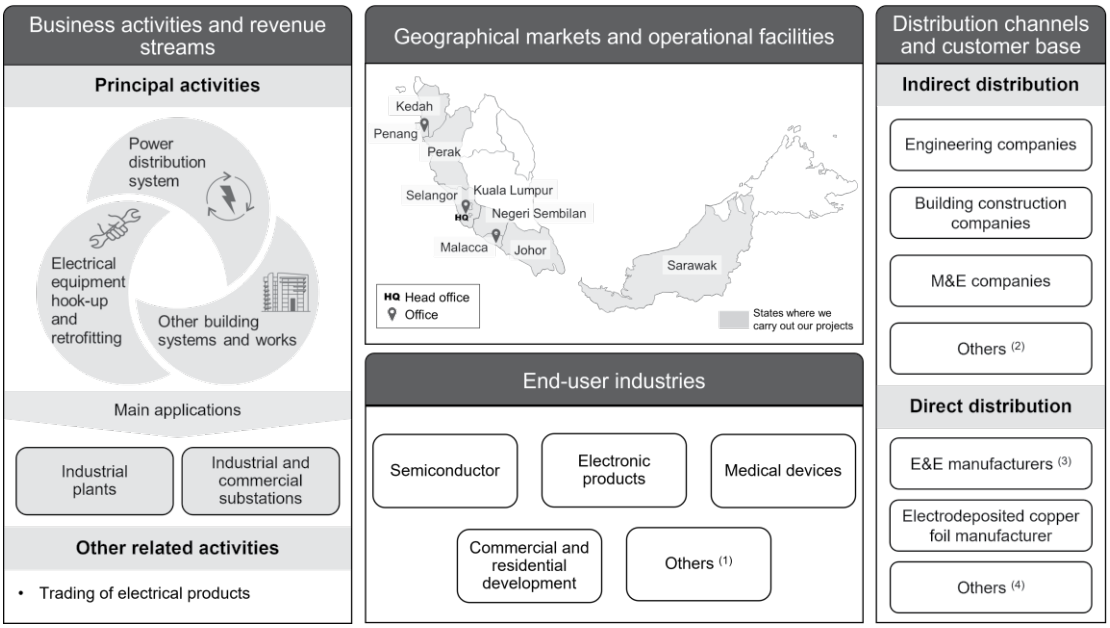
## 7. BUSINESS OVERVIEW (CONT'D)

### 7.2 OVERVIEW OF OUR BUSINESS

#### 7.2.1 Our business model

Our business model is depicted in the following diagram:




**Notes:**

(1) Includes electrodeposited copper foil, battery cell manufacturing, telecommunications, chemical products, gas, solar, education, food and beverage, and glove industries.

(2) Includes mainly manufacturers and suppliers of M&E equipment, electrical contractor, and water treatment service providers.

(3) Includes manufacturers of semiconductor and electronic products.

(4) Includes mainly manufacturers of chemical products, solar PV modules, and gloves, as well as property developers.

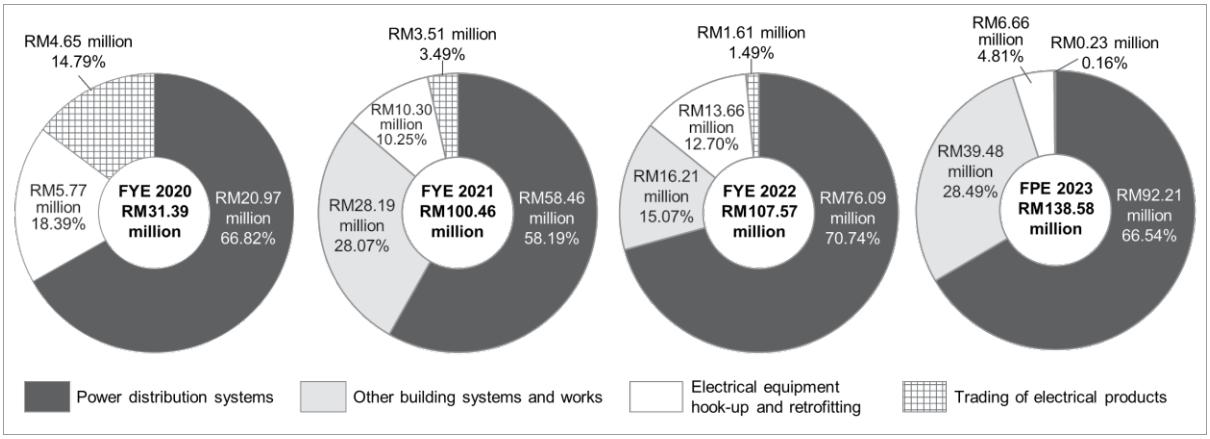
#### 7.2.2 Business activities and revenue streams

We are an electrical engineering service provider focusing on the provision of power distribution systems for end-user premises such as industrial plants, and industrial and commercial substations. We are involved in the design, supply, installation, testing and commissioning of HV, MV, LV and ELV power distribution systems.

We also provide other building systems and works including mechanical systems, control and instrumentation system, as well as civil, structural and architectural works, which we outsourced to third parties under our supervision and project management. We also carry out electrical equipment hook-up and retrofitting which includes the installation of machinery and equipment, and providing upgrades and modifications of electrical equipment to complement our power distribution system works. We are also involved in trading of electrical products.

## 7. BUSINESS OVERVIEW (CONT'D)

**Our revenue segmentation by business activities**




### (i) Power distribution systems

We are involved in the provision of power distribution systems for end-user premises incorporating the network of electrical systems, equipment and components used to distribute and control the flow of electricity from the main power source from the substation to the various electrical loads within a building, facility or built environment. A power distribution system takes the high-voltage power generated by utility companies and transformed it into lower-voltage power that is safe and suitable for use by electrical machinery, equipment and devices.

Our power distribution systems involve integrating, among others, interconnections to the power grid, substations, transformers, switchgear, switchboards, distribution boards, motor control centre panels, process control panels, capacitor banks, alternate current/direct current (AC/DC) systems, electrical wiring, busway systems, switches and outlets that are vital to the operations of electrical machinery, equipment and devices. Power distribution systems also incorporate protection and current moderating devices and systems to ensure the safety of people and properties, as well as to meet the quality of current required by critical and sensitive machinery, equipment and devices.

Our scope of work covers the design, supply, installation, testing and commissioning of the power distribution system. Our team of electrical engineers and technicians are capable of providing comprehensive design of the power distribution systems encompassing the technical planning, technical conceptualisation and detailed engineering of the power distribution networks from substations to all electrical systems, equipment and devices up to the termination points in end-user premises. We also handle the procurement of electrical equipment and components from suppliers and manufacturers, as well as the installation and integration of the electrical equipment with wiring and busway systems. We also carry out testing and commissioning to warrant the reliability and safety of the electrical systems.

For the Financial Years and Period Under Review, revenue from the provision of power distribution systems for end-user premises accounted for the majority of our revenue at RM20.97 million (66.82%), RM58.46 million (58.19%), RM76.09 million (70.74%) and RM92.21 million (66.54%) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

## 7. BUSINESS OVERVIEW (CONT'D)

### (ii) Other building systems and works

We also provide other complementary works to our power distribution systems for end-user premises including the provision of other building systems and works such as mechanical systems, control and instrumentation systems, as well as civil, structural and architectural works. The architectural works mainly involve the design aspect of the project taking into consideration, among others, the function of the building or facility, layout and utilisation of space, floor plan and aesthetics. These building systems and works commonly form part of the overall scope of our contract where we are responsible for the project management of these other building systems and works. Under the supervision of our project managers, we engage subcontractors and professionals including architects and engineers to support our Group with construction-related works and the design, supply, installation, testing and commissioning of mechanical, and control and instrumentation systems.

In 2021, we secured our first project which involved other building systems and works where the scope of the project included the construction of a 3-storey 132kV main intake substation for an electronic products manufacturing plant in Batu Kawan, Penang. Revenue contribution from the provision of other building systems and works accounted for RM28.19 million (28.07%), RM16.21 million (15.07%) and RM39.48 million (28.49%) of our total revenue for FYE 2021, FYE 2022 and FPE 2023, respectively. We did not record any revenue from the provision of other building systems and works in FYE 2020.

### (iii) Electrical equipment hook-up and retrofitting

We also provide electrical equipment hook-up and retrofitting services which refers to the process of connecting plant and machinery, and various electrical equipment and components to a power source to form a functional operation system, and providing upgrades and modifications of electrical equipment. This segment of our business is complementary to our power distribution systems as all the equipment that we provide hook-up and retrofitting services are mainly to obtain power for their safe operation and to integrate them with other machinery, equipment and devices where required.

Revenue contribution from electrical equipment hook-up and retrofitting accounted for RM5.77 million (18.39%), RM10.30 million (10.25%), RM13.66 million (12.70%) and RM6.66 million (4.81%) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

### (iv) Trading of electrical products

We are also involved in trading of electrical products such as power cables, metering panels, copper busbars, power conditioning systems such as capacitor banks, reactors and UPS, as well as other electrical products. Revenue contributed from trading of electrical products accounted for RM4.64 million (14.79%), RM3.51 million (3.49%), RM1.61 million (1.49%) and RM0.23 million (0.16%) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

### 7.2.3 Geographical markets and operational facilities

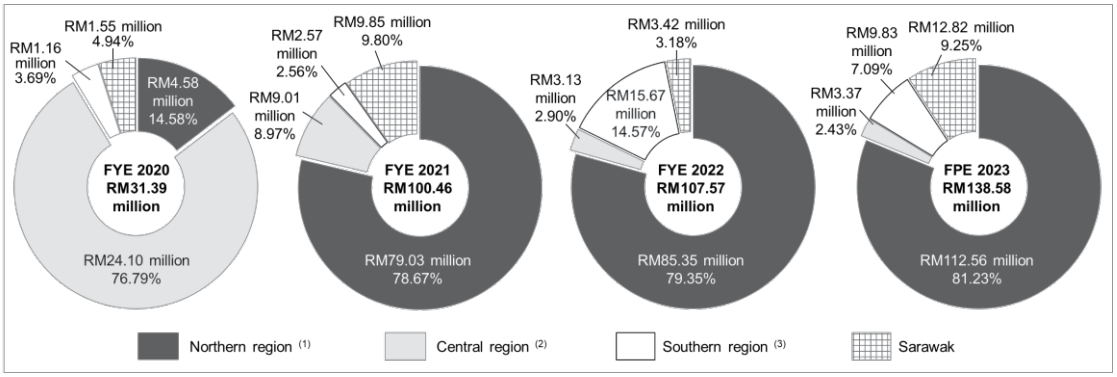
We operate in Malaysia with our head office in Selangor, and sales and service offices in Penang and Malacca. With these offices, we manage our projects, provide technical support services as well as carry out sales and marketing activities to existing and potential customers in various states in Malaysia.

## 7. BUSINESS OVERVIEW (CONT'D)

For the Financial Years and Period Under Review, all our revenues were from Malaysia where we derived revenues from projects located in the Northern region (Penang, Kedah and Perak), Central region (Selangor and Kuala Lumpur), and Southern region (Johor, Malacca and Negeri Sembilan) of Peninsular Malaysia, as well as Sarawak in East Malaysia.

The breakdown of our revenue by geographical markets for the Financial Years and Period Under Review is as follows:

**Our revenue segmentation by geographical markets**




**Notes:**

Revenue by geographical markets is based on the location of the project sites.

(1) Includes Penang, Kedah and Perak.

(2) Includes Selangor and Kuala Lumpur.

(3) Includes Malacca, Negeri Sembilan and Johor.

For the Financial Years and Period Under Review, the main contributor of our revenue in terms of geographical markets shifted from Central region in FYE 2020 to Northern region in FYE 2021, FYE 2022 and FPE 2023. This was mainly attributed to 2 projects secured in Penang which led to the increase in revenue contribution from the Northern region, and completion of several projects in Kuala Lumpur and Selangor which led to the decrease in revenue contribution from the Central region in FYE 2021. For FYE 2022 and FPE 2023, our revenue from the Northern region was mainly attributed to a project secured in Kedah and 2 projects secured in Perak.

### 7.2.4 End-user industry

For the recent 2 Financial Years Under Review, we carry out projects mainly for end-users in the semiconductor, medical device and electronic product industries. For FYE 2020, FYE 2021, FYE 2022 and FPE 2023, our revenue contribution from the semiconductor, medical device and electronic product industries cumulatively accounted for 21.90% (RM6.87 million), 80.88% (RM81.25 million), 93.45% (RM100.53 million) and 83.86% (RM116.21 million) of our total revenue, respectively.

## 7. BUSINESS OVERVIEW (CONT'D)

The quality of the supply of electricity for the semiconductor, medical devices and electronic product industries is crucial as their operations rely on high precision, sensitive, critical and often high-speed equipment. The quality of the electricity supply refers to the characteristics of the electrical power provided to customers which include factors such as the reliability, stability, and consistency of the power supply. The quality of the electricity supply is also measured by various parameters, including voltage, frequency and waveform stability. These parameters can affect performance and efficiency, and cause damage to some sensitive and critical electrical machinery, equipment and devices if they fall outside acceptable ranges. In some cases, it also affects the output products. As such, the design and installation of power distribution systems for these industries will need to incorporate various electrical equipment, devices and components aimed at ensuring the quality supply of electricity to prevent or minimise operational disruptions. It also will include other safety devices to mitigate or minimise the negative impact of unintended overcurrent that may cause damage to lives and properties.

We also carry out projects for end-users in the commercial and residential development industry. Our services provided for commercial and residential developments were mainly for the supply and installation of switching and distribution substations.

The breakdown of our revenue by end-user industries for the Financial Years and Period Under Review is as follows:

| | FYE 2020 | | | FYE 2021 | | | FYE 2022 | | | FPE 2023 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **End-user industry** | **RM'000** | **%** | **No. of Customer(2)** | **RM'000** | **%** | **No. of Customer(2)** | **RM'000** | **%** | **No. of Customer(2)** | **RM'000** | **%** | **No. of Customer(2)** |
| Semiconductor | 6,873 | 21.90 | 14 | 10,278 | 10.23 | 12 | 65,295 | 60.70 | 21 | 106,946 | 77.17 | 17 |
| Medical devices | - | - | - | 1,575 | 1.57 | 1 | 31,456 | 29.24 | 5 | 9,267 | 6.69 | 9 |
| Electronic products | - | - | - | 69,400 | 69.08 | 1 | 3,778 | 3.51 | 1 | - | - | - |
| Commercial and residential developments | 19,081 | 60.79 | 8 | 4,701 | 4.68 | 3 | 403 | 0.38 | 5 | * | # | 1 |
| Others(1) | 5,434 | 17.31 | 9 | 14,507 | 14.44 | 11 | 6,641 | 6.17 | 7 | 22,364 | 16.14 | 8 |
| **Total revenue** | **31,388** | **100.00** | **31** | **100,461** | **100.00** | **28** | **107,573** | **100.00** | **39** | **138,577** | **100.00** | **35** |

* Less than RM1,000; # Less than 0.01%

**Notes:**

(1) Includes electrodeposited copper foil, battery cell manufacturing, telecommunication, chemical product, gas, solar, education, food and beverage, and glove industries, as well as revenue from trading of electrical products.

(2) Include customers for power distribution systems, other building systems and works, electrical equipment hook-up and retrofitting works as well as trading.

## 7. BUSINESS OVERVIEW (CONT'D)

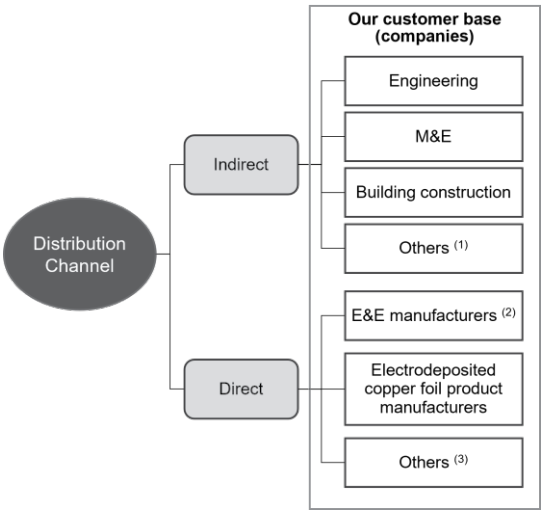
### 7.2.5 Distribution channels and customer base

We use both indirect and direct distribution channels for our sales and marketing.

Indirect distribution channel refers to projects that we secure through intermediaries who work directly with project owners. These customers mainly include engineering, M&E and building construction companies that are responsible to deliver a complete facility or building system to the facility owner. In this situation, we work as a subcontractor to our customers.

Direct distribution channel refers to projects that are secured directly from customers who are owners of the manufacturing plant or property development projects. Our direct distribution channel strategy focuses our sales and marketing activities directly with the ultimate decision-makers, which enables us to work closely with our customers to meet their technical specifications and requirements, as well as business objectives.

**Our distribution channels and customer base**




*(1) Includes mainly manufacturers and suppliers of M&E equipment, electrical contractor, and water treatment service providers.*

*(2) Includes manufacturers of semiconductor and electronic products.*

*(3) Includes mainly manufacturers of chemical products, solar PV modules, and glove, as well as property developers.*

For the Financial Years and Period Under Review, our revenue segmented by distribution channels are as follows:

| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2023 | |
|---|---|---|---|---|---|---|---|---|
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| **Indirect distribution channel** | **27,162** | **86.54** | **13,252** | **13.19** | **76,238** | **70.87** | **65,855** | **47.52** |
| Engineering companies | 2,320 | 7.39 | 2,208 | 2.20 | 31,494 | 29.28 | 9,539 | 6.88 |
| Building construction companies | 18,813 | 59.94 | 5,774 | 5.75 | 23,522 | 21.87 | 44,444 | 32.07 |
| M&E companies | 1,408 | 4.49 | 1,657 | 1.64 | 18,660 | 17.34 | 4,999 | 3.61 |
| Others (1) | 4,621 | 14.72 | 3,613 | 3.60 | 2,562 | 2.38 | 6,873 | 4.96 |
| **Direct distribution channel** | **4,226** | **13.46** | **87,209** | **86.81** | **31,335** | **29.13** | **72,722** | **52.48** |
| E&E manufacturers (2) | 3,372 | 10.74 | 77,283 | 76.93 | 27,251 | 25.33 | 59,744 | 43.11 |
| Electrodeposited copper foil manufacturers | 589 | 1.88 | 9,849 | 9.80 | 3,423 | 3.18 | 12,821 | 9.25 |
| Others (3) | 265 | 0.84 | 77 | 0.08 | 661 | 0.62 | 157 | 0.12 |
| **Total revenue** | **31,388** | **100.00** | **100,461** | **100.00** | **107,573** | **100.00** | **138,577** | **100.00** |

**Notes:**

(1) Includes mainly manufacturers and suppliers of M&E equipment, electrical contractor, and water treatment service providers.

(2) Includes manufacturers of semiconductor and electronic products.

(3) Includes mainly manufacturers of chemical products, solar PV modules, gloves and medical devices, as well as property developers.

For FYE 2020 and FYE 2022, our revenue was mainly through our indirect distribution channel. However, in FYE 2021, our revenue was mainly through our direct distribution channel as we secured 2 projects directly from Customer B who is the owner of an electronic product manufacturing plant in Penang. In FPE 2023, our revenue was mainly through our direct distribution channel as we secured 1 project directly from Customer A who is the owner of a semiconductor manufacturing plant in Kedah.

### 7.2.6 Mode of operation

Our mode of operations for our business in terms of securing work orders, payment terms and other main contractual terms and conditions are as follows:

**(i) Securing projects/works**

The revenue model for the provision of power distribution systems, and other building systems and works are based on contracts or work orders issued by customers. We secure these contracts or work orders through the submission of tender bids or quotations mainly through invitation or request for quotations from prospective customers including industrial plant owners, property developers, engineering companies, building construction companies and M&E companies, as well as through referrals from project consultants such as engineers, architects and quantity surveyors.

All our contracts are project specific. While most project contracts cover all scope of work and delivery schedules for a specific project, some contracts also involve the issuance of work orders within the project contract. We do not have any umbrella contract that covers more than one project. All our contracts are lump sum contracts, which may or may not have variation orders.

We secure projects/works through both indirect and direct distribution channels. For projects/works secured through indirect distribution channel, we work as a subcontractor where we report directly to our customers who are the main contractors of the project.

As for projects/works secured through direct distribution channel, we work as the main contractor where we are responsible for liaising with all parties such as the authorities, suppliers, engineers, consultants and subcontractors for the project. We report directly to the customer who is the ultimate decision-maker. Please refer to Section 7.2.5 of this Prospectus for further details on our distribution channels and customer base.

In some cases, a tender bond is required to be submitted along with the tender bid document to provide a guarantee to the customer that we will undertake the project if we are awarded the project.

The revenue model for our electrical equipment hook-up and retrofitting services as well as trading of electrical products are mainly based on purchase or work orders issued by customers as and when required. All our purchase or work orders are lump sum contracts and commonly do not have variation orders.

As at LPD, we have one framework agreement which provides for general terms and conditions as well as scheduled rates for materials and labour for electrical equipment hook-up and retrofitting services. As and when required, the customer will issue POs to us to carry out work during the validity period of the framework agreement, which is for 1 year and is renewable on a yearly basis. There is no assurance that our customer will issue any PO and we are not the exclusive service provider under the framework agreement.

## 7. BUSINESS OVERVIEW (CONT'D)

### (ii) Retention sum and performance bond

Generally within the industry, projects for the provision of power distribution system are subject to retention sum. Similarly, for most of our contracts, we are required to agree to a retention sum of our invoices which our customers will retain for an agreed period after the completion of our work. Typically, a retention sum equivalent to 5% to 10% of the total contract sum will be retained by the customer for a period of 12 to 24 months. Depending on the terms of the contract, the retention sum will usually be released in two portions where the first portion (representing 50% of the total retention sum) will be released upon issuance of the CPC, while the remaining 50% will be released upon the issuance of CMGD or upon the expiration of the DLP.

