her acceptance and exercise of the Options under the Scheme and the holding or subsequent dealing of such Shares (such as, including but not limited to, brokerage commissions and stamp duty).

31. CONSTITUTION

Notwithstanding the rules, terms and conditions contained in these By-Laws, if a situation of conflict should arise between these By-Laws and the Constitution, the provisions of the Constitution shall prevail at all times save and except where such provisions of the By-Laws are included pursuant to the Listing Requirements.

32. NOTICE

32.1 Any notice which under the Scheme is required to be given to or served upon the LTIP Committee by an Eligible Person or Grantee or any correspondence to be made between an Eligible Person or Grantee and the LTIP Committee shall be given or served in writing and either delivered by hand or sent to the registered office of the Company by facsimile or ordinary letter. Proof of posting shall not be evidence of receipt of the letter.

32.2 Any notice under the Scheme required to be given to or served upon an Eligible Person or Grantee shall be deemed to be sufficiently given, served or made if it is given, served or made by hand, by electronic mail, by facsimile transmission and/or by letter sent via ordinary post addressed to the Eligible Person or Grantee at his/her place of employment, to his/her electronic mail address, at his/her last facsimile transmission number known to the Company, or to his/her last-known address. Any notice served by hand, by facsimile, by electronic mail or post as aforesaid shall be deemed to have been received at the time when such notice (if by hand) is received and acknowledged, (if by facsimile transmission) is transmitted with a confirm log print-out for the transmission indicating the date, time and transmission of all pages, (if by electronic mail) the dispatch of the electronic mail, (if any post) three (3) days after postage.

32.3 Any notice served by a party after the Company's official working hours shall be deemed to have been served on the next working day.

33. SEVERABILITY

Any term, condition, stipulation or provision in these By-Laws which is or becomes illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation or provision herein contained.

34. GOVERNING LAW

The Scheme, the By-Laws, and all LTIP Awards made and granted and actions taken under the Scheme shall be governed by and construed in accordance with the laws of Malaysia. The Grantee, by accepting the LTIP Award in accordance with the By-Laws and terms of the Scheme, irrevocably submits to the exclusive jurisdiction of the courts of Malaysia.