Similarly, we are entitled to retain payment of part of our subcontractors' invoices as retention sum up to a maximum of 5% to 10% of the total contract sum as stipulated in our contracts with subcontractors. We generally release 50% of the retention sum upon the issuance of CPC, while the remaining half of the retention sum will be released after the end of the DLP.

Depending on the terms of the contract with our customers, we may or may not be required to issue a performance bond which generally ranges between 5% and 10% of the total contract sum in the form of a bank guarantee. The requirement for the issuance of performance bond is on a case-by-case basis depending on the terms of the contract agreed with our customers. In the event of any justifiable non-performance on our part, our customers may call on part or all of the performance bond. The performance bond is typically valid until the issuance of CPC. Thereafter, the performance bond is replaced with a warranty bond during the DLP. In some cases, we require a performance bond from our subcontractors.

Some of our customers require the issuance of performance bond in addition to a retention sum, while others may only require either a performance bond or a retention sum.

### (iii) Progressive claims

During the various stages of the project, we will submit progress claims either monthly or based on agreed project milestones. The approval of the progressive claims is subject to the architect's/engineer's certification which allows us to invoice the customer.

### (iv) Project contract period obligation

We are obligated to complete the project within the period stipulated in the contract. Generally, our project period ranges between 3 months and 26 months depending on the scope and size of the project. However, for the Financial Years and Period Under Review, our project period ranges between 4 and 40 months mainly because our business and onsite operations faced temporary suspension and slowdown of work pursuant to the outbreak of the COVID-19 pandemic in Malaysia. In the event of any delays in the completion of a project, we are subject to LAD claims by the customer as stipulated in the contract. Our contract's LAD ranges between 0.1% and 0.5% of the contract value per calendar day up to a maximum of 5% to 10% of the total contract value.

Under normal operating conditions, we will seek an EOT from the customer if the project encounters any unforeseen circumstances that may affect the completion date, which is subject to approval by the customer.

## 7. BUSINESS OVERVIEW (CONT'D)

### (v) Variation order(s)

In some cases, during or soon after the completion of a project, the customer may request variation orders for the project which may include additions, omissions, substitutions, alterations and/or changes to the work scope.

We are usually notified of a variation order in writing describing the details of the variation works and, where required, accompanied with revised drawings. We will submit our costing and the expected timeframe for the variation work to the customer for their approval.

Variation orders are generally addendums to existing contracts where all general conditions of the original project contracts still hold for the variation orders except for the additional scope of work, price and time extension to complete the additional work.

### (vi) Post completion

We are responsible for the rectification of defects, and equipment warranty during the DLP, which generally ranges from 12 to 24 months from the issuance of a CPC.

We are responsible for any rectification works together with the respective subcontractors, including nominated subcontractors who work under our supervision and project management. If there is a defect liability claim that is attributable to the works carried out by a subcontractor, we usually require the subcontractor to perform the rectification works and related costs will be borne by the said subcontractor. The cost of all defect liability claims not attributable to our subcontractors will be fully borne by us.

We are also responsible to replace any defective electrical equipment together with the respective electrical equipment supplier. Generally, the electrical equipment that we purchase are covered against manufacturing defects by their respective product warranties and as such, the manufacturers or suppliers are responsible for providing suitable replacements. As the product warranty period usually commenced upon commissioning, in some cases, we may need to purchase an extended product warranty to cover the entire DLP.

## 7.3 OUR COMPETITIVE ADVANTAGES AND KEY STRENGTHS

### 7.3.1 We have an established track record of 16 years as an electrical engineering service provider to serve as a platform for business sustainability and growth

We have been operating as an electrical engineering service provider focusing on the development of power distribution systems for end-user premises for approximately 16 years since we registered as a Class A electrical contractor with ST in 2007 and as a Grade 7 (G7) M&E contractor with CIDB in 2008. Since then, we have provided power distribution systems for various end-user premises such as industrial plants, industrial and commercial substations, as well as commercial and residential buildings.

For the Financial Years and Period Under Review and up to the LPD, we have completed 17 projects involving the provision of power distribution systems for end-user premises with a cumulative contract value of RM185.16 million. As at LPD, we have 6 on-going projects involving the provision of power distribution systems for end-user premises which are to be completed by 2024. For further information on our on-going and completed projects, please refer to Sections 7.4.5.1 and 7.4.5.2 of this Prospectus.

## 7. BUSINESS OVERVIEW (CONT'D)

Throughout our 16 years as an electrical engineering service provider, we have established business relationships with our customers including indirect customers such as engineering, building construction and M&E companies, as well as direct customers such as E&E and electrodeposited copper foil manufacturers. Our established track record has enabled us to secure our largest contract to date directly from the industrial plant owner, namely Customer A, valued at approximately RM240 million. Additionally, our established track record also enabled us to garner the trust among our customers substantiated by our revenue growth which increased from RM31.39 million in FYE 2020 to RM107.57 million in FYE 2022, representing a CAGR of 85.13%. Furthermore, our revenue for FPE 2023 grew by 169.61% from RM51.40 million in FPE 2022 to RM138.58 million. In this respect, our track record serves as an important reference and testament for our Group to secure new projects to sustain and grow our business.

### 7.3.2 We have a track record in the provision of HV, MV, LV and ELV power distribution systems for end-user premises that provide us with a wide addressable market

For the Financial Years and Period Under Review, we have carried out projects involving HV, MV, LV and ELV power distribution systems. Our cumulative revenue from projects involving HV and MV systems accounted for 46.30% (RM14.53 million), 41.07% (RM41.27 million), 12.31% (RM13.24 million) and 14.84% (RM20.56 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. Our cumulative revenue from projects involving LV and ELV systems accounted for 20.52% (RM6.44 million), 17.11% (RM17.19 million), 58.43% (RM62.86 million) and 51.70% (RM71.65 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

Our track record and portfolio of services covering HV, MV, LV and ELV power distribution systems at end-user premises provide us with a large addressable market to sustain as well as grow our business. Our service coverage includes end-user premises' substations as well as buildings, facilities and other built-environment.

### 7.3.3 We service growth end-user industries including semiconductors, medical devices and electronic product industries that provide us with opportunities to sustain and drive our business growth

For the recent 3 Financial Years and Period Under Review, the main end-user industries that we served were the semiconductor, medical device and electronic product industries which cumulatively accounted for 21.90% (RM6.87 million), 80.88% (RM81.25 million), 93.45% (RM100.53 million) and 83.86% (RM116.21 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

These industries attract significant investments in Malaysia. The value of investments approved for the electronic product segment (which includes semiconductors and other electronic products) recorded a CAGR of 37.3% between 2020 and 2022 amounting to RM25.7 billion in 2022. Similarly, the value of investments approved for the medical devices industry (excluding rubber-based medical devices such as face masks and rubber gloves) recorded a CAGR of 46.2% between 2020 and 2022 amounting to RM4.7 billion in 2022 *(Source: IMR Report).*

These industries also require a high-quality power supply to run their high-value, sensitive, critical and often high-speed machinery and equipment. As we have a track record of serving these types of customers and applications, it places us in a good position to further secure power distribution projects from these types of industrial operations.

Our business focus aided by our track record in these industries that attract significant amounts of investments in Malaysia will provide the platform to sustain and grow our business.

## 7. BUSINESS OVERVIEW (CONT'D)

### 7.3.4 We have both indirect and direct distribution channels to maximise our sales and marketing coverage

We use both indirect and direct distribution channels to maximise our sales and marketing and to cultivate closer business relationships with our customers.

Our indirect customers mainly include engineering, building construction and M&E companies. For the Financial Years and Period Under Review, revenue contribution from indirect customers accounted for 86.54% (RM27.16 million), 13.19% (RM13.25 million), 70.87% (RM76.24 million) and 47.52% (RM65.86 million) for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. Using an indirect distribution channel allows us to enlarge our sales and marketing coverage to potential customers through our intermediary business network, as well as participate in projects where we are not aware, or in areas where we are underrepresented.

Additionally, we have solicited and secured sales using the direct distribution channel which focuses our sales and marketing efforts directly with the ultimate decision-makers. Our direct customers include mainly industrial plant owners and manufacturers themselves, such as E&E manufacturers. Revenue contribution from direct customers accounted for 13.46% (RM4.23 million), 86.81% (RM87.21 million), 29.13% (RM31.34 million) and 52.48% (RM72.72 million) for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. Using a direct distribution channel allows us to work closely with the ultimate decision maker to meet their technical specifications and requirements, as well as business objectives.

Having both indirect and direct distribution channels provide us with a larger addressable market compared to relying only on one channel of distribution. In addition, having two distribution channels provide mitigation against a drop in securing projects from one distribution channel. As such, our ability to secure projects using both indirect and direct distribution channels will help sustain and grow our business.

### 7.3.5 We are a registered CIDB G7 and Class A electrical contractor that allow us to undertake electrical installation works in Malaysia with no limitation on the project size

Companies that wish to undertake any electrical works and construction works in Malaysia are required to register with ST and CIDB, respectively. We are registered as a Class A electrical contractor with ST and a G7 M&E contractor with CIDB since 2007 and 2008, respectively. As a Class A contractor and a G7 M&E contractor, we can bid for projects and undertake electrical installation works with no limitation on the project size or value. To maintain our Class A electrical contractor and G7 contractor status, some of the requirements include paid-up capital of at least RM750,000, employment of a prescribed number of technical personnel with relevant qualifications and number of years of experience as specified by ST and CIDB. These conditions serve as barriers to entry for new entrants, particularly those with limited experience, and financial and technical personnel resources. Our ability in maintaining our status as a Class A electrical contractor with ST and a G7 M&E contractor with CIDB demonstrates our capabilities in providing electrical installation works and they serve as references for us to participate in tenders for new projects.

As of 18 December 2023, there are 7,392 electrical contractors registered with ST, of which 1,227 of them are Class A electrical contractors who can undertake electrical work with no restrictions in value *(Source: IMR Report)*.

Additionally, as at LPD, we are registered with CIDB as a G7 contractor under the M&E category with 17 specialisation including medium and high voltage electrical installation works. As of 18 December 2023, there are 9,644 CIDB G7 M&E contractors. Meanwhile, there are 1,938 M&E contractors focusing on medium and high voltage electrical works including installation as well as underground and overhead cabling works, of which 796 of them are G7 contractors *(Source: IMR Report)*.

## 7. BUSINESS OVERVIEW (CONT'D)

We are one of the 1,227 Class A electrical contractors making up 16.6% of the total number of electrical contractors (7,392), and one of the 796 CIDB G7 contractors focusing on medium and high voltage electrical works making up 8.3% of the total number of CIDB G7 M&E contractors (9,644), thus providing us with a competitive advantage as we compete with relatively fewer operators in the industry.

As such, this provides us with wide opportunities to secure electrical engineering projects across all sizes of projects.

### 7.3.6 We have experienced Managing Director, Executive Director and Key Senior Management to grow our business

We have an experienced management team headed by our Managing Director, Haw Chee Seng and our Executive Director, Eng Choon Leong, who brings with them approximately 26 years and 28 years of experience, respectively, in providing electrical engineering-related services. As Directors of our Group, Haw Chee Seng and Eng Choon Leong have been instrumental in the growth and development of our Group.

Our Directors are supported by our Key Senior Management as follows:

- Lim Soo Cheng, our Chief Financial Officer, brings with her approximately 27 years of experience in accounting and finance-related activities. She is currently responsible for overseeing our Group's finance, accounts, tax, legal and company secretarial departments;

- Tang Kok Wai, our Project and Technical Director, brings with him approximately 20 years of experience in electrical installation works and project management of projects. He is currently responsible for overseeing the engineering and technical aspects of our Group's projects;

- Nelson Lim Koon Cheong, our Hook-up and Retrofitting Manager, brings with him approximately 28 years of experience in electrical equipment hook-up and retrofitting services. He is currently responsible for overseeing our Group's electrical equipment hook-up and retrofitting projects;

- Seng Keng Theng, our Finance and Credit Manager, brings with him approximately 28 years of experience in accounting and finance-related activities. He is responsible for overseeing our Group's overall finance, credit control and administrative matters; and

- Chua Geok Ping, our Human Resources Manager, brings with her approximately 10 years of experience in administration and human resources management. She is responsible for managing our Group's human resources department.

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## 7. BUSINESS OVERVIEW (CONT'D)

### 7.4 OUR SERVICES

#### 7.4.1 Power Distribution at End-User Premises

##### 7.4.1.1 Overview

We are an electrical engineering service provider focusing on the provision of power distribution systems for end-user premises such as industrial plants, as well as industrial and commercial substations. Our Group's project involvement starts from the development of the substation within the end-user premises to obtain power from the power grid, and then to distribute power to the end-user premises' facilities for use by electrical machinery, equipment and devices in industrial plants and facilities, as well as commercial and residential developments.

**End-user substations**

We construct and install substations which provide the connection between the power grid and the end-user premises. Our scope of work for substations covers the following:

- design and construct the substation building;
- design cabling and wiring including interconnection to the power grid, within the substation building as well as into end-user buildings and facilities;
- specify, procure and install transformers, switchgear and other electrical equipment and components; and
- test and commission the entire substation facility.

**End-user premises' facilities**

We are also involved in the provision of power distribution systems within end-user premises' facilities for use by electrical machinery, equipment and devices. Our scope of work for end-user premises covers:

- design, procure, install, test and commission all the switchboards, distribution boards, motor control centre panels and process control panels, where relevant;
- cables and wiring within the premises; and
- connection to outlets or end-user electrical systems and devices.

Our project may cover end-to-end services including the development of end-user premises' substations together with the provision of power distribution systems within end-user premises' facilities, or separately as standalone projects. For the Financial Years and Period Under Review, the majority of our revenue is derived from projects involving substations and power distribution in industrial plants.

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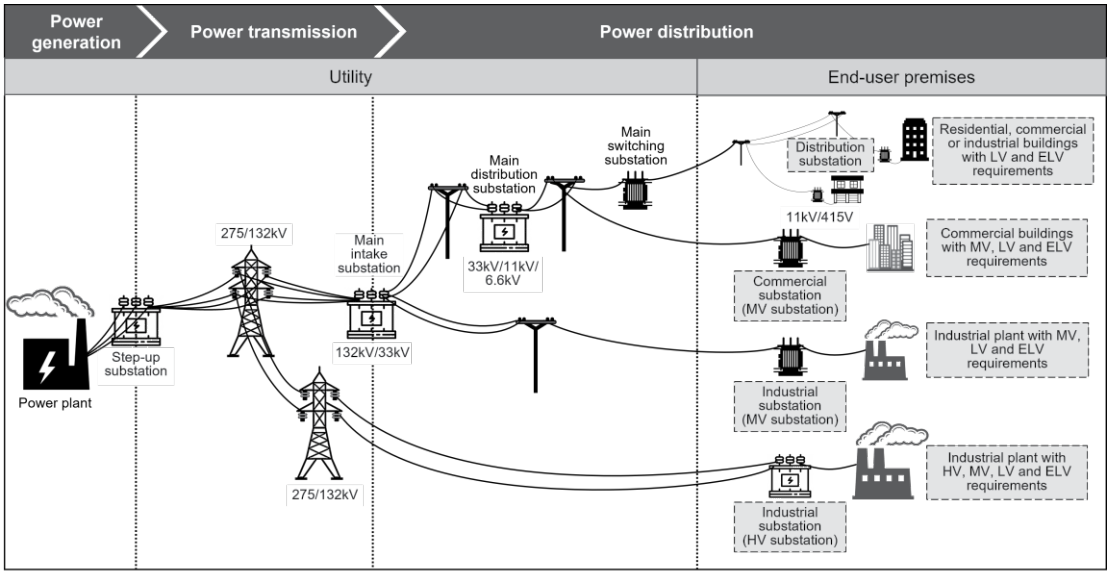
## 7. BUSINESS OVERVIEW (CONT'D)

The following diagram is an overview of the areas that we cover within the end-user premises' power distribution segment:




kV = kilovolt; V = volt; HV = high voltage; MV = medium voltage; LV = low voltage; ELV = extra low voltage

We design, supply, install, test and commission substations and power distribution systems for these end-user premises

The above diagram also indicates the common voltages from the step-up substation at the power generation plant to the various types of end-user premises and applications. We are involved in the provision of HV, MV, LV and ELV power distribution systems for industrial and commercial substations, as well as industrial plants. Commonly end-user premises that require a high-voltage power distribution system will also include all the lower-voltage power distribution systems. For example, an HV power distribution will commonly also require MV, LV and ELV power distribution to serve the overall end-user premises.

For the Financial Years and Period Under Review, our revenue contribution from power distribution at end-user premises based on voltage requirements is as follows:

| Power distribution at end-user premises | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2023 | |
|---|---|---|---|---|---|---|---|---|
| | RM'000 | %* | RM'000 | %* | RM'000 | %* | RM'000 | %* |
| High voltage system | - | - | 15,924 | 15.85 | 673 | 0.63 | 381 | 0.27 |
| Medium voltage system | 14,532 | 46.30 | 25,341 | 25.22 | 12,567 | 11.68 | 20,182 | 14.56 |
| Low voltage system | 5,013 | 15.97 | 11,936 | 11.88 | 53,625 | 49.85 | 56,472 | 40.75 |
| Extra low voltage system | 1,428 | 4.55 | 5,259 | 5.23 | 5,453 | 5.07 | 5,439 | 3.93 |
| Others(1) | - | - | - | - | 3,777 | 3.51 | 9,741 | 7.03 |
| **Total revenue for the provision of power distribution system** | **20,973** | **66.82** | **58,460** | **58.19** | **76,095** | **70.74** | **92,215** | **66.54** |

* Percentage of the total revenue of RM31.39 million, RM100.46 million, RM107.57 million and RM138.58 million for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

**Note:**

(1) Others include uninterruptible power supply (UPS) system.

## 7. BUSINESS OVERVIEW (CONT'D)

For the Financial Years and Period Under Review, revenue contributions from power distribution systems at end-user premises based on applications are as follows:

| Power distribution systems at end-user premises | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2023 | |
|---|---|---|---|---|---|---|---|---|
| | RM'000 | %* | RM'000 | %* | RM'000 | %* | RM'000 | %* |
| Industrial plants | 2,254 | 7.18 | 11,348 | 11.30 | 73,097 | 67.95 | 89,412 | 64.52 |
| Industrial/commercial substations | 17 | 0.06 | 40,310 | 40.12 | 2,146 | 2.00 | 45 | 0.03 |
| Commercial and residential buildings | 18,702 | 59.58 | 4,680 | 4.66 | (126)[(2)] | (0.12) | - | - |
| Other infrastructure[(1)] | - | - | 2,122 | 2.11 | 978 | 0.91 | 2,758 | 1.99 |
| **Total revenue for power distribution system** | **20,973** | **66.82** | **58,460** | **58.19** | **76,095** | **70.74** | **92,215** | **66.54** |

* Percentage of total revenue of RM31.39 million, RM100.46 million, RM107.57 million and RM138.58 million for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

**Notes:**

(1) Other infrastructure refers to an open-air car park for an industrial building and a telecommunication data centre.

(2) Refers to reversal of revenue due to variation order to lower the total contract value.

### 7.4.1.2 Industrial plants

Power distribution systems for industrial plants are critical for the safe and efficient operation of the facilities and the machinery, equipment and devices within the facilities. The electrical system installed in industrial plants is often more complex compared to residential home buildings due to its higher voltage requirements to operate power-intensive machinery and equipment.

The type of electrical equipment and components that are used in an industrial plant may vary depending on the type of industry, the size of the facility, and the specific requirements of the plant. This is as follows:

| Voltage supply requirements | Some examples of machinery, equipment and devices served by our power distribution systems |
|---|---|
| High voltage (50 kV to 230kV) | • Ion implantation and plasma etching machines used in a semiconductor manufacturing plant<br>• X-ray inspection machine used for the inspection process of semiconductor components |
| Medium voltage (1kV to 50kV) | • Large motors and pumps to drive high-powered equipment<br>• Heavy-duty machinery such as cranes, hoists and elevators<br>• Large-scale ACMV and ducting system<br>• Industrial lighting with large indoor or outdoor spaces such as warehouses<br>• Refrigeration systems<br>• UPS systems |
| Low voltage (50V to 1kV) | • General lighting systems<br>• Security and fire alarm systems<br>• Control and instrumentation systems such as programmable logic controller, motor control centres, sensors and flow meters<br>• Building automation systems such as ACMV control systems and energy management systems<br>• Power sockets for office and computing equipment |

## 7. BUSINESS OVERVIEW (CONT'D)

| Voltage supply requirements | Some examples of machinery, equipment and devices served by our power distribution systems |
|---|---|
| Extra low voltage (less than 50V) | • Telecommunication systems<br>• Data networks including routers and wireless access points<br>• Security systems including electronic access system<br>• Sensors and control systems<br>• Public address systems |

For the Financial Years and Period Under Review, we installed and integrated power distribution systems for industrial plants with HV supply requirements such as semiconductor manufacturing plants as well as MV supply requirements such as semiconductors, electronic products, medical devices and glove manufacturing plants. In addition, high-value and critical industries, such as semiconductor, medical device and electronic product industries require a quality supply of electricity for their operations of machinery, equipment and devices. The quality of the electricity supply refers to the characteristics of the electrical power provided to customers which include factors such as the reliability, stability, and consistency of the power supply. The quality of the electricity supply is also measured by various parameters, including voltage, frequency and waveform stability. These parameters can affect performance and efficiency and can cause damage to some sensitive electrical machinery, equipment and devices if they fall outside acceptable ranges, and in some cases affects the quality of the output products.

For the Financial Years and Period Under Review, our revenue contribution from power distribution systems at end-user premises by type of industrial plants is as follows:

| Power distribution system by type of industrial plants | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2023 | |
|---|---|---|---|---|---|---|---|---|
| | RM'000 | %* | RM'000 | %* | RM'000 | %* | RM'000 | %* |
| Semiconductor | 1,551 | 4.94 | - | - | 40,206 | 37.37 | 61,662 | 44.50 |
| Medical device | - | - | 442 | 0.44 | 29,346 | 27.28 | 8,593 | 6.20 |
| Electrodeposited copper foil | 589 | 1.88 | 9,850 | 9.81 | 3,364 | 3.13 | 12,739 | 9.19 |
| Others[(1)] | 114 | 0.36 | 1,056 | 1.05 | 181 | 0.17 | 6,418 | 4.63 |
| **Total revenue for industrial plants** | **2,254** | **7.18** | **11,348** | **11.30** | **73,097** | **67.95** | **89,412** | **64.52** |

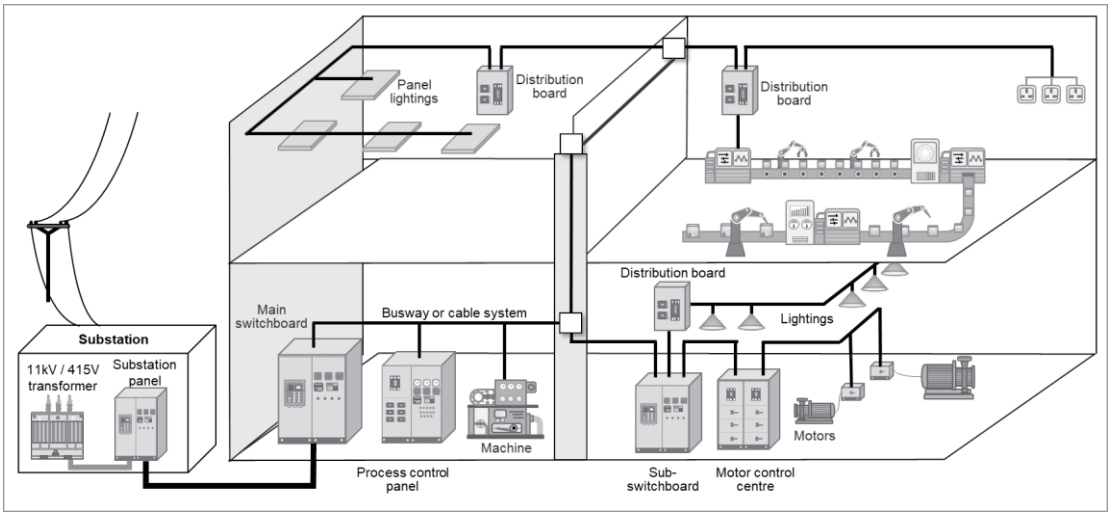
* Percentage of the total revenue of RM31.39 million, RM100.46 million, RM107.57 million and RM138.58 million for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

**Note:**

(1) Others include gloves, food and beverage, and battery cell manufacturing plants.

## 7. BUSINESS OVERVIEW (CONT'D)

**Example layout of a power distribution system in an industrial plant**




The following are some of the common power systems and equipment that we specify, supply, install, test and commission for industrial plants:

- **Power distribution:** This system distributes electrical power throughout the facility and includes transformers, switchgear, main switchboards, sub-switchboards, motor control centres, and distribution boards installed in the plant's electrical room. An electrical room is the point of origin for the power distribution system and serves as a hub for the plant's electrical network. We design electrical rooms to meet specific requirements such as load calculations, working spaces and clearances for operation and maintenance works, as well as the coordination of the electrical installation with other building systems to ensure the safety of the facility's property, equipment and occupants.

  The types of distribution panels that we specify, supply, install, test and commission are as follows:

  - **Main switchboard:** It is a power distribution panel that is directly connected to the main source of external power. It functions mainly to distribute the main incoming power, such as from substations, safely to other power distribution panels such as distribution boards, motor control centre (MCC) panels and process control panels as well as individual loads such as electrical machines, equipment and devices.

  - **MCC panel:** It is used to provide power and to control electric motors from a central location. It functions to control the starting, stopping and operational speed of electric motors as well as protect the motors from overcurrent, low voltage and any electrical faults. MCC panel typically house variable frequency drives which is a type of motor controller that drives an electric motor by varying the frequency and voltage of its power supply according to specifications.

  - **Sub-switchboards:** It functions as the second level of power distribution where it takes incoming electrical power from the main switchboard and distributes the power to several distribution boards or direct to individual loads.

  - **Distribution boards:** It is a second or third level of power distribution that distributes electrical power from either the main switchboard or sub-switchboard to individual loads.

## 7. BUSINESS OVERVIEW (CONT'D)

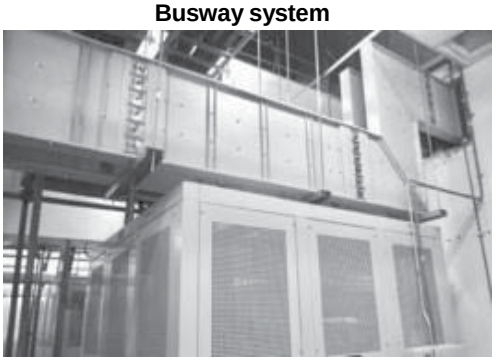
The equipment specification and requirements are specified by the customer and are provided to the equipment manufacturers.

**Electrical wiring system**

- **Electrical wiring system:** This system uses power cables and wires to connect the different components of the electrical system and transports electricity from the incoming power supply from the utility's substation to the various distribution panels and subsequently to end-user machinery, equipment, devices and outlet sockets.

- **Busway system:** An alternative to an electrical wiring system which consists of a prefabricated, enclosed metal housing that contains conductors or busbars for carrying the electrical current. A busbar is a long solid metal commonly made of copper, brass or aluminium to carry electricity from one location to another. It is designed to be flexible and modular, allowing for easy installation and reconfiguration of the power distribution system. It is typically used in large industrial buildings where a high level of reliability and flexibility in conducting electricity is required compared to electrical wiring system. In addition, busway system has less voltage drop over longer distances, better heat dissipation and more space efficient compared to electrical wiring system.

**Busway system**



**Busway termination**

- **Lighting:** This system provides lighting for the industrial plant and includes internal and external lighting fixtures, a control system and emergency lighting. Industrial plants typically require a large amount of lighting covering a wide area both for safety and operational purposes.

- **Safety system:** This system includes safety-related electrical equipment and components such as lightning protection and grounding system, overcurrent protection devices, and surge protection devices.

- **Emergency system:** This system provides emergency lighting and backup electric power in the event of power failure. It includes UPS and backup generators. UPS and backup generators are crucial for industrial plants that require a continuous power supply as it protects that plant against power outages and fluctuations, reduce downtime, maintain data integrity and improve the safety of personnel and equipment. We are one of the authorised service providers of Vertiv products, such as UPS system, on a non-exclusive basis in Malaysia for alternate current power system, and power monitoring and management system.

- **Security system:** This system includes access control systems, close circuit television (CCTV) and fire alarm systems.

## 7. BUSINESS OVERVIEW (CONT'D)

Some of our notable projects in which we have installed power distribution systems for industrial plants for the Financial Years and Period Under Review are as follows:

**Power distribution system for a medical device manufacturing plant**

Low voltage main switchboard panel

11kV medium voltage switchgear panel

**Power distribution system for a semiconductor manufacturing plant**

33kV medium voltage switchgear panel

Lighting control circuit

### 7.4.1.3 Industrial and commercial substations

Most large developments such as industrial plants and commercial developments which require bulk and high voltage power supply are required to build their substation within their development properties. Electricity generated and transmitted from utility power stations are high voltage (132kV or 275kV) and will need to be stepped down to lower voltages (33kV or 11kV) for safe consumption by end-user machinery, equipment and devices. The size of the substation depends on the customer's voltage requirements and maximum electricity demand.

Generally, substations must be located at the front entrance of a development with separate access from the main development access. It must allow easy access by the power grid owner and operator such as TNB and Sarawak Energy Berhad personnel to perform maintenance or upgrading works without needing the customer's permission.

## 7. BUSINESS OVERVIEW (CONT'D)

For the Financial Years and Period Under Review, our revenue contribution from the power distribution system by types of substations is as follows:

| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2023 | |
|---|---|---|---|---|---|---|---|---|
| **Type of substations** | **RM'000** | **%*** | **RM'000** | **%*** | **RM'000** | **%*** | **RM'000** | **%*** |
| High voltage | - | - | 39,810 | 39.62 | 1,681 | 1.57 | - | - |
| Medium voltage | 17 | 0.05 | 500 | 0.50 | 465 | 0.43 | 45 | 0.03 |
| **Total revenue by type of substations** | **17** | **0.05** | **40,310** | **40.12** | **2,146** | **2.00** | **45** | **0.03** |

* Percentage of the total revenue of RM31.39 million, RM100.46 million, RM107.57 million and RM138.58 million for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

For the Financial Years and Period Under Review, we have carried out the design and construction of the substation building, and design, procure, install, test and commission the power distribution equipment for the following type of substations:

- **HV substation (132kV GIS substation)**

  HV substation serves to distribute bulk power supply to heavy industry customers with high voltage requirements at 132kV.

  **132kV gas insulated (GIS) substation for a semiconductor manufacturing plant**

  A 132kV GIS substation comprises a standalone 3-storey building where the ground level will be the cable cellar and the upper levels will include the 132kV and 33kV switchgear room, control and relay room, and battery room.

  Some of the major electrical equipment and components in a 132kV GIS substation include the 132kV GIS switchgear, 33kV switchgear, 11kV switchgear, transformers, battery and battery charger, control relay panels, neutral earth resistors, remote terminal unit, as well as power and control cables. Other electrical equipment and components fitted include an LV distribution board, lighting, earth fault indicator, power socket outlets and emergency lighting.

- **MV substation (33kV substation)**

  33kV substation serves to distribute bulk power supply to industrial and commercial customers with medium voltage requirements at 33kV.

  A 33kV substation comprises a standalone building with a switchgear room, control room, battery room and metering room. Incoming and outgoing cable connections would be installed in underground cable trenches or half-storey ground-level cable cellar. The building design of the substation may vary depending on the availability of land and the suitability of the development site.

## 7. BUSINESS OVERVIEW (CONT'D)

Some of the major electrical equipment and components in a 33kV substation include 33kV air insulated or GIS switchgear, battery and battery charger, control relay panel, remote terminal unit, as well as power and control cables. Other electrical equipment and components fitted include LV distribution boards, lighting, earth fault indicator, power socket outlets and emergency lighting.

**33kV substation for a medical device manufacturing plant**

- **MV substation (6.6kV or 11kV substation)**

  MV substation serves to distribute bulk power supply to industrial and commercial customers with medium voltage requirements at 6.6kV or 11kV.

  An MV switching substation comprises a standalone building with a switchgear room, battery room, transformer and metering room if required.

  Some of the major electrical equipment in a 6.6kV or 11kV switching substation include air-insulated and GIS switchgear vacuum circuit breaker, transformer, battery and battery charger, remote terminal unit and power cables. Other electrical equipment and components fitted include an LV distribution board, lighting, earth fault indicator, power socket outlets and emergency lighting.

For all our substation projects, we are responsible to carry out the design, procure, install, test and commission of the power distribution system. Civil and structural works, as well as installation, testing and commissioning of power distribution systems, are outsourced to subcontractors who work under our supervision and project management. Commissioning is carried out together with the owner and operator of the power grid which in Peninsular Malaysia is TNB and in Sarawak is Sarawak Energy Berhad.

### 7.4.1.4 Commercial and residential developments

Large commercial and residential developments require robust electrical systems to meet the power and lighting needs of the built environment, buildings and their occupants. Generally, large commercial and residential developments require medium voltage (1kV to 50kV) power supply to operate machinery and equipment. These large commercial and residential developments would also require a low and extra low-voltage power supply to operate other systems.

| Voltage supply requirements | Some examples of machinery, equipment and devices served by our power distribution systems |
|---|---|
| Medium voltage (1kV to 50kV) | • Large-scale ACMV and ducting system<br>• Large motors and pumps to drive high-powered equipment<br>• Heavy-duty machinery such as elevators and escalators<br>• Lighting system for large indoor or outdoor spaces such as parking lots<br>• Data centres and server rooms<br>• Refrigeration systems used by supermarkets |
| Low voltage (50V to 1kV) | • General lighting systems<br>• Security and fire alarm systems<br>• Building automation systems such as ACMV control systems and energy management system<br>• Power sockets for office and IT equipment |

## 7. BUSINESS OVERVIEW (CONT'D)

| Voltage supply requirements | Some examples of machinery, equipment and devices served by our power distribution systems |
|---|---|
| Extra low voltage (less than 50V) | • Telecommunication systems<br>• Data networks including routers and wireless access points<br>• Security systems<br>• Sensors and control systems<br>• Public address systems |

The following are some of the common power systems and equipment at the end-user premises where we are responsible for the design, supply, install, test and commission of large commercial and residential developments:

- power distribution system including main switchboards, sub-switchboards and distribution boards;
- electrical wiring system from switchgear and switchboards up to termination points;
- lighting system;
- safety system;
- emergency system; and
- security system.

### 7.4.1.5 Our scope of work for power distribution at end-user premises

For our power distribution system projects, we carry out the role of a main contractor as well as a subcontractor depending on project contracts. Our responsibilities include the following:

**(i) Project planning and management**

As the main electrical engineering contractor, we are responsible for the overall management of the construction of the building (where relevant) and the design, procurement, installation, testing and commissioning of a facility's power distribution system. Once we secure a contract, we will form a project team that will oversee, manage and monitor the execution of the project. This covers the various stages of project planning and implementation up to the completion and handover to our customers. We are also responsible for liaising with all stakeholders including authorities, suppliers, subcontractors and consultants such as architects and engineers.

Our project planning and management are focused on the following:

- ensure the projects are in accordance with design and specifications;
- ensure timely completion and delivery of the project;
- ensure the project adheres to the budget;
- ensure purchase of insurance such as Workmen's Compensation, Erection All Risks, and 3rd party liability;
- ensure declaration of projects to the CIDB and payment of CIDB levy, if required;
- ensure all necessary licences, permits and approvals required for the project are obtained, for building construction only;
- manage, liaise and coordinate all parties engaged in the project;
- manage and mitigate any unforeseen circumstances, conditions or occurrences;
- ensure workers' health and safety;
- ensure security and protection of machinery, equipment and other assets on site; and
- minimising the adverse impact of the installation works on the environment and neighbouring properties, traffic flow and occupants.

## 7. BUSINESS OVERVIEW (CONT'D)

Part of the project planning includes procurement planning covering the following:

- Procurement of electrical equipment such as switchgear, transformers, switchboards, distribution boards, motor control centre panels, process control panels, power cables and trunking systems. In some projects, the brand of electrical equipment is specified by our customers, especially critical and high-value equipment such as switchgear, switchboards, transformers as well as high and medium-voltage power cables.

- Selection and appointment of an electrical installation company licensed with ST or engagement of individual certified chargeman and wireman to carry out electrical installation, testing and commissioning works.

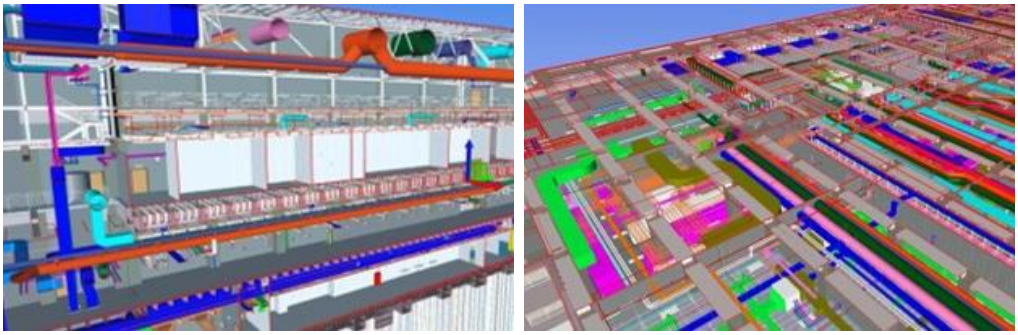
As the subcontractor, we are only responsible for part of the electrical engineering project as stipulated in the contract where the submission and obtaining the necessary approval and permits will be managed and coordinated by the main contractor. In addition, we work under the supervision as well as report to the main contractor.

### (ii) Design and engineering

The electrical system's design starts from the contract procurement and tendering stage. During the tendering stage, in some cases, we are involved in the conceptual design proposal based on the customer's requirements. In situations where the conceptual design has already been prepared by the customer or its engineers, we will follow their design. There are also situations where we may provide alternative designs for safety reasons as well as to optimise project cost and delivery timeline.

Our team of engineers utilise Building Information Modelling (BIM) software such as Autodesk Revit to create detailed three-dimension (3D) models of the facility's power distribution system which would include data associated with the physical and functional characteristics of the electrical system.

**Examples of our 3D models of an industrial plant's power distribution system**



The designing of the facility's power distribution system includes the following key processes:

**Power system design and analysis**

- Calculate the power system network parameters to evaluate and optimise the performance of the electrical system. This involves studying the behaviour of the electrical system under different operating conditions, identifying areas of inefficiency or instability and developing strategies to improve the system's performance and quality of electricity provided;

## 7. BUSINESS OVERVIEW (CONT'D)

- Perform load flow analysis to determine voltages and currents throughout the electrical system under normal operating conditions to help ensure that the system is operating within its design limits;

- Perform short circuit analysis to determine potential faults and select appropriate protective devices such as relays, circuit breakers and fuses. This process is to ensure protective devices operate correctly to isolate faults while mitigating or minimising the impact on the rest of the system;

- Perform grounding and bonding analysis to determine a low-impedance path for fault currents that will protect personnel and equipment from electric shock or overcurrent.

**Electrical equipment selection**

- The capacity of electrical equipment is selected based on load requirements and power consumption of machinery, equipment and devices;

- Cost of equipment and installation method to ensure it is within budget;

- Compatibility of equipment with existing electrical infrastructure, if any; and

- Selection of major electrical equipment such as transformers, switchgear, switchboard and UPS, based on performance as well as to fit within the space provided.

**Layout, space needs and access**

- Layout of equipment in the electrical room considering equipment size, configuration, and access width and depth;

- Adequate aisle space and clearances for electrical equipment installation, replacement, operation and maintenance; and

- Requirement for ventilation and air conditioning, exhaust and cooling including ductwork, dampers and louvres.

**(iii) Construction and installation management**

During the execution of the project, we are responsible for supervising and managing the construction and installation of the power distribution system. We engage licensed electrical installation companies registered with ST or certified electricians to carry out the electrical installation works using the electrical works' method statements prepared by our project team.

Some of the work involved during this stage includes:

- **Equipment installation:** The electrical equipment is installed in designated locations and may involve mounting the equipment onto walls or securing them on floors and connecting the equipment with appropriate junction boxes, cabling and wiring. Equipment installation is typically done per the manufacturer's recommendation.

- **Cable and wire installation:** Cables and wires are installed and connected between the electricity supply equipment and the plant's machinery and equipment. Cable and wire management systems such as conduits or trays are also installed to protect and organise the cables and wires.

## 7. BUSINESS OVERVIEW (CONT'D)

- **Cable and wire termination**: This involves the process of connecting the end of a power cable or wire to electrical machinery, equipment, device or outlet sockets, or another cable. This process is carried out by certified cable joiners.

- **Underground cable trenching:** For projects which involve the construction of substations, an underground cable trench is typically constructed to provide interconnection to another substation or the power grid.

- **Earthing and lighting protection:** The power distribution system is equipped with earthing and lighting protection system to protect against electrical overcurrent and lightning strikes to prevent or minimise damage to lives and properties. This also involves the installation of lightning protection systems.

We oversee the installation works involving the interconnecting and interfacing of various electrical supply systems with the facility's machinery and equipment, control and instrumentation systems, and mechanical systems, where applicable. Upon completion of the electrical installation work, our quality assurance and quality control (QAQC) team will jointly inspect the work done with the customer's representative.

**(iv) Quality assurance and health, safety and environment management**

We are also responsible to conduct quality control procedures, overseeing the health and safety of employees, contractors and customers, as well as ensuring compliance with environmental regulations throughout the project lifecycle. We would typically develop a project-specific quality management and control plan to guide our employees and subcontractors. Our quality assurance team would then verify that the project is executed following design specifications and quality standards.

We are also responsible to inspect all incoming electrical equipment and components to ensure that they meet all the necessary specifications, quality, standards and approvals.

**(v) Inspection, testing and commissioning**

We are responsible to conduct and supervise the inspection, testing and commissioning of power distribution systems to validate and ensure that the systems are installed properly and able to function safely and efficiently, and operate as designed and specified. We engage licensed electrical testing companies registered with ST and certified chargemen to conduct various tests based on the testing and commissioning procedures prepared by our QAQC team.

The testing and commissioning procedures for a power distribution system typically involve the following:

- **Visual inspection:** The system is visually inspected to ensure that all equipment and components are properly installed and there are no loose connections, damaged parts or potential failure areas.

- **Testing of individual equipment:** Each main electrical equipment and component of the power distribution system such as transformers, switchgear, switchboards, protection relays and cables, are tested at the site to ensure they function properly. This process is usually undertaken by the respective equipment supplier/manufacturer or their representative as part of their Site Acceptance Test.

## 7. BUSINESS OVERVIEW (CONT'D)

- **Functional testing:** Once all the individual equipment has been tested, the entire system is tested for its functional performance. This may include simulating different operating conditions to ensure that the system can handle various loads, faults or overcurrent conditions.

- **Performance testing:** The power distribution system is tested under various loads and operating conditions to ensure that it meets the specified performance criteria. This may involve testing voltage and current levels, power factor, insulation resistance and other parameters. Testings are commonly carried out with the customers or their representatives together with our engineers. For interconnection to the power grid, testings also involve a representative from the owner of the power grid, which in Peninsular Malaysia is TNB.

- **Integrated system testing:** The power distribution system is tested together with other systems within the facility such as mechanical systems to ensure that they are integrated correctly and work together properly.

- **Commissioning:** Once the power distribution system has been tested and found to be functioning properly, it is commissioned and put into service. This may involve synchronising generators, connecting the system to the power grid, and verifying that all the protection systems are working correctly.

Throughout the testing and commissioning stage, we will document and record all the results of the test and ensure that the power distribution system meets all necessary performance, standards and regulation criteria. These tests form part of the baseline test values for comparison with subsequent routine maintenance tests to identify any downward trend in performance.

**(vi) Approval, completion and handover**

Upon satisfactory inspection of our works, the architect or engineer will issue us a CPC which effectively indicates the successful handover of the project to our customer. We are also responsible for the rectification of defects during the DLP which generally ranges from 12 to 24 months depending on the terms of the contract. We will then receive the certificate of making good defects upon the expiry of the DLP.

### 7.4.2 Other Building Systems and Works

We also provide other building systems and works as follows:
- installation of mechanical systems;
- integration of control and instrumentation systems; and
- provision of civil, structural and architectural works.

These works are commonly part of our overall project contracts and we are responsible for their execution and completion. For these types of work, we engage subcontractors where we will provide the overall project management and supervision.

## 7. BUSINESS OVERVIEW (CONT'D)

For the Financial Years and Period Under Review, our revenue contribution for the provision of other building systems and works are as follows:

| Other building systems and works | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2023 | |
|---|---|---|---|---|---|---|---|---|
| | RM'000 | %* | RM'000 | %* | RM'000 | %* | RM'000 | %* |
| Mechanical system | - | - | 4,400 | 4.38 | 9,286 | 8.63 | 23,360 | 16.86 |
| Control and instrumentation systems | - | - | 3,185 | 3.17 | 5,389 | 5.01 | 16,119 | 11.63 |
| Civil, structural and architectural | - | - | 20,610 | 20.52 | 1,537 | 1.43 | - | - |
| **Revenue for other building systems and works** | **-** | **-** | **28,195** | **28.07** | **16,212** | **15.07** | **39,479** | **28.49** |

* Percentage of the total revenue of RM31.39 million, RM100.46 million, RM107.57 million and RM138.58 million for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

Under the management and supervision of our project managers, we engage subcontractors for the supply, installation, testing and commissioning of the following building systems and works:

**(i) Mechanical systems**

Mechanical systems are often combined with electrical systems to form integrated systems in various applications such as industrial manufacturing processes and building services. Mechanical systems within a built environment include any services using machines (e.g., pumps, motors and fans) connected to series of parts and components (e.g., ductwork and pipes) to perform various functions. Examples of mechanical systems include ACMV, elevators, and fire protection systems. In some cases, it may also include process utility system.

The following are some of the mechanical systems that we provide for industrial plants and industrial/commercial substations:

- **ACMV system:** This system is designed to control and maintain the required temperature, humidity and air quality in the building. It includes equipment and systems such as air handling units, cooling towers, chillers and air distribution ducts.

- **Fire-protection system:** This system is designed to detect and suppress fires, as well as to alert building occupants and the fire department. It includes equipment such as fire detection and alarm system, fire suppression system, and smoke control system.

- **Process utility system:** This system is designed for the operation of process equipment for an industrial plant. It includes equipment and systems such as compressed air systems, water treatment systems and waste treatment systems.

We engage subcontractors for the above mechanical systems works where our role mainly involves overall management, supervision and coordination. In addition, we will carry out inspection prior to the completion of works by the subcontractors to ensure that they are in compliance to specifications and in accordance to customers' requirements.

## 7. BUSINESS OVERVIEW (CONT'D)

### (ii) Control and instrumentation system

Control and instrumentation systems (C&I) are an important part of a building's electrical system which is responsible for monitoring, controlling and optimising various operations within a building. C&I systems use electrical and electronic components such as controllers and sensors to monitor various parameters such as temperature and humidity and subsequently provide feedback and adjustment to the building's operation in real-time to optimise the building systems to ensure the comfort and safety of occupants, and efficient operations of electrical machinery and equipment.

The following are some of the C&I systems that we provide for industrial plants and commercial developments:

- **Facility Management and Control System (FMCS):** A comprehensive system that integrates and controls various building systems and industrial processes. It is designed to manage and optimise the operation of critical production equipment, mechanical and electrical systems, and other building systems to ensure the efficient and reliable operation of an industrial plant and the comfort and safety of occupants. It includes hardware, software and networking such as sensors, controllers, devices, communications networks, software applications and user interfaces.

- **Supervisory Control and Data Acquisition (SCADA) system:** A process control system with a central processing unit that acquires data, monitors and controls a complete site or commonly a system or facility spread out over a long distance.

- **Programmable Logic Controller (PLC) system:** A process control system that can be programmed to read input data, process the data based on conditions and instructions, and send output data for display or further action. In a manufacturing and processing environment, sensors are linked to the PLC to continuously provide input data, while on the output side, it is linked to the distributed control system to integrate with other processes, actuators to initiate an action, switches to turn on or off the power supply, and display panels as part of human-machine-interface.

We engage subcontractors for the above C&I works where our role mainly involves overall management, supervision and coordination. In addition, we will carry out inspection prior to the completion of works by the subcontractors to ensure that they are in compliance to specifications and in accordance to customers' requirements.

### (iii) Civil, structural and architectural works

Civil, structural and architectural works refer to the design and construction of the physical building including earthworks, piling and foundation works, building construction, interior and exterior fittings and finishing, parameter fencing, plumbing and landscaping.

For the Financial Years and Period Under Review, our projects which includes civil, structural and architectural works were for an industrial substation and an open-air car park infrastructure for an electronic product manufacturing plant.

We engage professionals including engineers and architects for the design and specifications of the other building systems, supervise our subcontractors carrying out the work to ensure that they comply to specifications as well as obtaining all relevant approvals, permits and certifications. Our role is to ensure that the design and specifications are in accordance to our customers' requirements and timeline.

## 7. BUSINESS OVERVIEW (CONT'D)

We also engage subcontractors for our civil and structural works where they are responsible for carrying out the works. Our role is to ensure that the works carried out by our subcontractors are in accordance to agreed design, specifications and timeline.

### 7.4.3 Electrical Equipment Hook-Up and Retrofitting

We provide electrical equipment hook-up and retrofitting services, which entail connecting various electrical equipment and components as well as connecting them to a power source to form functional systems.

Electrical equipment hook-up typically involves:
- identifying the different electrical components required for a particular application;
- selecting the appropriate wiring and connectors; and
- physically connecting these components in the correct configuration;

while retrofitting typically involves:
- upgrades and/or modifications of electrical equipment.

It may also involve testing and troubleshooting to ensure that the system is working correctly.

Our electrical equipment hook-up and retrofitting services mainly cover the following:

- **Hook-up of new production lines:** For a new installation of machinery, we are also required to install new electrical equipment such as switchboards, motor control centres, and process control systems and hook them up to the new machinery. This may involve connecting power sources, control circuits, and sensors, as well as running cables and wiring, and installing connectors.

- **Upgrades, retrofits and modifications**: For upgrading, retrofitting or modifying a customer's existing power distribution system, we may be required to replace or connect new electrical equipment and components, or rearrange existing connectors to accommodate changes to the customer's new production line.

Our scope of work for electrical equipment hook-up and retrofitting also includes design, supply, installation and testing. Similarly, designs are undertaken by our electrical engineers and procurement of electrical equipment is carried out by our procurement team. Meanwhile, we engage licensed electrical installation and testing companies to undertake the installation and testing works under our supervision and management.

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## 7. BUSINESS OVERVIEW (CONT'D)

For the Financial Years and Period Under Review and up to LPD, our on-going electrical equipment hook-up and retrofitting works with PO value of RM1.00 million and above are as follows:

| No. | Customer | Type of building application | Location | PO value (RM'000) | Start year[1] | Expected Completion year[2] |
|---|---|---|---|---|---|---|
| 1. | Kinetics Systems Malaysia Sdn Bhd | Semiconductor manufacturing plant | Kulim, Kedah | 5,231 | October 2023 | August 2024 |
| 2. | Customer A | Semiconductor manufacturing plant | Kulim, Kedah | 1,274 | December 2023 | May 2024 |

**Notes:**

(1) Start year based on expected date for the commencement of work agreed with the customer.

(2) Expected completion year based on mutual agreement with the customer.

For the Financial Years and Period Under Review and up to LPD, our completed electrical equipment hook-up and retrofitting works with PO value of RM1.00 million and above are as follows:

| No. | Customer | Type of building application | Location | PO value (RM'000) | Start year[1] | Completion year[2] |
|---|---|---|---|---|---|---|
| 1. | Sum Technic Sdn Bhd | Semiconductor manufacturing plant | Muar, Johor | 1,087 | November 2020 | March 2021 |
| 2. | Customer A | Semiconductor manufacturing plant | Kulim, Kedah | 4,010 | May 2021 | September 2021 |

**Notes:**

(1) Start year based on the date of PO.

(2) Completion year based on date of invoice.

## 7. BUSINESS OVERVIEW (CONT'D)

### 7.4.4 Trading of electrical products

We carry out trading of electrical products such as power cables, metering panels, copper busbars, power conditioning systems such as capacitor banks, reactors and UPS, as well as other electrical products. Commonly, our trading of electrical products is from existing customers to replace or upgrade parts of their power distribution systems, as well as from ad hoc sales to new customers. Trading of electrical products is not our business focus and it is an opportunity to provide convenience to customers. We do not have a dedicated sales and marketing team for our trading of electrical products.

We are one of the authorised product reseller of Vertiv products on a non-exclusive basis in Malaysia for the following solutions:

- alternate current power system including UPS systems, power control and monitoring, power distribution, and power transfer switches; and
- power monitoring and management system.

While we are an authorised product reseller of Vertiv products, we are not exclusive and there are other Vertiv resellers in Malaysia. As such, moving forward, we expect trading of electrical products to represent a small proportion of our total revenue.

Our traded products comprise both local and imported products which we source from local suppliers.

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## 7. BUSINESS OVERVIEW (CONT'D)

### 7.4.5 Our On-Going and Completed Projects

#### 7.4.5.1 On-going projects

As at LPD, our on-going projects involving the provision of power distribution systems and other building systems and works for end-user premises amounted to a total contract value (including variation orders) of RM422.96 million are listed below. For avoidance of doubt, the list below excludes electrical equipment hook-up and retrofitting services.

| No. | Customer | Project's scope of works | Type of building application | Location | Contract value[1] ('000) | Start year[2] | Expected completion year[3] | Approximate stage of completion, as at LPD[4] |
|---|---|---|---|---|---|---|---|---|
| 1. | Exyte Malaysia Sdn Bhd | Supply, installation, testing and commissioning of power distribution system (MV, LV and power quality monitoring system) | Medical device manufacturing plant | Batu Kawan, Penang | RM 46,490 | October 2021 | December 2023[5] [6] | 91% |
| 2. | Zalam Corporation Sdn Bhd | Supply, installation, testing, and commissioning of power distribution system (MV, LV and ELV system) | Semiconductor manufacturing plant | Ipoh, Perak | RM 42,313 | April 2022 | January 2024[5] [7] | 95% |
| 3. | Zalam Corporation Sdn Bhd | Supply, installation, testing, and commissioning of mechanical system (ACMV and utility system) | Semiconductor manufacturing plant | Ipoh, Perak | RM 44,283 | April 2022 | January 2024[5] [8] | 93% |
| 4. | Customer A | Design, supply, installation, testing, commissioning and maintenance of power distribution system (MV, LV and ELV system), and control and instrumentation system | Semiconductor manufacturing plant | Kulim, Kedah | RM 244,737[9] | August 2022 | October 2024 | 40% |
| 5. | Customer X | Supply, installation, testing and commissioning of power distribution system (HV and SCADA system) | Semiconductor manufacturing plant | Malacca | RM 38,440 | April 2023 | July 2024 | 2% |
| 6. | Customer B | Supply and installation of UPS system | Electronic products manufacturing plant | Batu Kawan, Penang | RM6,700 | November 2023 | June 2024 | * |

## 7. BUSINESS OVERVIEW (CONT'D)

* Have not commenced as at LPD.

**Notes:**

(1) Contract value including variation orders.

(2) The start year of the project is based on the date of the letter of award or PO.

(3) The expected completion year of the project is based on the date of completion stated in the letter of award or PO unless otherwise specified.

(4) Based on the percentage of completion methods.

(5) Based on EOT or revised handover date provided by the customer.

(6) As at LPD and subsequent to LPD, we received variation orders for additional works relating to changes in design and requirements from the customer. On 22 December 2023, we submitted an EOT application to the customer and this is pending approval.

(7) The installation works of the power distribution system only commenced in July 2023 due to the delay in the handover of site by the main contractor/customer. On 3 July 2023, we have submitted a notice of delay to the customer. In September 2023, we renewed and extended the project's insurance up to 30 November 2023, upon the request by the customer. As at LPD, the project is approximately 95% completed and is pending installation of ELV equipment and external street lightings. As at LPD, we renewed and extended the project's insurance up to 31 January 2024, upon the request by the customer.

(8) The installation works of the mechanical system only commenced in July 2023 due to the delay in the completion of civil and structural works contractors. On 3 July 2023, we have submitted a notice of delay to the customer. In September 2023, we renewed and extended the project insurance up to 30 November 2023, upon the request by the customer. As at LPD, the project is approximately 93% completed and is pending the provision of building management system and overall system balancing, testing and commissioning works. As at LPD, we renewed and extended the project's insurance up to 31 January 2024, upon the request by the customer.

(9) The original contract value received on 11 August 2022 was RM242.98 million. Since then and up to LPD, there were variation orders issued by the customer, including increases and reduction in the scope of work which ultimately resulted in a cumulative increase in contract value to RM244.74 million. The variation orders were mainly relating to design refinement and including additional systems and/or equipment as well as revised equipment requirements such as lower equipment ratings, and reduction in equipment quantity.

## 7. BUSINESS OVERVIEW (CONT'D)

### 7.4.5.2 Completed projects

The following is a list of our completed projects involving the provision of power distribution systems and other building systems and works for end-user premises for the Financial Years and Period Under Review and up to the LPD, with total contract value (including variation orders) of RM2.00 million and above are listed below. For avoidance of doubt, the list below excludes electrical equipment hook-up and retrofitting services.

| No. | Customer | Project's scope of works | Type of building application | Location | Contract value[(1)] (RM'000) | Start year[(2)] | Completion year[(3)] |
|---|---|---|---|---|---|---|---|
| 1. | Domain Resources Sdn Bhd | Supply, installation, testing and commissioning of power distribution system (MV system) | Commercial building | Bukit Jalil, Kuala Lumpur | 21,774 | July 2018 | November 2021 |
| 2. | Exyte Malaysia Sdn Bhd | Supply, installation, testing and commissioning of the process busway system | Semiconductor manufacturing plant | Kulim, Kedah | 12,754 | December 2018 | February 2020 |
| 3. | Ragawang Corporation Sdn Bhd | Supply, installation, testing, commissioning and maintenance of power distribution system (LV and ELV system) | Residential development | Shah Alam, Selangor | 9,646 | April 2019 | August 2021 |
| 4. | Customer C | Supply, installation, testing and commissioning of power distribution system (MV system) | Electrodeposited copper foil manufacturing plant | Kuching, Sarawak | 6,536 | July 2019 | July 2020 |
| 5. | Customer C | Supply, installation, testing and commissioning of power distribution system (MV system) | Electrodeposited copper foil manufacturing plant | Kuching, Sarawak | 13,098 | April 2021 | June 2022 |
| 6. | Customer B | Civil, structural and architectural works, as well as supply, installation, testing and commissioning of power distribution system (LV and ELV system), and mechanical system (fire protection system) | Open car park infrastructure for an electronic products manufacturing plant | Batu Kawan, Penang | 17,803 | June 2021 | April 2022 |
| 7. | Customer B | Civil, structural and architectural works, as well as supply, installation, testing and commissioning of power distribution system (HV and ELV system) and mechanical system (ACMV and fire protection system) | Substation for an electronic products manufacturing plant | Batu Kawan, Penang | 55,321 | January 2021 | April 2022 |

## 7. BUSINESS OVERVIEW (CONT'D)

| No. | Customer | Project's scope of works | Type of building application | Location | Contract value[(1)] (RM'000) | Start year[(2)] | Completion year[(3)] |
|---|---|---|---|---|---|---|---|
| 8. | Customer Y | Supply and installation of UPS and cooling system | Semiconductor manufacturing plant | Batu Kawan, Penang | 2,850 | December 2021 | April 2022 |
| 9. | Sum Technic Sdn Bhd | Design, supply, installation, testing and commissioning of power distribution system (MV and LV system) | Semiconductor manufacturing plant | Muar, Johor | 12,354 | February 2022 | December 2022 |
| 10. | Zofar Mechanical & Electrical Engineering Sdn Bhd | Design, supply, installation, testing and commissioning of power distribution system (MV and LV system) | Telecommunication building | Kepong, Kuala Lumpur | 3,543 | October 2022 | July 2023 |
| 11. | Customer C | Supply and installation of power distribution system (MV system) | Electrodeposited copper foil manufacturing plant | Kuching, Sarawak | 13,482 | October 2022 | September 2023 |
| 12. | Exyte Malaysia Sdn Bhd | Supply, installation, testing and commissioning of power distribution system (MV and LV system) and mechanical system (ACMV and fire protection system) | Substation of a medical device manufacturing plant | Batu Kawan, Penang | 2,379 | March 2021 | October 2023 |
| 13. | Xeonics Co., Ltd | Supply and installation of UPS system | Battery cell manufacturing plant | Seremban, Negeri Sembilan | USD 2,027 (RM9,352)[(4)] | October 2022 | November 2023 |

**Notes:**

(1) Contract value including variation orders.

(2) The start year of the project is based on the date of the letter of award or PO.

(3) The completion year of the project is based on CPC date or final account date depending on the availability of the document.

(4) Based on exchange rate of USD1 = RM4.614 being the average exchange rate for August 2023.

## 7. BUSINESS OVERVIEW (CONT'D)

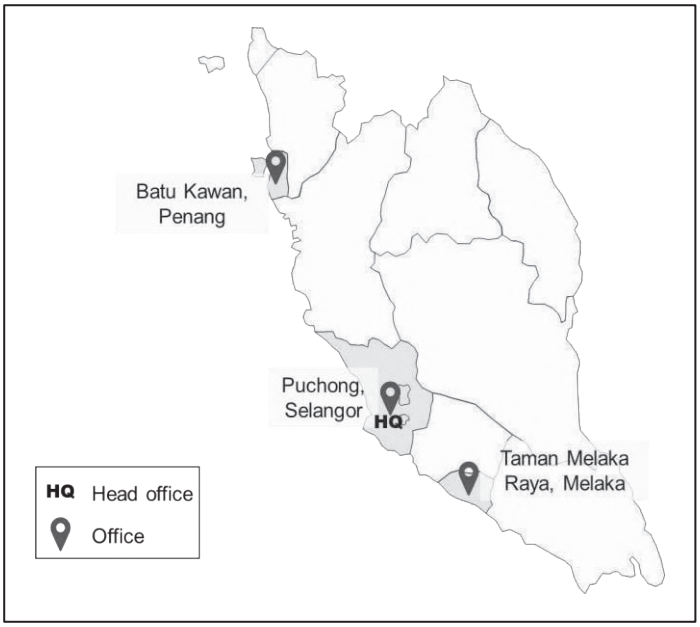
### 7.5 OPERATIONAL FACILITIES, CAPACITIES AND OUTPUT

#### 7.5.1 Operational Facilities

As at LPD, the location of our operational facilities is as follows:

| Companies within the Group | Main Functions | Approximate Built-up Area (sq. ft.) | Ownership | Address |
|---|---|---|---|---|
| HE Group and Hexatech Engineering | Head office | 7,192 | Rented | No. 42 Jalan OP 1/5, Pusat Perdagangan One Puchong, 47160 Puchong, Selangor, Malaysia |
| | Office | 1,540 | Rented | No. 3-A, Jalan Melaka Raya 19, Taman Melaka Raya, 75000 Melaka, Malaysia |
| | Office | 1,300 | Rented | No. 47-1, Jalan Borealis 3, Pusat Komersial Borealis, 14110 Bandar Cassia, Batu Kawan, Penang, Malaysia |

The following diagram sets out our operational facilities in Malaysia, as at LPD:




#### 7.5.2 Production Capacity, Output and Utilisation

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

## 7. BUSINESS OVERVIEW (CONT'D)

### 7.6 PROCESS FLOW

**Provision of power distribution systems, and other building systems and works**

The general process flow of the provision of power distribution systems, and other building systems and works are depicted in the diagram below:


**Contract procurement**

Our projects are secured through tenders, invitations or referrals from existing or prospective customers. Before participating in the tender or providing a quotation to the prospective customer, we will conduct a preliminary assessment of the contract terms, the creditworthiness of the prospective customer as well as the financial attractiveness of the project.

Once the preliminary assessment has been carried out and we decide to participate in the project, our contract department will commence the preparation of the tender bid documents or quotation for the project. During the preparation of tender bid documents or quotation proposals, we would carry out site assessment, costing, budgeting, identification of statutory and regulatory requirements, evaluation of predetermined design and specification, project scheduling as well as resource planning including financial, manpower and supply of materials. Our purchasing department will provide their input on cost estimation for materials and services to the contracts department for the preparation of tender bid documents or quotation proposals.

For projects which cover design as part of the scope of the contract, our electrical engineers will prepare the preliminary engineering design for the electrical systems. Meanwhile, for projects which include mechanical systems, control and instrumentation systems, or civil and structural construction, the preliminary design will be undertaken by external architects or engineers.

The commercial proposal with the pricing is then submitted along with our technical proposal and supporting documents. In some cases, a tender bond is required to be submitted along with the tender bid document to provide a guarantee to the customer that we will undertake the project upon successful tender.

Following the submission of the tender bid or quotation proposal, we will attend an interview with the prospective customer to review, negotiate and provide clarification on the terms of the tender bid or quotation proposal. Typically, the review process takes approximately 1 to 4 months from our tender bid or quotation proposal submission to the issuance of the letter of award by the customer after which a contract will be signed or a PO will be issued. Generally, some of the terms stipulated in the contract or PO include, among others, our scope of work, contract value, date of commencement and completion of work, DLP, insurance coverage, payment term and terms on LAD.

## 7. BUSINESS OVERVIEW (CONT'D)

**Project planning and authority approvals**

Upon receiving the contract or PO from the customer, we will set up a project team commonly comprising a project manager, engineers, technical personnel and safety officers and supervisors. The project team will conduct a project kick-off meeting with the customer and their consultants to run through the project requirements, planning and scheduling.

The project planning phase involves the preparation of a detailed master project development plan including, among others, project schedule and deliverables, workflow, costing, financial resources, team members' roles and responsibilities, insurance policies, traffic management plan, logistics arrangement, waste removal, worker's health and safety practices and quality requirements.

Our project team will ensure all the relevant regulatory permits and approvals required for the commencement of the project are in place such as electricity supply application from the power grid owner and operator, namely TNB. For projects which involve substation building construction, development plans and construction permits are required from the local councils.

**Design**

The design process is only applicable for projects that include design as part of the scope of the contract.

Our responsibilities for design include planning, coordinating and participating in the early development of conceptual design up to the detailed design covering various areas including, drawings for electrical, and in some situations including mechanical, and control and instrumentation systems as well as civil, structural and architectural drawings, if any.

As part of our core competency in developing power distribution systems, our electrical engineers undertake the electrical system drawings internally. Please refer to Section 7.4.1.5(ii) of this Prospectus for further details on our processes for the design and engineering of the power distribution system. Meanwhile, the drawings for mechanical systems, control and instrumentation systems as well as civil, structural and architectural are undertaken by external architects or engineers. We will consolidate and facilitate the submission of the drawings to the customer for finalisation. For the development of substations, we are also responsible to liaise with TNB for the final acceptance of the technical design and specifications of the substation.

For other projects where the design is pre-determined by the customer, submissions to authorities are done by the customer or the professionals appointed by the customer. We will obtain the designs from the customer and plan our installation and/or construction works according to the approved design.

**Procurement**

Our procurement activity involves the procurement of electrical equipment and materials, the appointment of subcontractors, the sourcing of labour as well as rental of machinery and equipment.

In most cases, the procurement and selection of brands and suppliers for critical electrical equipment such as switchgear, transformers, switchboards, distribution boards, process control panels and motor control centre panels as well as HV and MV power cables are based on pre-approved suppliers or preferences by the customers or their consultants. As such, we will request quotations from the respective pre-approved or preferred suppliers. For other electrical equipment and materials, the selection of suppliers is based on their price, timeliness of delivery, reputation, reliability and product quality. We procure parts and materials for our provision of power distribution systems, and other building systems as well as trading operations.

## 7. BUSINESS OVERVIEW (CONT'D)

We appoint subcontractors to carry out certain works under our management and supervision. This includes the electrical installation, testing and commissioning works as well as the provision of mechanical systems, control and instrumentation systems, and civil, structural and architectural works. Our contracts department will identify potential subcontractors and request a quotation or call for tenders. The identification of potential subcontractors is mainly through their application to our procurement department or referrals and recommendations from customers. In some situations, nominated subcontractors are provided by our customers or their project consultant as they are specialists in their field of work. In this case, we would subcontract these works to the respective nominated subcontractor.

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

**Construction and installation work**

Upon handover of the project site to us, our project team will begin engaging with our subcontractors to commence the installation of the relevant facilities and equipment, as well as construction work, if any.

For construction work, it will involve civil, structural and architectural works. For installation work, it will involve mechanical, and electrical works, depending on the scope of our contract. We engage subcontractors to carry out all the construction and installation works under our project management and supervision.

Our project team will be stationed on-site to supervise and monitor the progress of the subcontractors, ensure that the works are carried out as per the drawing plan and contract specifications as well as the works comply with the relevant regulations and standards. The customer, consultants and/or architects will also perform periodic site visits together with our project team to monitor the project's progress and adherence to specifications.

**Inspection, testing and commissioning**

Upon the completion of the installation and integration of electrical equipment, we will carry out inspection, testing and commissioning with the relevant equipment suppliers and subcontractors to ensure that their respective works are as stipulated in their respective work orders. For substation projects, we would need to liaise with a representative from the utility company which is TNB for Peninsular Malaysia, on the inspection, testing and commissioning of the substation.

Meanwhile, for projects which involve mechanical, and control and instrumentation systems, our project manager will ensure that all specified inspection, testing and commissioning have been carried out by the respective subcontractors under the supervision of an authorised officer by our customer.

Any defects identified during the inspection, testing and commissioning will be promptly rectified and the cost of these works borne by the respective subcontractors. At the same time, we will also demobilise resources and materials from the site, and prepare as-built drawings, operations and maintenance manuals as well as warranty certificates for our customers.

## 7. BUSINESS OVERVIEW (CONT'D)

**Project completion and handover**

The project is deemed to be completed upon receiving CPC for new projects or final acceptance, issued by the customer or the project architect/consultants. Upon the issuance of the CPC, we are liable for the rectification of defects during the DLP, which ranges from 12 months up to 24 months. Upon the expiration of the DLP, we will receive the CMGD for the project where we will be able to claim our final retention sum. For the Financial Years and Period Under Review and up to the LPD, there have not been any defect liability claims from our customers.

### 7.7 SALES AND MARKETING STRATEGIES

#### 7.7.1 Marketing Strategy

Our marketing positioning and activities to address business opportunities, retain existing customers and secure new customers are focused on the following:

- Position and market ourselves as an electrical engineering service provider focusing on power distribution systems for end-user premises with in-house engineering and CIDB G7 capabilities in managing sizeable design, supply, installation, testing and commissioning of power distribution projects.

- Leverage on our strengths as an established operator with a long and proven track record of 16 years as an electrical engineering service provider focusing on the development of power distribution systems for industrial plants particularly in critical and high-value industries such as semiconductors, medical devices and electronic products. This is supported by the list of projects that we have completed since 2007 which serves as our reference sites.

- Position and market ourselves with the capabilities to provide development of HV, MV, LV and ELV power distribution systems for end-user premises to facilitate a wider coverage of potential jobs.

- Position and market ourselves with the capabilities to provide end-to-end power distribution systems for end-user premises from end-user premises substations to industrial plants, and commercial and residential complexes, and where relevant to incorporate provision of mechanical systems, control and instrumentation systems, as well as civil, structural and architectural works.

- Utilise our indirect channel strategy to secure work with intermediaries such as engineering companies to benefit from their customer bases to extend our sales coverage in areas and locations where we are underrepresented.

Some of our sales and marketing strategies and approaches include the following:

- Actively review tender notices to bid for new projects;

- Increase our market presence and profile among engineering companies, consultants, architects and building owners;

- Maintain business relationships with our existing customers as well as business associates including architects, consultants, engineers and quantity surveyors for any upcoming developments and market opportunities;

- Continue with business development activities by establishing and maintaining good business relationships with existing and prospective customers; and

## 7. BUSINESS OVERVIEW (CONT'D)

- Active participation as a member of The Electrical and Electronics Association of Malaysia (TEEAM) to promote our business operations.

Sales and marketing activities including business development are headed by our Managing Director, Haw Chee Seng and supported by our Executive Director, Eng Choon Leong, our Project and Technical Director, Tang Kok Wai, as well as our engineers and other management professionals. Additionally, our Executive Director, Eng Choon Leong heads the contract department that is responsible for the preparation of tender and quotation submissions.

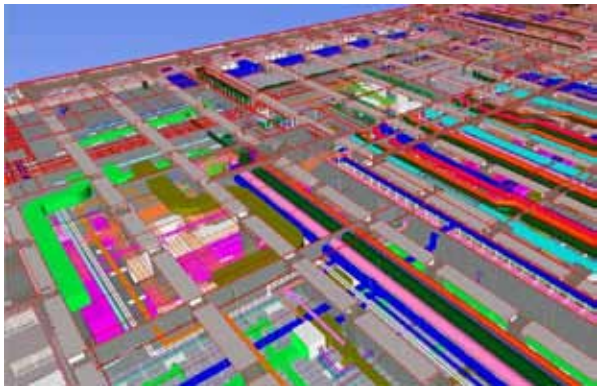
### 7.8 RESEARCH AND DEVELOPMENT

Due to the nature of our Group's business, we do not have any research and development activities and we did not recognise any research and development expenditure for the Financial Years and Period Under Review.

### 7.9 TECHNOLOGY USED

We utilise Building Information Modelling (BIM) software in the operation of our business. BIM software is used to create digital representations of building designs and their associated systems and processes. It allows architects, engineers, contractors and other stakeholders to collaborate on coordinated models which provide better insight into how their work fits into the overall project, ultimately helping all parties to work more efficiently and effectively.

**An example of the 3D model of a facility's building systems including electrical system (in orange, white, grey and blue colour)**



It also allows sharing of data and information throughout the entire project lifecycle, from planning and design to construction and operations. BIM software includes a range of tools, functions and features to facilitate visualisation, data analysis, clash detection and collaboration.

We utilise BIM software for the following:

- create digital 3D models of the facility's electrical system;
- insert, extract, update, modify and improve on the electrical system's design based on information provided by the project's architect, engineers and other subcontractors before the system is built;
- monitor subcontractor's progress and work scope; and
- generate construction documents, shop drawings and as-built drawings.

We use the following software for various purposes:

- **Autodesk BIM 360 Build** – a cloud-based platform to manage projects from design to completion where all stakeholders including customers, architects, engineers and subcontractors can communicate and share information in real-time. We utilise this programme for document management including requests for information and submission of progress reports, quality management including the creation of checklists, field management including progress tracking and site activity monitoring, as well as safety management;

## 7. BUSINESS OVERVIEW (CONT'D)

- **Autodesk Revit** – a desktop software tool to create and modify detailed 3D models, generate construction documents and rendering of designs;

- **Autodesk Navisworks** – a desktop software tool to review, coordinate and combine 3D models of the building systems from various sources to identify and resolve design clashes and issues before the commencement of construction and/or installation works; and

- **Autodesk AutoCAD** – to create detailed engineering drawings and documents such as plans, sections, elevations and other details.

### 7.10 MATERIAL INTERRUPTIONS TO OUR BUSINESS

Save as disclosed below, there has not been any material disruption to our business activities during the Financial Years and Period Under Review and up to the LPD.

#### 7.10.1 COVID-19 pandemic in Malaysia

The World Health Organisation declared COVID-19 a pandemic on 11 March 2020. The Government implemented several measures to reduce and control the spread of the COVID-19 pandemic commencing on 18 March 2020. These measures include restrictions on the movement of people within Malaysia and internationally, and restrictions on business, economic, cultural and recreational activities. As a result, we experienced some temporary interruptions to our business operations due to the restrictions imposed by the Government to contain the COVID-19 pandemic.

**(a) Various restrictions and measures in 2020**

During the first MCO period in 2020, our operations were temporarily suspended for 26 days from 18 March 2020 to 22 April 2020. During this period, our employees worked from home and we notified our customers of the suspension of work at the project site due to the restrictions imposed. We subsequently received approvals from MITI on 22 April 2020 for the resumption of our business operations at our Puchong office while our Malacca and Penang offices remained closed. Subsequently, we gradually resumed partial operations at our project sites between 23 April 2020 and 25 January 2021 at 30% to 50% capacity, depending on the location of the project sites. All office-based staff including designers and software engineers continued to work from home.

Beginning on 4 May 2020, the Government implemented the Conditional MCO ("**CMCO**") and Recovery MCO ("**RMCO**") where some of the measures were relaxed, including allowing many economic sectors to resume business. Restrictions on the movement of people within Malaysia were also relaxed while restrictions on international travel were modified slightly.

Following the upliftment of the MCO and implementation of CMCO and subsequently RMCO, we increased our site operations capacity from 50% to 70% from 4 May 2020 onwards, according to the guidelines and standard operating procedures from the Government.

## 7. BUSINESS OVERVIEW (CONT'D)

### (b) Various restrictions and measures in 2021

Towards the end of 2020, the number of COVID-19 infections increased and subsequently on 13 January 2021, MCO 2.0 was imposed on selected states including Melaka, Johor, Penang, Selangor, Sabah and the Federal Territories of Kuala Lumpur, Putrajaya and Labuan. Companies that have previously obtained MITI approval during MCO 1.0 were allowed to continue their operations while adhering to the standard operating procedures. During MCO 2.0, we received approvals from the MITI on 12 January 2021 which allowed us to operate at both our offices and site operations while adhering to standard operating procedures. Our Puchong and Penang offices remained in operation from 13 January 2021 with 30% workforce capacity, while we closed our Malacca office. Our project site operation in Penang continued to operate however with 30% workforce capacity. The MCO 2.0 then transitioned to the CMCO or RMCO depending on the states.

Subsequently, due to the increasing trend of daily COVID-19 cases from April 2021 onwards, the Government reimposed a nationwide MCO 3.0 from May 2021 to June 2021. The measures imposed under the MCO 3.0 included among others, restrictions on the movement of people within Malaysia and restrictions on international travel to and from Malaysia, the closure of all businesses except those classified under the "essential economic sector" or have received written approval from MITI to operate, and only 30% of employees in the top management were allowed to be in the office. During the MCO 3.0, we were allowed to continue to operate at our head office, other offices and site operations while adhering to standard operating procedures. Our project sites in Penang, Kedah and Kuala Lumpur continued to operate however with 30% workforce capacity.

The National Recovery Plan ("**NRP**") consisted of 4 phases including FMCO and Phase 1 of NRP which commenced on 1 June 2021 and subsequently transitioned to Phases 2, 3 and 4 in various stages depending on the number of new COVID-19 cases and vaccination rate in different states.

During this period, one of our projects in Penang stopped work from June 2021 up to September 2021. We also received approval from MITI between 31 May 2021 and 14 June 2021 which allowed us to operate our project sites in Penang and Kedah during the NRP Phase 1 according to guidelines and standard operating procedures.

During the NRP period, we were also affected by the implementation of the Enhanced MCO ("**EMCO**") in a large part of Selangor and several localities in Kuala Lumpur from 3 July 2021 to 16 July 2021. Control measures were stricter and tighter in EMCO areas. The list of economic activities deemed as essential services in EMCO areas was reduced. Our operations at Puchong head office in Selangor and a project site in Kuala Lumpur were suspended for 14 days from 3 July 2021 to 16 July 2021 and all our management and administrative staff worked from home. Our offices and project sites in Penang and Kedah were not affected by this restriction and they continued to operate accordingly.

### (c) Transition into an endemic phase in 2022

On 1 April 2022, Malaysia began its transition into the endemic phase, and we continued to operate at full workforce capacity according to Government SOP and guidelines.

## 7. BUSINESS OVERVIEW (CONT'D)

### 7.10.2 Impact of COVID-19 on our business operations

Our business and onsite operations were affected by the various phases of MCOs and NRP which have resulted in the temporary suspension and slowdown of work during these respective periods. In light of this, we have sought EOT from our customers for several of our projects in Kuala Lumpur, Selangor and Penang. As at LPD, all these projects have been completed and handed over to our customers.

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

Since 18 March 2020 and up to the LPD, we did not experience any cancellation of contracts or work orders by customers.

### 7.10.3 Impact of COVID-19 on our financial performance

**(a) FYE 2020**

As a result of the temporary suspension of our operations for 26 days from 18 March 2020 to 22 April 2020, our financial performance was adversely affected due to the temporary halt of our projects causing a delay in recognition of revenue which is based on percentage completion.

In FYE 2020, we encountered a temporary suspension of our onsite operations for certain projects between March 2020 and May 2020. This includes projects for the provision of a power distribution system for the substation of a commercial development in Kuala Lumpur and a residential development in Selangor, as well as electrical equipment hook-up services for a semiconductor manufacturing plant in Penang. As such, this resulted in a decrease in our revenue by 51.44% to RM5.58 million in the second quarter of FYE 2020 (1$^{st}$ quarter FYE 2020: RM11.49 million). Subsequently, when projects resumed operations in May 2020, our revenue increased by 78.67% to RM9.98 million in the third quarter of FYE 2020.

**(b) FYE 2021**

In FYE 2021, our project sites in Penang, Kedah and Kuala Lumpur continued to operate however with lower workforce capacity, thus resulting in slower progress of work in the first half of 2021. As such, this resulted in lower revenue being recorded in the first half of FYE 2021 of RM11.17 million as compared to RM89.29 million in the second half of FYE 2021.

Despite the interruptions to the business operations due to the COVID-19 restrictions, overall, our revenue for FYE 2021 grew by 220.04% from RM31.39 million in FYE 2020 to RM100.46 million in FYE 2021.

**(c) FYE 2022**

In FYE 2022, our project sites were not disrupted by any restrictions and they continued to operate according to the project's schedule. Overall, our revenue for FYE 2022 increased by 7.08% to RM107.57 million.

## 7. BUSINESS OVERVIEW (CONT'D)

**(d) FPE 2023**

In FPE 2023, our project sites were not disrupted by any restrictions and they continued to operate according to the project's schedule. Our revenue for FPE 2023 increased by 169.61% to RM138.58 million (FPE 2022: RM51.40 million).

### 7.10.4 Impact of COVID-19 on our supply chain

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

Nonetheless, our projects were not materially impacted by the suspension of our suppliers' and subcontractors' operations as some of our projects were also temporarily suspended pending the approval of the MITI to resume. Further, some of our project sites were operating at lower capacity to comply with the SOP and operating capacity requirements imposed by the Government, thus, resulting in slower progress and utilisation of materials and resources.

Additionally, we faced some delays in obtaining certain materials from our suppliers as there were disruptions in the global supply chain of electrical and electronic products which are components of some of our electrical equipment. Nevertheless, the delivery of equipment to our customers was not materially affected as our planning for the procurement of materials took into consideration our project timeline as well as the delivery time of the said materials.

### 7.11 SEASONALITY

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

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## 7. BUSINESS OVERVIEW (CONT'D)

### 7.12 MAJOR CUSTOMERS

Our top 5 major customers for the Financial Years and Period Under Review are as follows:

**FYE 2020**

| No. | Major customers | Types of major services/products | Revenue contribution | | [(1)]Length of relationship |
|---|---|---|---|---|---|
| | | | RM'000 | % | Years |
| 1. | Domain Resources Sdn Bhd[(2) (4)] | Provision of a power distribution system for the substation of a commercial development in Kuala Lumpur | 13,960 | 44.48 | 4 |
| 2. | Ragawang Corporation Sdn Bhd[(2)] | Provision of a power distribution system for a residential development in Selangor | 4,777 | 15.22 | 1 |
| 3. | Mepcon Sdn Bhd[(2)] | Trading of cables, metering panel and genset | 4,271 | 13.61 | 4 |
| 4. | Customer A[(3)] | Electrical equipment hook-up services for a semiconductor manufacturing plant in Penang | 3,373 | 10.74 | 5 |
| 5. | Exyte Malaysia Sdn Bhd[(2)] | Provision of a process busway system for a semiconductor manufacturing plant in Kedah | 1,565 | 4.98 | 5 |
| | | **Sub-total for top 5 customers** | **27,946** | **89.03** | |
| | | **Total revenue** | **31,388** | **100.00** | |

**FYE 2021**

| No. | Major customers | Types of major services/products | Revenue contribution | | [(1)]Length of relationship |
|---|---|---|---|---|---|
| | | | RM'000 | % | Years |
| 1. | Customer B[(3)] | Provision of power distribution and mechanical system, and civil, structural and architectural works of a 132kV substation and an open car park for an electronic products manufacturing plant in Penang | 69,400 | 69.08 | 1 |
| 2. | Customer C[(3)] | Provision of a power distribution system including GIS switchgear and DC system for an electrodeposited copper foil manufacturer in Sarawak | 9,849 | 9.80 | 3 |
| 3. | Customer A[(3)] | Electrical equipment hook-up services for a semiconductor manufacturing plant in Penang | 7,883 | 7.85 | 6 |

## 7. BUSINESS OVERVIEW (CONT'D)

| No. | Major customers | Types of major services/products | Revenue contribution RM'000 | Revenue contribution % | [(1)]Length of relationship Years |
|---|---|---|---|---|---|
| 4. | Ragawang Corporation Sdn Bhd[(2)] | Provision of a power distribution system for a residential development in Selangor | 4,094 | 4.08 | 2 |
| 5. | Mepcon Sdn Bhd[(2)] | Trading of cables, reactors, capacitors and metering panels | 3,283 | 3.27 | 5 |
| | | **Sub-total for top 5 customers** | **94,509** | **94.08** | |
| | | **Total revenue** | **100,461** | **100.00** | |

**FYE 2022**

| No. | Major customers | Types of major services/products | Revenue contribution RM'000 | Revenue contribution % | [(1)]Length of relationship Years |
|---|---|---|---|---|---|
| 1. | Exyte Malaysia Sdn Bhd [(2)] | Power distribution system for a medical device manufacturing plant in Penang | 30,482 | 28.34 | 7 |
| 2. | Customer A[(3)] | Power distribution, and control and instrumentation system for a semiconductor manufacturing plant in Kedah | 23,473 | 21.82 | 7 |
| 3. | Zalam Corporation Sdn Bhd[(2)] | Power distribution system for a semiconductor manufacturing plant in Perak | 23,304 | 21.66 | 1 |
| 4. | Sum Technic Sdn Bhd[(2)] | Power distribution system for a semiconductor manufacturing plant in Johor | 13,602 | 12.64 | 4 |
| 5. | Customer B[(3)] | Power distribution and mechanical system, and civil and structural works for an electronics product manufacturing plant in Penang | 3,778 | 3.51 | 2 |
| | | **Sub-total for top 5 customers** | **94,639** | **87.97** | |
| | | **Total revenue** | **107,573** | **100.00** | |

## 7. BUSINESS OVERVIEW (CONT'D)

**FPE 2023**

| No. | Major customers | Types of major services/products | Revenue contribution | | [(1)]Length of relationship |
|---|---|---|---|---|---|
| | | | RM'000 | % | Years |
| 1. | Customer A[(3)] | Power distribution, and control and instrumentation system for a semiconductor manufacturing plant in Kedah | 58,358 | 42.11 | 8 |
| 2. | Zalam Corporation Sdn Bhd[(2)] | Power distribution and mechanical system for a semiconductor manufacturing plant in Perak | 44,279 | 31.95 | 2 |
| 3. | Customer C[(3)] | Power distribution system for an electrodeposited copper foil manufacturer in Sarawak | 12,821 | 9.25 | 5 |
| 4. | Exyte Malaysia Sdn Bhd [(2)] | Power distribution system for a medical device manufacturing plant in Penang | 8,940 | 6.45 | 8 |
| 5. | Xeonics Co., Ltd[(2)] | Supply and installation of UPS system for a battery cell manufacturing plant | 6,360 | 4.59 | 1 |
| | | **Sub-total for top 5 customers** | **130,758** | **94.35** | |
| | | **Total revenue** | **138,577** | **100.00** | |

**Notes:**

(1) The length of relationship is determined at each respective FYE.

(2) Customer from indirect distribution channel.

(3) Customer from direct distribution channel.

(4) Domain Resources Sdn Bhd is a subsidiary of Malton Berhad, a company listed on the Main Market of Bursa Securities.

We have exhibited some degree of reliance on Customer A by virtue of its revenue contribution to our total revenue which grew from 10.74% in FYE 2020 and 7.85% in FYE 2021 to 21.82% in FYE 2022 and 42.11% in FPE 2023. Nevertheless, the contract with this customer is expected to be completed in October 2024. Please refer to Section 9.1.3 of this Prospectus for further details on our risk on reliance with Customer A.

## 7. BUSINESS OVERVIEW (CONT'D)

Notwithstanding that certain major customer of our Group had contributed substantially to our revenue during the Financial Years and Period Under Review, we are not dependent on Exyte Malaysia Sdn Bhd, Mepcon Sdn Bhd, Ragawang Corporation Sdn Bhd and Zalam Corporation Sdn Bhd due to the nature of our business which is project based. This is further substantiated by the following reasons:

- Exyte Malaysia Sdn Bhd was not among our top 5 major customers in FYE 2021, nevertheless our total revenue continued to grow by 220.04% in FYE 2021;

- Mepcon Sdn Bhd's revenue contribution decreased from RM4.27 million in FYE 2020 to RM3.28 million in FYE 2021. Furthermore, the revenue contribution from Mepcon Sdn Bhd as a proportion to our total revenue decreased from 13.61% in FYE 2020 to 3.27% in FYE 2021 and Mepcon Sdn Bhd was not among our top 5 major customers in FYE 2022;

- Ragawang Corporation Sdn Bhd's revenue contribution decreased from RM4.78 million in FYE 2020 to RM4.09 million in FYE 2021 following the completion of the project in August 2021. Its revenue contribution as a proportion to our total revenue also decreased from 15.22% in FYE 2020 to 4.08% in FYE 2021 and Ragawang Corporation Sdn Bhd was not among our top 5 major customers in FYE 2022; and

- Although Zalam Corporation Sdn Bhd's revenue accounted for 21.66% or RM23.30 million in FYE 2022 and 31.95% or RM44.28 million in FPE 2023, the 2 projects for Zalam Corporation Sdn Bhd were already 95% and 93% completed as at LPD, and both these projects will be completed by January 2024.

Our business is project-based where our revenue contribution from major customers varies on a year-to-year basis and the period of our projects ranges between 4 and 40 months for the Financial Years and Period Under Review.

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## 7. BUSINESS OVERVIEW (CONT'D)

### 7.13 TYPES, SOURCES AND AVAILABILITY OF MATERIALS

The following are the types of materials and services that we purchased for our business operations for FYE 2020, FYE 2021, FYE 2022 and FPE 2023:

**Purchases of Materials and Services**

| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2023 | |
|---|---|---|---|---|---|---|---|---|
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| **Materials** | **19,948** | **73.32** | **51,671** | **60.27** | **65,423** | **72.47** | **70,782** | **57.69** |
| Power cables and wires | 3,957 | 14.54 | 7,165 | 8.36 | 22,425 | 24.84 | 28,077 | 22.88 |
| Cable trunking and accessories | 484 | 1.78 | 3,612 | 4.21 | 6,381 | 7.07 | 7,511 | 6.12 |
| Switchgear | 11,776 | 43.28 | 18,537 | 21.62 | 5,225 | 5.79 | 8,164 | 6.65 |
| Transformers and capacitors | 244 | 0.90 | 11,397 | 13.29 | 3,300 | 3.65 | 1,623 | 1.32 |
| Switchboards and other electrical panels | 1,929 | 7.09 | 2,218 | 2.59 | 5,465 | 6.05 | 2,091 | 1.71 |
| Power conditioning/ energy management system | - | - | 4,381 | 5.11 | 8,267 | 9.16 | 4,816 | 3.93 |
| UPS system | - | - | 1,870 | 2.18 | 3,898 | 4.32 | 10,146 | 8.27 |
| Other electrical products[(1)] | 1,558 | 5.73 | 2,491 | 2.91 | 10,462 | 11.59 | 8,354 | 6.81 |
| **Subcontracted services** | **7,216** | **26.52** | **33,951** | **39.61** | **24,306** | **26.92** | **50,370** | **41.05** |
| Electrical installation works | 7,216 | 26.52 | 13,292 | 15.51 | 13,828 | 15.31 | 16,240 | 13.24 |
| Provision of mechanical systems | - | - | 3,105 | 3.62 | 9,397 | 10.41 | 23,791 | 19.39 |
| Control and instrumentation works | - | - | - | - | - | - | 10,176 | 8.29 |
| Civil, structural and architectural works | - | - | 17,554 | 20.48 | 1,081 | 1.20 | 163 | 0.13 |
| **Rental of machinery and equipment[(2)]** | **43** | **0.16** | **105** | **0.12** | **553** | **0.61** | **1,552** | **1.26** |
| **Total** | **27,207** | **100.00** | **85,727** | **100.00** | **90,282** | **100.00** | **122,704** | **100.00** |

**Notes:**

(1) Includes copper busbars, lighting and fittings, diesel generator set, DC battery and charger unit and other electrical components.

(2) Includes rental of forklifts, scissor lifts, boom lifts, scaffoldings and cranes.

## 7. BUSINESS OVERVIEW (CONT'D)

Purchases of materials for our operations accounted for 73.32% (RM19.95 million), 60.27% (RM51.67 million), 72.47% (RM65.42 million) and 57.69% (RM70.78 million) of our total purchases for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. Some of the materials that we purchased include cable and wires, cable trunking and accessories, switchgear, transformers, capacitors, switchboards and other electrical panels, and power conditioning/energy management system. Our purchases of local materials accounted for 55.82%, 62.90%, 90.56% and 83.19% for FYE 2020, FYE 2021,FYE 2022 and FPE 2023, respectively. Our purchases of imported materials accounted for 44.18%, 37.10%, 9.44% and 8.52% for FYE 2020, FYE 2021,FYE 2022 and FPE 2023, respectively. For the Financial Years and Period Under Review, we have not experienced any material impact on the prices of imported materials resulting from fluctuations in foreign currencies. This is because we purchase the imported materials through local suppliers, save for FPE 2023, where the price is based on a fixed price agreed with the supplier upon the issuance of the PO. The imported materials are mainly sourced from China and Germany by the local suppliers. In FPE 2023, we purchased materials from a foreign supplier, namely from Singapore, amounting to RM0.67 million or 0.54% of our total purchases for FPE 2023. Moving forward, we may continue to make purchases from foreign suppliers and hence we may be exposed to foreign currency fluctuations. Please refer to Section 9.1.12 of this Prospectus for further details on the risks of foreign currency exchange fluctuations.

Power cables and wires are one of the key materials used in the provision of power distribution systems. The prices of power cables are subject to price fluctuations as it is made largely from copper, which is globally traded commodity. As such, any fluctuations in copper prices would directly affect the prices of power cables and wires. Please refer to Section 9.1.2 for further details on the risks of fluctuations in the prices of our materials.

Purchases of subcontracted services accounted for 26.52% (RM7.22 million), 39.61% (RM33.95 million), 26.92% (RM24.31 million) and 41.05% (RM50.37 million) of our total purchases for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. The following are some of the services where we engage local service providers to carry out the work:

- **Electrical installation works** - We engage licensed electrical installation companies registered with ST or certified electricians and chargemen to carry out the electrical installation, testing and commissioning works under our supervision and management;

- **Provision of mechanical systems** - We subcontract out the entire scope of work to the external service provider for the provision of mechanical systems including ACMV, fire protection and process utility system to carry out the design, supply, installation, testing and commissioning works;

- **Control and instrumentation works** – We subcontract out the entire scope of work to the external service provider for the provision of control and instrumentation works including the Facility Management and Control System;

- **Civil, structural and architectural works** – We subcontract out the entire scope of work to an external service provider which includes earthworks, piling and foundation works, building construction, interior and exterior fittings and finishing, parameter fencing, plumbing and landscaping.

Rental of machinery and equipment accounted for 0.16% (RM0.04 million), 0.12% (RM0.11 million), 0.61% (RM0.55 million) and 1.26% (RM1.55 million) of our total purchases for FYE 2020, FYE 2021,FYE 2022 and FPE 2023, respectively. This includes the rental of forklifts, scissor lifts, boom lifts, scaffoldings and cranes.

## 7. BUSINESS OVERVIEW (CONT'D)

### 7.14 MAJOR SUPPLIERS

Our top 5 major suppliers for the Financial Years and Period Under Review are as follows:

**FYE 2020**

| No. | Major suppliers | Types of major services/products | Purchases contribution | | [(1)]Length of relationship |
|---|---|---|---|---|---|
| | | | RM'000 | % | Years |
| 1. | Ablecon Power System Sdn Bhd | GIS switchgear and transformer | 11,598 | 42.63 | 2 |
| 2. | Mepcon Sdn Bhd[(2) (8)] | Subcontractor for electrical installation services | 4,819 | 17.71 | 2 |
| 3. | Southern Cable Sdn Bhd[(3)] | Power cables | 3,897 | 14.32 | 1 |
| 4. | Sin Hong Li Electrical Engineering | Subcontractor for electrical installation services | 1,037 | 3.81 | 5 |
| 5. | Industrial Switchgear Sdn Bhd | Copper busbar and LV switchboard | 634 | 2.33 | 5 |
| | | **Sub-total for top 5 suppliers** | **21,985** | **80.80** | |
| | | **Total purchases** | **27,207** | **100.00** | |

**FYE 2021**

| No. | Major suppliers | Types of major services/products | Purchases contribution | | [(1)] Length of relationship |
|---|---|---|---|---|---|
| | | | RM'000 | % | Years |
| 1. | HHC Building Construction Sdn Bhd | Subcontractor for civil, structural and architectural works | 17,566 | 20.49 | 1 |
| 2. | Supplier A[(4)] | Power transformers | 10,047 | 11.72 | 1 |
| 3. | Supplier B[(5)] | GIS switchgear | 9,320 | 10.87 | 1 |
| 4. | Mepcon Sdn Bhd[(2) (8)] | Subcontractor for electrical installation services | 6,657 | 7.66 | 3 |
| 5. | Supplier C [(6)] | GIS switchgear | 5,436 | 6.34 | 6 |
| | | **Sub-total for top 5 suppliers** | **49,026** | **57.19** | |
| | | **Total purchases** | **85,727** | **100.00** | |

## 7. BUSINESS OVERVIEW (CONT'D)

**FYE 2022**

| No. | Major suppliers | Types of major services/products | Purchases contribution | | [(1)]Length of relationship |
|---|---|---|---|---|---|
| | | | RM'000 | % | Years |
| 1. | Southern Cable Sdn Bhd[(3)] | Power cables | 14,204 | 15.73 | 3 |
| 2. | Supplier C[(6)] | FMCS | 8,267 | 9.16 | 7 |
| 3. | Sum Technic Sdn Bhd [(9)] | Subcontractor for ACMV system | 7,630 | 8.45 | 1 |
| 4. | Poscon Engineering Sdn Bhd | GIS switchgear | 4,653 | 5.15 | 1 |
| 5. | Vertiv (Malaysia) Sdn Bhd[(7)] | UPS and power conditioning system | 3,238 | 3.59 | 2 |
| | | **Sub-total for top 5 suppliers** | **37,992** | **42.08** | |
| | | **Total purchases** | **90,282** | **100.00** | |

**FPE 2023**

| No. | Major suppliers | Types of major services/products | Purchases contribution | | [(1)]Length of relationship |
|---|---|---|---|---|---|
| | | | RM'000 | % | Years |
| 1. | Southern Cable Sdn Bhd[(3)] | Power cables | 26,995 | 22.00 | 4 |
| 2. | Sum Technic Sdn Bhd [(9)] | Subcontractor for ACMV system | 21,269 | 17.33 | 2 |
| 3. | Bakat Industri Sdn Bhd | Subcontractor for control and instrumentation works | 9,717 | 7.92 | 1 |
| 4. | Simosynergy Sdn Bhd [(10)] | Switchgear | 8,009 | 6.53 | 10 |
| 5. | Vertiv (Malaysia) Sdn Bhd[(7)] | UPS and power conditioning system | 6,142 | 5.01 | 3 |
| | | **Sub-total for top 5 suppliers** | **72,132** | **58.79** | |
| | | **Total purchases** | **122,704** | **100.00** | |

**Notes:**

(1) The length of the relationship is determined at each respective FYE.

(2) Mepcon Sdn Bhd is a related party during the respective FYE. Please refer to Section 10.1.1 of this Prospectus for further details on RPT transactions.

## 7. BUSINESS OVERVIEW (CONT'D)

(3) Southern Cable Sdn Bhd is a subsidiary of Southern Cable Group Berhad, a company listed on the Main Market of Bursa Securities.

(4) Supplier A is a private company based in Penang, Malaysia that is principally involved in general trading, and engineering services, as well as operates as a contractor. Supplier A's name has not been disclosed as consent was not provided by them.

(5) Supplier B is a private company based in Penang, Malaysia that is principally involved in general trading, and engineering services, as well as operates as a contractor. Supplier B's name has not been disclosed as consent was not provided by them.

(6) Supplier C, a subsidiary of a listed entity on the Frankfurt Stock Exchange, is involved in providing products and solutions for various sectors focusing on, among others, technology infrastructure for buildings, grids and distributed energy systems, as well as automation and digitalisation solutions for industrial sectors.

(7) We are one of the authorised product resellers of Vertiv products on a non-exclusive basis in Malaysia. We purchase Vertiv products from their Malaysian operations through our procurement department.

(8) Mepcon Sdn Bhd is principally involved in the supply, installation and maintenance of electrical systems as well as the manufacturing and distribution of electrical and electronic appliances. It is both a customer and a supplier to our Group where we supplied materials such as cables, reactors, capacitors, metering panels and genset to them. Meanwhile, we engage them as one of our subcontractors for electrical installation works for a residential development project in Selangor; a project in Penang for an open car park infrastructure for an electronic products manufacturing plant; and a project in Sarawak for an electrodeposited copper foil manufacturing plant.

(9) Sum Technic Sdn Bhd is principally involved in the provision of M&E engineers and engineering works, contractors and consulting engineers for utilities piping and cleanroom architecture works. Sum Technic Sdn Bhd specialises in mechanical works such as ACMV system. It is both a customer and a supplier to our Group where they engaged us as a subcontractor for the design, supply, installation, testing and commissioning of power distribution system for a semiconductor manufacturing plant in Johor. Meanwhile, we engage them as our subcontractor for ACMV system for a project in Perak for a semiconductor manufacturing plant.

(10) Simosynergy Sdn Bhd is a related party during FPE 2023. Please refer to Section 10.1.1 of this Prospectus for further details on RPT transactions.

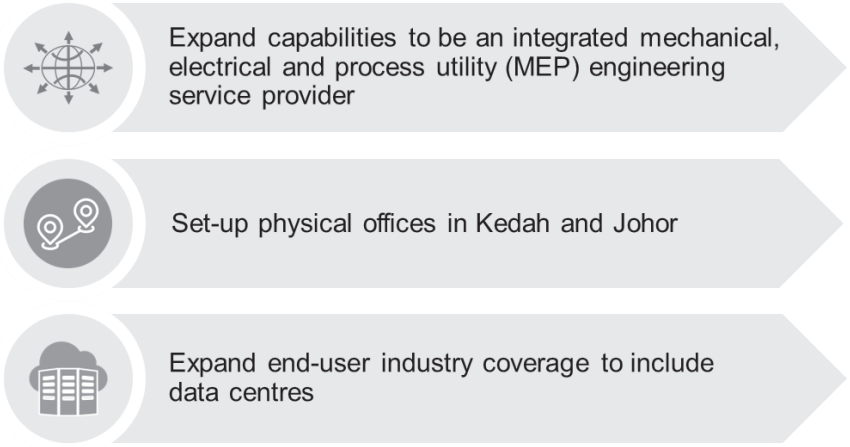
Notwithstanding that certain of our major suppliers had contributed substantially to our purchases during the Financial Years and Period Under Review, we are not dependent on any of our suppliers as the subcontracted services, and the materials, electrical equipment and products that we purchased are available for purchase from other local suppliers.

## 7. BUSINESS OVERVIEW (CONT'D)

### 7.15 BUSINESS STRATEGIES AND PLANS

We are an electrical engineering service provider focusing on the provision of power distribution systems for end-user premises including industrial plants, as well as industrial and commercial substations.

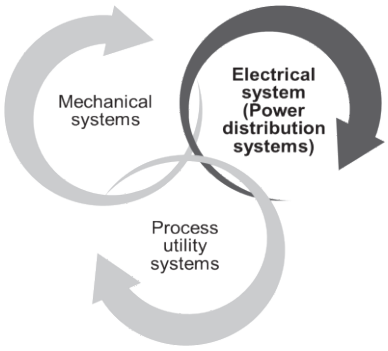
Moving forward, our business strategies and plans are to continue with our existing business as well as embark on expanding our business and improving our support system as follows:




#### 7.15.1 Expand our capabilities to be an integrated MEP engineering service provider

We have been operating as an electrical engineering service provider focusing on the development of power distribution systems for end-user premises for approximately 16 years. As at LPD, we have a team of 20 electrical engineers.

**Integrated MEP engineering service provider**




As part of our business strategies and plans, we intend to expand our internal capabilities to be an integrated mechanical, electrical and process utility (MEP) engineering service provider and will update our Certificate of Registration of Contractor with CIDB to include additional categories and specifications as may be applicable to offer integrated MEP engineering services. Mechanical and process utility systems are often combined with electrical systems to form integrated systems in various applications such as industrial manufacturing processes and building services.

In the past, any project which involves the provision of mechanical and process utility systems as part of the scope of our contract was entirely subcontracted out to experts in their field under our supervision and project management. Moving forward, we plan to develop this expertise in-house by hiring a team of mechanical engineers, chemical engineers, and process engineers with experience in carrying out the design and engineering of the mechanical and process utility systems. Building a team internally would provide us with better control and coordination over the project's work and progress as well as improve knowledge transfer within the organisation for better decision-making, innovation and more efficient processes. Furthermore, in the long run, it may be more cost-effective compared to outsourcing these works to third parties.

## 7. BUSINESS OVERVIEW (CONT'D)

Essentially, by bringing this expertise in-house, we can bid as an integrated MEP engineering service provider for large industrial and commercial projects that commonly separate the mechanical, electrical and process utility scope of work to be carried out by different companies. As an integrated MEP engineering service provider, we aim to position ourselves as a single point of contact and responsibility to provide better quality in interfacing these systems and increasing convenience to our customers.

This is also in line with our plans to expand our end-user industry coverage to data centres, as disclosed in Section 7.15.3. Data centres are powered by electrical systems and cooled by mechanical systems including refrigeration of chilled water and air-conditioning systems, as well as process utility systems such as pumping of chilled water to areas that need them.

We estimate that a sum of RM1.84 million will be required to build our team and strengthen our internal capabilities which are expected to be funded by the proceeds from the Public Issue and this include the following:

(i) Employing additional 9 engineers and other personnel comprising project manager, supervisors and CAD operator, account executive and human resource and administrative executive;

(ii) to purchase and upgrade equipment and software including desktops, laptops, servers, large format printers and BIM software for mechanical and electrical system designs.

Details of estimated expenditure which will be funded through IPO proceeds are as follows:

| | **RM'000** |
|---|---|
| Hiring of additional engineers and other personnel | 1,340 |
| Purchase and upgrade of equipment and software | 500 |
| **Total** | **1,840** |

### 7.15.2 Set-up physical offices in Kedah and Johor

We currently have offices in Selangor, Malacca and Penang from which we manage our projects, provide technical support services and carry out sales and marketing activities to existing and potential customers.

Our business strategy is to increase our coverage and presence in other states by setting up offices in Kulim, Kedah and Johor Bahru, Johor by 2025.

**Our existing and proposed future offices in Malaysia**


For the Financial Years and Period Under Review, our revenue contribution from projects in Kedah and Johor amounted to 10.99%, 7.85%, 21.87% and 42.43% as well as 2.26%, 2.52%, 12.67% and 2.14% of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

## 7. BUSINESS OVERVIEW (CONT'D)

Currently, we have an ongoing contract for the provision of power distribution, and control and instrumentation system for Customer A in Kulim, Kedah valued at RM244.74 million (including variation orders, as at LPD) which will be completed by October 2024. We have also been providing hook-up and retrofitting services to Customer A and other customers in Kedah during the Financial Years and Period Under Review. Moving forward, we intend to continue providing hook-up and retrofitting services to these existing customers as well as secure projects from other industrial plants in Kedah. According to MIDA, there were 195 approved projects in Kedah with a total investment of RM13.13 billion of which 85% (RM11.15 billion) of these investments were from foreign sources. These projects are mostly located in Kulim, Kedah *(Source: MIDA)*. This would provide opportunities to our Group to secure projects from these new developments in Kulim, Kedah.

Meanwhile, our intention to set-up an office in Johor is to capitalise on future investments in Johor. According to MIDA, in 2022, there were 570 approved projects in Johor with a total investment of RM70.61 billion of which 83% (RM58.79 billion) of these investments were from foreign sources. The total approved investments in Johor in 2022 were largely contributed by data centre investments (RM51.1 billion) followed by manufacturing sector investments (RM14.6 billion) *(Source: MIDA)*. These potential opportunities motivate us to expand our operations to Johor.

While we have a physical office in Melaka, it is approximately 220 km from Johor Bahru. The distance between Melaka and Johor Bahru would make it inconvenient for us to carry out or supervise construction or installation works, and to provide technical support promptly. In addition, due to the total approved investments in 2022, our proximity to potential customers in Johor may provide us with an advantage in bidding and securing new jobs.

While we have a physical office in Batu Kawan, Penang, our decision to set up a new office in Kulim, Kedah is premised on our growing revenue from Kedah which grew from RM3.45 million in FYE 2020 to RM23.53 million in FYE 2022, representing a CAGR of 161.20%. We envisaged that our proximity to existing customers will enable us to provide technical support promptly and may provide us with an advantage in bidding and securing new jobs in Kedah.

By setting up physical offices in Kedah and Johor, the Group will be able to improve the customer and technical support services promptly due to proximity, and the effectiveness of its sales and marketing activities to capture potential business opportunities in the respective states.

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## 7. BUSINESS OVERVIEW (CONT'D)

The total estimated cost of setting up the 2 new offices would be RM2.26 million, which will be funded through IPO proceeds as well as internally generated funds as follows:

| | Source of funds | | |
|---|---|---|---|
| | **IPO proceeds (RM'000)** | **Internally generated funds (RM'000)** | **Total (RM'000)** |
| **Set-up of Kedah office** | **740** | **294** | **1,034** |
| - Rental of office space between 1,500 to 2,000 sq. ft, for 2 years | 80 | - | 80 |
| - Renovation and interior fit-out | 80 | - | 80 |
| - Hiring of 5 additional engineers, for 2 years | 580 | 240 | 820 |
| - Utilities expenses, for 2 years | - | 24 | 24 |
| - Marketing expenses, for 2 years | - | 30 | 30 |
| **Set-up of Johor office** | **770** | **458** | **1,228** |
| - Rental of office space between 1,500 to 2,000 sq. ft, for 2 years | 100 | - | 100 |
| - Renovation and interior fit-out | 90 | - | 90 |
| - Hiring of 5 additional engineers and 1 supporting staff, for 2 years | 580 | 384 | 964 |
| - Utilities expenses, for 2 years | - | 24 | 24 |
| - Marketing expenses, for 2 years | - | 50 | 50 |
| **Total** | **1,510** | **752** | **2,262** |

### 7.15.3 Expand our end-user industry coverage to include data centres

For the Financial Years and Period Under Review, our focus on industrial plants mainly covers the semiconductor, medical device and electronic product industries. Moving forward, one of our business strategies and plans is to expand our end-user industry coverage to include data centres.

Data centres are an essential infrastructure of our domestic and global digital economy. A data centre comprises a secured building that houses sensitive and critical equipment to provide computer processing, storage and communication capabilities to users including industries, commerce, government and the general community. Some of these computing, storage and communications equipment include processors, servers, disk drives, switches, routers and firewalls. These equipment require supporting facilities such as, among others, uninterrupted power supply, cooling and humidity controlled equipment, fire alert and suppression system, and security system.

The provision of reliable and stable power is crucial for the efficient operation of a data centre. In particular, computing and communications equipment require high-quality power that fluctuates within a tight tolerance limit. These equipment are also highly susceptible to damage arising from overcurrent. As such, our business strategy is to leverage our track record in providing power distribution systems to similar industries that require high-quality power supply such as semiconductors, medical devices and electronic products to service the data centre industry.

## 7. BUSINESS OVERVIEW (CONT'D)

Meanwhile, mechanical and process utility system such as air-conditioning and mechanical ventilation (ACMV) systems are also integral to the development of the data centre as it helps maintain a consistent and optimal temperature and humidity level for equipment to function efficiently. It is also important to maintain good air quality which is clean and free of contaminants such as dust and pollutants which can damage sensitive equipment and cause failures. As such, we also intend to leverage our plan to expand our internal capabilities by building a team of experts in mechanical, and process utility systems, as disclosed in Section 7.15.1 of this Prospectus.

We anticipate the data centre industry to be a growing industry in Malaysia as domestic and global economies and communities increasingly rely on digitalisation for their daily operations, transactions, communications and entertainment. According to the IMR Report, the Government launched the Malaysia Digital Economy Blueprint in February 2021 to provide an enabling environment for local data centre companies to specialise in high-end cloud computing services between 2021 and 2025. In 2022, the total approved investments in data centre and cloud computing service projects amounted to RM72.4 billion (*Source: IMR Report).*

Given our intended expansion into providing power distribution services for data centres in Malaysia, in September 2022, we were appointed by Vertiv (Malaysia) Sdn Bhd to become one of their authorised product reseller and service provider on a non-exclusive basis for Vertiv products in Malaysia. Vertiv (Malaysia) Sdn Bhd, formerly known as Emerson Network Power (Malaysia) Sdn Bhd, is a subsidiary of Vertiv Holdings Co, an American provider of power, cooling and IT infrastructure for data centres, communication networks, and commercial and industrial facilities.

Currently, our appointment by Vertiv covers the following solutions:

- alternate current power system including UPS systems, power control and monitoring, power distribution, and power transfer switches; and
- power monitoring and management system.

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## 7. BUSINESS OVERVIEW (CONT'D)

### 7.16 EMPLOYEES

As at LPD, our Group has a total workforce headcount of 122, which consists of 55 Malaysian permanent employees, 39 Malaysian contract workers and 28 contract foreign workers from Myanmar, Indonesia and Bangladesh. The following sets out the number of our employees according to the business function or department as at LPD:

| | Contractual worker | | Permanent employee | | Total |
|---|---|---|---|---|---|
| **Department** | **Local** | **Foreign** | **Local** | **Foreign** | |
| Contract and Procurement | 1 | - | 3 | - | 4 |
| Finance and Accounts | - | - | 4 | - | 4 |
| Human Resource and Administration | 2 | - | 6 | - | 8 |
| Project and Engineering | 36 | 28 | 42 | - | 106 |
| **Total workforce** | **39** | **28** | **55** | **-** | **122** |

As at LPD, local employees accounted for approximately 77.05% of our total workforce while 22.95% were foreign workers. All our foreign workers have valid working permits issued and there has been no breach of any immigration laws by our Group.

None of our employees belong to any labour union. In the Financial Years and Period Under Review up to the LPD, there were no industrial disputes pertaining to our employees.

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## 7. BUSINESS OVERVIEW (CONT'D)

### 7.17 MAJOR LICENCES, PERMITS AND APPROVALS

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

| No. | Licence Holder | Issuer / Authority | Date of Issuance / Validity | Type of Licence / Permit / Registration | Salient Conditions | Status of compliance |
|---|---|---|---|---|---|---|
| 1. | Hexatech Engineering | CIDB | 16 August 2023 to 19 September 2026 | Certificate of Registration of Contractor for Grade G7 pursuant to the CIDB Act 1994<br><br>Registration No.: 0120080812-ML119575 | As set out in note (1) below. | Complied |
| 2. | Hexatech Engineering | ST | 12 September 2023 to 11 September 2024 | Certificate of Registration as an Electrical Contractor No. 2018/02327 pursuant to the Electricity Regulations 1994 ("**ER 1994**")<br><br>Registration No.: ST(TKL)SGR/C/KE/01376/2015 | Hexatech Engineering is permitted to perform or carry out the business of provision of electrical works as electrical contractor at No. 42-G, 42-1. 42-2, (Basement), Jalan OP 1/5, Pusat Perdagangan One Puchong, 47160 Puchong, Selangor under Class A. | Complied |
| 3. | Hexatech Engineering | Subang Jaya City Council | 7 October 2023 to 6 October 2024 | Business Premises Licence for the office located at No. 42-G & 42-1 & 42-2 & basement, Jalan OP 1/5, Pusat Perdagangan One Puchong, 47160 Puchong, Selangor, Malaysia<br><br>Account No.: 20230400232 | Nil. | N/A |

## 7. BUSINESS OVERVIEW (CONT'D)

| No. | Licence Holder | Issuer / Authority | Date of Issuance / Validity | Type of Licence / Permit / Registration | Salient Conditions | Status of compliance |
|---|---|---|---|---|---|---|
| 4. | Hexatech Engineering | Malacca Historic City Council | 11 May 2023 to 8 May 2024 | Business Premises Licence for the premises situated at No 3-A Jalan Melaka Raya 19, Taman Melaka Raya, 75000 Melaka<br><br>Licence No.: 209040128312023 | Nil. | N/A |
| 5. | Hexatech Engineering | Seberang Perai City Council | 19 December 2023 to 31 December 2024 | Business Premises Licence for the premises situated at 47-1, Jalan Borealis 3, Pusat Komersial Borealis 14110 Simpang Ampat Pulau Pinang<br><br>Licence No.: PRI/01/20220902/4070 | Nil. | N/A |

**Note:**

(1) The salient conditions are as follows:

(a) A person registered under the CIDB Act 1994 shall notify CIDB from time to time, whenever there is any change in the capital, particulars relating to experience and/or qualifications of employees, employment, ownership, or the board of directors or management, of the company within 30 days of the change.

(b) This registration with CIDB will be cancelled, suspended or revoked in the event that:

(i) Hexatech Engineering fails to comply with any applicable laws and regulation, including but not limited to the CIDB Act 1994;

(ii) Hexatech Engineering has been declared a bankrupt;

(iii) a petition of winding up connected with Hexatech Engineering has been made;

## 7. BUSINESS OVERVIEW (CONT'D)

(iv) Hexatech Engineering fails to comply with any provision of the CIDB Act 1994;

(v) Hexatech Engineering was found to have made false or fraudulent declarations or representations in the course of their application for this registration;

(vi) Hexatech Engineering abandons an ongoing construction project without reasonable cause;

(vii) Hexatech Engineering is found guilty by a competent court or any other investigative body established under any written laws for negligence in any construction work performed;

(viii) Hexatech Engineering has breached or failed to comply with its responsibilities and obligations as stated in this registration.

As at LPD, we have obtained all licences, permits and approvals required for the business operations of our Group.

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## 7. BUSINESS OVERVIEW (CONT'D)

### 7.18 INTELLECTUAL PROPERTY RIGHTS

As at LPD, our Group does not have any patents, trademarks, registrations and other intellectual property rights.

### 7.19 MATERIAL DEPENDENCY ON CONTRACTS, INTELLECTUAL PROPERTY RIGHTS, LICENCES AND PERMITS

Save as disclosed in Section 7.17 of this Prospectus, as at LPD there are no contracts including commercial or financial contracts, intellectual property rights including patents and copyrights, licences or permits which our Group's business or profitability is materially dependent on.

### 7.20 REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES

Our business operations are regulated and governed by guidelines, regulations and laws in Malaysia. The following is an overview of the relevant regulatory requirements governing our Group which are material to our business operations:

#### 7.20.1 CIDB Act 1994

The CIDB Act 1994 governs the establishment of CIDB and to provide for its function relating to the construction industry and all matters in connection therewith.

Section 25 of the CIDB Act 1994 stipulates that no person shall carry out or complete, undertake to carry out or complete any construction work or hold himself out as a contractor, unless he is registered with CIDB and holds a valid certificate of registration issued by CIDB under the CIDB Act 1994. Pursuant to the Registration of Contractors (Construction Industry) Regulations 1995, every registered contractor shall be capable of carrying out construction works according to the grade of registration specified in the certificate of registration and the grade of registration determines the value of construction works which a registered contractor is capable of carrying out.

Any person who fails to comply with Section 25 of the CIDB Act 1994 shall be guilty of an offence and shall, on conviction, be liable to a fine of not less than RM10,000 but not more than RM100,000.

As at LPD, Hexatech Engineering holds a valid Certificate of Registration of Contractor for Grade G7 issued by CIDB with further details of the certificate set out in Section 7.17 of this Prospectus.

#### 7.20.2 ESA 1990

The ESA 1990, including the ER 1994 regulate the electricity supply industry, the supply of electricity, the licensing of any electricity installation, as well as the registration of any electrical contractors, manufacturers, importers and any competent person involved in the supply or use of electricity.

## 7. BUSINESS OVERVIEW (CONT'D)

Pursuant to Regulation 75 of the ER 1994, no person shall perform or carry out any electrical work unless he holds a valid certificate of registration as an electrical contractor issued under the ER 1994. An electrical contractor can be classified into 4 classes, Class A, B, C and D, each permitted to undertake electrical work of certain value and is further required to keep in employment a certain number of wiremen of certain qualification, depending on the classification of its registration.

A person who contravenes or fails to comply with any of the provisions of the ER 1994 shall be guilty of an offence and shall on conviction, be liable to a fine not exceeding RM5,000 or to imprisonment for a term not exceeding 1 year or both.

As at LPD, Hexatech Engineering holds a Class A Certificate of Registration as an electrical contractor issued by ST with further details of the certificate set out in Section 7.17 of this Prospectus.

### 7.20.3 Employees Minimum Standards of Housing and Amenities Act 1990 ("EMSHAA 1990")

The EMSHAA 1990 and the Employees' Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020 issued under the EMSHAA 1990, imposes, among other things, the minimum standards on accommodation for employees and the requirement for employers to obtain a certificate of accommodation from the Department of Labour Peninsular Malaysia for each accommodation premise.

To obtain the certificate of accommodation, the employer is required to ensure that every accommodation provided for employees complies with the minimum standards which includes, amongst others, the minimum space requirement for workers' accommodation, basic facilities, as well as safety and hygiene standards required under the EMSHAA 1990 or any regulations made thereunder. Pursuant to the EMSHAA 1990, failure to obtain such certification may constitute to a fine not exceeding RM50,000 with respect to each employees' accommodation without a certificate of accommodation.

As at LPD, we have contracted a centralised accommodation provider holding a valid certificate of accommodation to provide accommodation services to our foreign workers.

### 7.20.4 Local Government Act 1976 ("LGA 1976")

Pursuant to Section 102 of the LGA 1976, local authorities are empowered to make, amend and revoke bylaws. Presently, our Group's business activities are carried out in locations under the jurisdiction of the Subang Jaya City Council ("**MBSJ**"), Seberang Perai City Council ("**MBSP**") and Malacca Historic City Council ("**MBMB**"). The applicable bylaws are the Licensing of Trades, Businesses and Industries (Subang Jaya City Council) By-Laws 2007 ("**MBSJ By-Laws 2007**"), Municipal Council Province Wellesley License Fees By-Laws 1980 ("**MBSP By-Laws 1980**") and Licensing of Trades (Malacca Historic City Council) By-Laws 2010 ("**MBMB By-Laws 2010**").

## 7. BUSINESS OVERVIEW (CONT'D)

These bylaws provide that no person shall operate any activity of trade, business and industry or use any place or premise in the respective areas of each local council for any activity of trade, business and industry without a licence issued by the respective local council. A contravention of the MBSJ By-Laws 2007 and the MBSP By-Laws 1980 constitutes an offence and shall, on conviction be liable to a fine not exceeding RM2,000 and/or to imprisonment for a term not exceeding 1 year and to a further fine not exceeding RM200 for each day during which such offence is continued after conviction. A contravention of the MBMB By-Laws 2010 constitutes an offence and shall, on conviction be liable to a fine not exceeding RM2,000 and/or to imprisonment for a term not exceeding 1 year.

As at LPD, our Company has a valid business licence issued by MBSJ, MBSP and MBMB respectively with further details of the licences set out in Section 7.17 of this Prospectus.

The above summary does not purport to be an exhaustive description of all laws and regulations of which our business is subject to.

As at LPD there are no breach of laws, regulations, rules or requirements governing the conduct of our business and environmental issues which may materially affect our Group's business or operations and usage of properties owned by our Group.

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## 8. IMR REPORT

**VITAL FACTOR CONSULTING**
Creating Winning Business Solutions

**Vital Factor Consulting Sdn Bhd**
Company No.: 199301012059 (266797-T)
V Square @ PJ City Centre (VSQ)
Block 6 Level 6, Jalan Utara
46200 Petaling Jaya
Selangor, Malaysia
Tel (603) 7931 3188
Fax (603) 7931 2188
www.vitalfactor.com

18 December 2023

The Board of Directors
HE Group Berhad
No. 42, Jalan OP 1/5,
Pusat Perdagangan One Puchong,
47160 Puchong, Selangor

Dear Sirs and Madams

**Independent Assessment of the Power Distribution Systems for End-User Premises 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 HE 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.

VITAL FACTOR CONSULTING
Creating Winning Business Solutions

**Date of Report: 18 December 2023**

**INDEPENDENT ASSESSMENT OF THE POWER DISTRIBUTION SYSTEMS FOR END-USER PREMISES IN MALAYSIA**

## 1. INTRODUCTION

- HE Group Berhad, together with its subsidiary, (herein referred to as Hexatech Group) is an electrical engineering service provider focusing on power distribution systems for end-user premises such as industrial plants as well as industrial and commercial substations serving largely manufacturers in the semiconductor, medical devices and electronic product industries, which shall form the focus of this report.

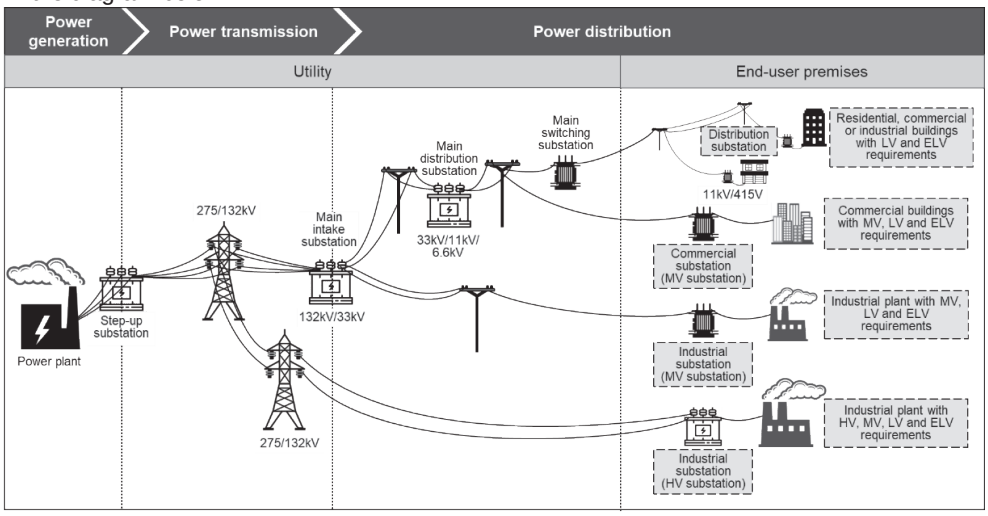
- Hexatech Group is also involved in other building systems and works including mechanical systems, control and instrumentation systems, civil, structural and architectural works, as well as electrical equipment hook-up and retrofitting services. These activities form a smaller proportion of Hexatech Group's total revenue and this report will provide some coverage.

- In this report, gross domestic product (GDP) refers to nominal GDP unless stated otherwise, power is used interchangeably with electricity, and all data and statistics are based on the latest available to the public as at the date of this report. This report primarily discusses the 3-year period from 2020 to 2022 as it represents more recent industry performance compared to the 5-year period from 2018 to 2022. This approach is also pertinent as it demonstrates how the industry recovers from the effect of the COVID-19 pandemic, despite the compound annual growth rate (CAGR) for the years 2020 to 2022 starting from a low base in 2020. Nevertheless, 3-year and 5-year CAGR data are provided.

## 2. OVERVIEW OF THE POWER DISTRIBUTION SYSTEMS FOR END-USER PREMISES

### 2.1 Power Grid in Malaysia

- In Malaysia, power is generated at various locations, transmitted and distributed via a national or state-wide power grid. The overview of Malaysia's power grid and the end-users are illustrated in the diagram below:




kV = kilovolt; V = volt; HV = high voltage; MV = medium voltage; LV = low voltage; ELV = extra low voltage

Hexatech Group designs, supplies, installs, tests and commissions substations and power distribution systems for these end-user premises


- The power industry comprises power generation and the power grid comprising transmission and distribution systems across the country, states and territories. In Peninsular Malaysia, the power grid is under the purview of Tenaga Nasional Berhad (TNB), while Sarawak and Sabah are under Sarawak Energy Berhad (SEB) and Sabah Electricity Sdn Bhd (SESB) respectively. SESB is majority-owned by TNB together with the State Government of Sabah. The Suruhanjaya Tenaga (Energy Commission) of Malaysia (ST) is the regulator for the energy sector, including the power industry in Peninsular Malaysia and Sabah.

- **Power generation** mainly takes place in power plants where electricity is generated using primary energy including non-renewable sources such as coal, natural gas, fuel oil and diesel as well as renewable sources such as solar, hydro and biomass.

- **Power transmission** refers to the delivery of electricity over long distances from power plants to distribution substations, where the electricity generated at power plants goes through step-up transformers to a higher voltage to minimise energy loss during long-distance transmission. The high-voltage electricity is transmitted mainly through overhead power cables to step-down substations, where the distribution networks take over.

- **Power distribution** involves one or more stages of step-down substations stepping to a voltage level that is appropriate for use in end-user premises.

- Generally, the power grid can be segmented as follows:
  - **utility segment** refers to the portion of the power grid that is owned and operated by a utility company such as TNB, SEB or SESB. The utility company is responsible for operating, maintaining and upgrading the infrastructure to ensure a safe, reliable and efficient power supply to end users. The infrastructure used in delivering electricity from power generation plants to end-user premises includes, among others, transmission and distribution lines, and substations; and
  - **end-user segment** refers to the final destination where electrical power is delivered and consumed by end-users in their premises such as residential, commercial, institutional and industrial premises, as well as amenities, facilities and infrastructure. Large energy users such as high-rise residential, commercial, industrial and infrastructure developments commonly have their substations to connect to the power grid.

  Hexatech Group is involved in the end-user segment of the power distribution systems mainly for industrial plants as well as industrial and commercial substations.

### 2.2 Power Distribution for End-User Premises

- Within the distribution network, substations are focused on stepping up or down electricity, and safely distributing electricity to various locations and end-user premises. Thus, substations incorporate equipment such as transformers for stepping up or down electricity, switchgear, switchboards and control panels to divert electricity at the appropriate voltage, and protection systems to prevent damage to equipment, properties and lives due to short circuits, power leakages and overcurrent.

- The design of the power distribution systems may vary depending on the type of end-user premises, and the machinery, equipment and processes involved. Power distribution systems for high power usage industrial premises are more complex compared to residential or commercial premises. In some industries, the need for power quality is important to meet the requirements of sensitive and critical machinery, equipment and devices:
  - **voltage levels:** Medium and heavy industrial premises typically require a higher voltage to support the operation of power intensive machinery and equipment. In contrast, residential, commercial and light industrial premises require lower voltages to operate household appliances, as well as less power intensive machinery and equipment.

| Voltage | Definition* | Common power distribution system applications |
|---|---|---|
| Extra Low Voltage (ELV) | ≤ 50V | Used for low-power applications where there is minimal risk of fire and electrical shock to people. Commonly used in buildings and built environments for telecommunications, alarm, close-circuit television, electronic access and public address systems. |
| Low Voltage (LV) | > 50V-1kV | Used for appliances, lighting and other electrical loads within residences and small to medium-sized commercial and light industrial facilities. Many household appliances, lightings and air-conditioning require 240V to operate. Some industrial and commercial facilities require 415V to operate some electrical and mechanical systems such as elevators, air conditioning and mechanical ventilation (ACMV) systems, and the operation of processing and manufacturing machinery and equipment. |
| Medium Voltage (MV) | > 1kV-50kV | Used in large commercial and industrial facilities such as shopping centres, manufacturing plants and data centres. This level of voltage is required to run commercial-scale machinery and equipment such as lighting, ACMV, elevators, district cooling plants, and processing and manufacturing machinery and equipment for industries. |
| High Voltage (HV) | > 50kV-230kV | Used in large industrial facilities that use high power for their processing and manufacturing requirements such as smelting, electric arc furnace, petrochemical and chemical processing, and utility water treatment. |

** As per TNB, which may differ from other definitions (Source: TNB). ≤ Less than or equal to; > Greater than; kV = Kilovolts; V = Volts.*

- **power quality** refers to the characteristics of the power supply that may affect the reliability, efficiency and safety of operating electrical machinery, equipment and devices. Power quality is important for some industries that use sensitive and critical electrical machinery, equipment and devices that are susceptible to power quality issues such as voltage and current fluctuations, sudden interruptions, fluctuating harmonics, sags and swells as well as transient voltage surges. These issues may affect performance and cause damage to electrical machinery, equipment and devices, and may also adversely affect the manufactured or processed outputs. As such, power distribution systems for such end-user premises must consider, among others, voltage regulations, power factor correction, load balancing, harmonic mitigation and use of uninterruptible power supply.

Hexatech Group is involved in HV, MV, LV and ELV power distribution systems for end-user premises including substations. It is also involved in power distribution systems for the semiconductor, medical device and electronic product manufacturing industries which require a quality power supply to operate sensitive and critical machinery, equipment and devices.

## 3. PERFORMANCE OF ECONOMY AND POWER DISTRIBUTION FOR END-USER PREMISES

### 3.1 GDP

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

- Power distribution systems for end-user premises are enabled by electrical installations, which is a part of the larger specialised construction industry that focuses on the construction of parts of buildings and civil engineering works without the responsibility of the entire project.

## 8. IMR REPORT (CONT'D)

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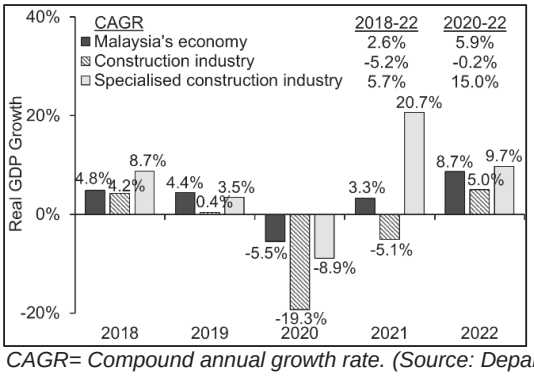
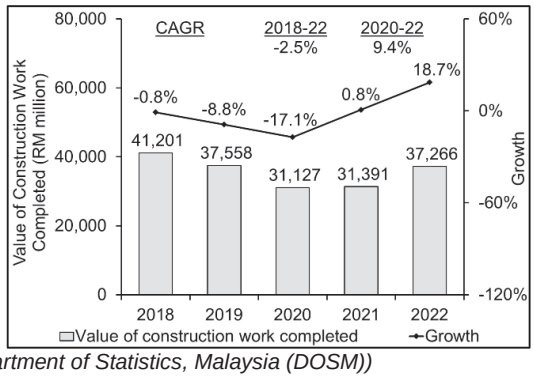
**Real GDP of Malaysia's Economy, the Construction Industry and the Specialised Construction Industry**




**Value of Construction Work Completed for Non-Residential Buildings**



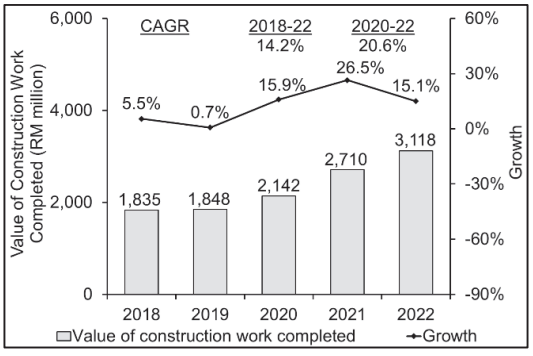

*CAGR= Compound annual growth rate. (Source: Department of Statistics, Malaysia (DOSM))*

- Between 2020 and 2022, Malaysia's economy as well as the construction industry including specialised construction, have been gradually recovering from the adverse impact of the COVID-19 pandemic. For the first 9 months of 2023, the real GDP of Malaysia's economy, as well as the construction and specialised construction industries continued to grow by 3.9%, 7.0% and 8.5% respectively, compared to the corresponding period in 2022 *(Source: DOSM)*. Growth in the economy and construction industry, particularly the specialised construction industry, will provide opportunities for operators involved in power distribution systems for end-user premises, including Hexatech Group.

- Hexatech Group is involved in power distribution systems focusing on industrial plants. The construction of industrial buildings, among others, is categorised under non-residential buildings. As such, growth in the construction of industrial buildings will provide opportunities for operators involved in the development of power distribution systems for industrial facilities. The value of construction work completed for the non-residential building segment experienced a CAGR of 9.4% between 2020 and 2022, and grew by 4.8% for the first 9 months of 2023 compared to the corresponding period in 2022 *(Source: DOSM)*.

### 3.2 Electrical Installation

**Value of Construction Work Completed for Electrical Installation***



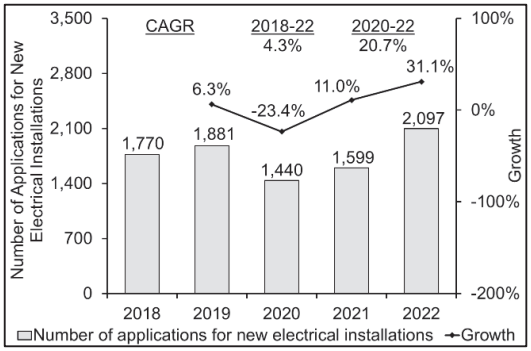

**Subset of the specialised construction industry. (Source: DOSM)*

- Electrical installation includes electrical wiring and fittings, telecommunications wiring, computer network and cable television wiring, and lighting and security systems. The value of construction work completed for electrical installation grew at a CAGR of 20.6% between 2020 and 2022, 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 electrical installation grew by 18.4% compared to the corresponding period in 2022 *(Source: DOSM)*.

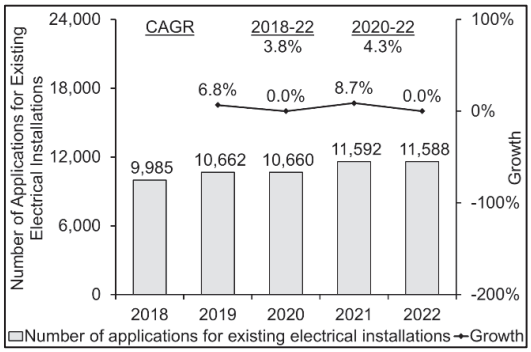
- In Malaysia, ST requires all electrical installations to be registered. As such, the number of applications for new electrical installations indicates the demand for electrical installation, while the number of applications for existing electrical installations represents opportunities for maintenance or upgrading works. Between 2020 and 2022, the number of applications for

new and existing electrical installations grew at a CAGR of 20.7% and 4.3% respectively. For the first 9 months of 2023, the number of applications for new electrical installations grew by 0.1%, while the number of applications for existing electrical installations declined by 15.3%, compared to the corresponding period in 2022 *(Source: ST).*

**Number of Applications* for New Electrical Installations**

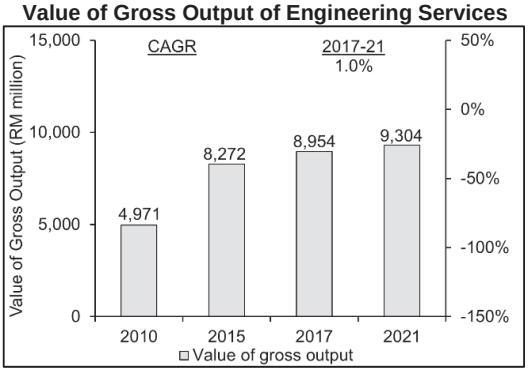



**Number of Applications* for Existing Electrical Installations**




** Application for registration with the ST (Source: ST)*

**Value of Gross Output of Engineering Services**




*Latest available statistics. (Source: DOSM)*

### 3.3 Engineering Services

- Engineering services include activities such as engineering design and consulting, and project management relating to construction, which is key to supporting electrical installation. As such, the following section will assess the performance of engineering services in terms of the value of gross output which may be used to indicate the revenue from engineering services provided. Between 2017 and 2021, the value of gross output of engineering services grew at a CAGR of 1.0%.

- Hexatech Group's main business activities are a part of engineering services.

## 4. DEMAND DEPENDENCIES

- Hexatech Group is involved in the development of power distribution systems for critical and high-value industries such as the semiconductor, medical device and electronic product industries. As such, growth in these user industries and their ecosystems in Malaysia may provide an attractive environment for both domestic and foreign entities to establish and expand their manufacturing facilities in Malaysia, which will provide opportunities for operators in the development of power distribution systems for critical and high-value industries.

### 4.1 Semiconductor and Electronic Product Industry

#### 4.1.1 Performance of the Semiconductor and Electronic Product Industry

- Electronic components and boards comprise diodes, transistors and similar semiconductor devices, electronic integrated circuit micro assemblies, electrical capacitors and resistors, printed circuit boards, display components and other components for electronic applications.

## 8. IMR REPORT (CONT'D)

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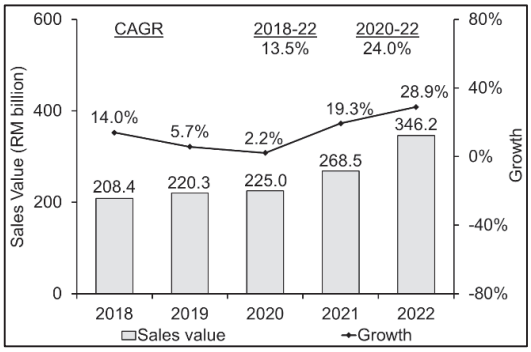
- Between 2020 and 2022, the sales value of the manufacture of electronic components and boards in Malaysia grew at a CAGR of 24.0%, where growth in 2022 was 28.9% mainly due to strong demand from the global semiconductor market, especially for chip products *(Source: Ministry of Finance (MoF))*. While global semiconductor sales may have slowed in the fourth quarter of 2022, the electrical and electronics (E&E) segment remained in expansion mode amid the fulfilment of backlog in orders *(Source: BNM)*. For the first 9 months of 2023, the sales value of the manufacture of electronic components and boards in Malaysia grew by 6.9% compared to the corresponding period in 2022 *(Source: DOSM)*.

**Sales Value of Electronic Components and Boards***

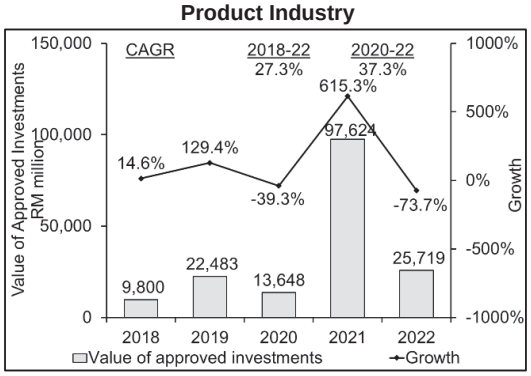



** Refers to domestic production. (Source: DOSM)*

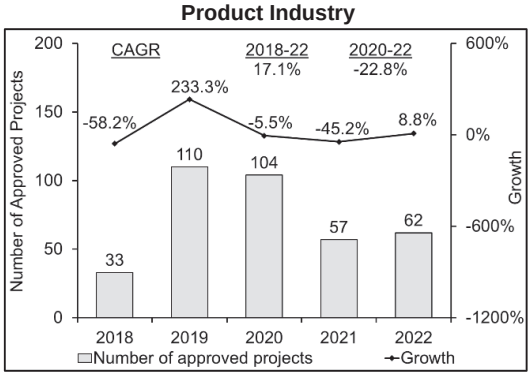
### 4.1.2 Investments in the Semiconductor and Electronic Product Industry

- Between 2020 and 2022, the E&E industry in Malaysia recorded a CAGR of 36.8% in terms of the total value of approved investments. Over the same period, the number of approved projects declined at an average annual rate of 15.4%. *(Source: MIDA)*

**Value of Approved Investments in the Electronic Product Industry**




**Number of Approved Projects in the Electronic Product Industry**




*(Source: Malaysian Investment Development Authority (MIDA))*

- In 2022, the electronic product segment represented 87.9% of the total value of approved investments for the E&E industry, while the remainder was for the electrical product segment. In 2022, the value of approved investments in the electronic product industry in Malaysia declined by 73.7% following a growth of 615.3% in 2021 that was mainly contributed by foreign direct investments in the electronic components sector. Out of the RM25.7 billion approved investment in 2022, 96.9% were foreign direct investments, while the remaining 3.1% were domestic investments. *(Source: MIDA)*

- Some of the approved E&E projects in 2022 included, among others, Inari Technology Sdn Bhd with an investment of RM397 million for an expansion of its packaging of fifth-generation mobile network (5G) radio frequency (RF) systems in Penang as well as its research and development, and industrial attachment programmes in collaboration with local institutions. In addition, there was also an approved E&E project in 2022 from TF AMD Microelectronics (Penang) Sdn Bhd with an investment of RM1.2 billion for the expansion of its testing and assembly of semiconductors in Penang. *(Source: MIDA)*

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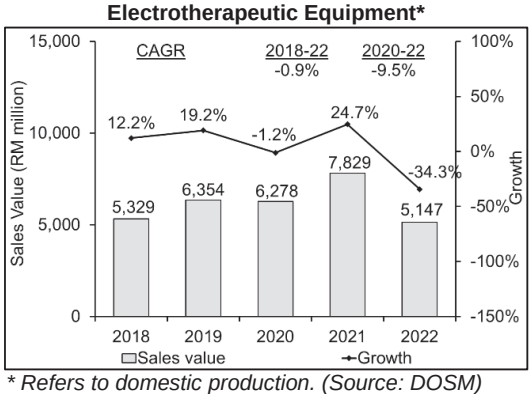
- For the first 9 months of 2023, the total value of approved investments for the E&E industry grew by 154.2% to RM57.4 billion compared to the corresponding period in 2022. This includes Lumileds Malaysia Sdn Bhd, with an investment of RM25.7 billion for the manufacture of light-emitting diode (LED) chips, devices, sub-assemblies, and LED-based lighting products/systems/modules. *(Source: MIDA)*

### 4.2 Medical Devices Industry

#### 4.2.1 Performance of the Medical Devices Industry

- Irradiation, electromedical and electrotherapeutic equipment include irradiation apparatus and tubes, CT scanners, positron emission tomography (PET) scanners, magnetic resonance imaging (MRI) equipment, medical laser equipment, endoscopic equipment and ultrasound equipment, electrocardiographs, pacemakers, hearing aids, and food and milk irradiation equipment.

**Sales Value of Irradiation, Electromedical and Electrotherapeutic Equipment***

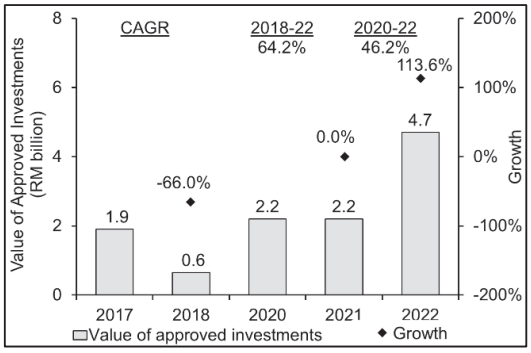



** Refers to domestic production. (Source: DOSM)*

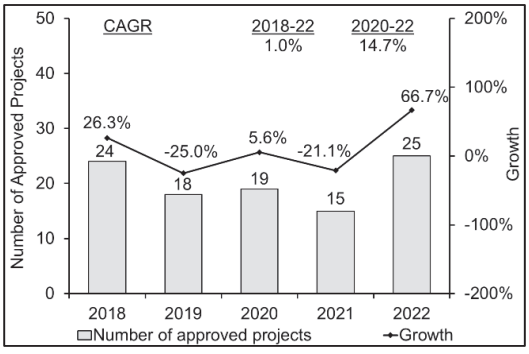
- Between 2020 and 2022, the sales value of the manufacture of irradiation, electromedical and electrotherapeutic equipment in Malaysia declined at an average annual rate of 9.5% mainly attributed to the decline of 34.3% in 2022. The decline in 2022 was contributed by import substitution where the import value of medical devices grew by 21.9% in 2022. Additionally, the export value of medical devices grew by 26.3% in 2022. For the first 9 months of 2023, the sales value of the manufacture of irradiation, electromedical and electrotherapeutic equipment in Malaysia grew by 2.9% compared to the corresponding period in 2022. *(Source: DOSM)*

#### 4.2.2 Investments in the Medical Devices Industry

**Value of Approved Investments in the Medical Devices Industry***




**Number of Approved Projects in the Medical Devices Industry***




*Note: There are no data for the value of approved investments for 2019. * Based on high-end, high-value added medical devices, which excludes, among others, face masks and rubber gloves. (Source: MIDA)*

- Between 2020 and 2022, the value of approved investments for high-end, high-value added medical devices industry in Malaysia recorded a CAGR of 46.2%. Meanwhile, the number of approved projects grew at a CAGR of 14.7%. In 2022, the value of approved investments in the medical device industry in Malaysia grew by 113.6% to RM4.7 billion across 25 projects. Out of the RM4.7 billion investment in 2022, 95.7% were foreign direct investments, while the remaining 4.3% were domestic investments. *(Source: MIDA)*

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## 5. DATA CENTRES IN MALAYSIA

- As part of Hexatech Group's business strategies and plans to expand into power distribution systems for data centres, the following section will provide some prospects for the data centre industry in Malaysia.

- The total approved investments in the information and communication industry declined by 9.8% from RM12.2 billion to RM11.0 billion in 2021, and subsequently grew by 670.0% to RM84.7 billion in 2022, primarily driven by data centre and cloud computing service projects amounted to RM72.4 billion which represented 85.5% of the total approved investments in the information and communication industry. Some of the approved data centre projects in 2022 included, among others, a data centre and data hosting project between Bridge Data Centres and ByteDance Ltd, as well as a data centre project by YTL Power International Bhd. For the first 9 months of 2023, the total approved investments in the information and communication industry declined by 44.4% to RM 45.6 billion compared to the corresponding period in 2022. This includes the establishment of a hyperscale data centre by GDS IDC Services (Malaysia) Sdn Bhd. *(Source: MIDA)*

- According to the Malaysia Digital Economy Blueprint launched in February 2021, the Government aimed to provide an enabling environment for local data centre companies to specialise in high-end cloud computing services between 2021 and 2025. Initiatives undertaken by MIDA include the Data Centre Investment Coordination Task Force (DCICTF), a platform to expedite the implementation of data centre projects and assist with formulating strategies to develop the data centre industry. In addition, the Government had on 20 July 2022 granted an exemption of the 30% Bumiputera equity requirement on land acquisitions valued above RM20 million for data centre projects. This exemption is valid until 2025 and is expected to facilitate data centre investments in Malaysia.

## 6. COMPETITIVE LANDSCAPE

### 6.1 Industry Players

- The following is a list of companies in Malaysia that are involved in the development of power distribution systems for end-user premises, among other business activities. It is not an exhaustive list and serves to indicate the performance of companies that operates within the power distribution systems for end-user premises including industrial premises and/or substations.

| Company/Group | FYE/ FPE [1] | Rev [2] (RM mil) | GP [2] (RM mil) | GP [2] Margin | PBT/LBT[2] (RM mil) | PBT/LBT Margin[2] | PAT/LAT[2] (RM mil) | PAT/LAT Margin[2] |
|---|---|---|---|---|---|---|---|---|
| PESTECH S/B [3] | Jun-22 | 298.5 | n.a. | n.a. | 13.0 | 4.4% | 12.1 | 4.1% |
| SECM S/B | Dec-22 | 204.0 | 20.3 | 10.0% | 7.5 | 3.7% | 5.0 | 2.4% |
| Kinergy Advancement Bhd [4] | Dec-22 | 187.0 | 28.1 | 15.0% | 4.9 | 2.6% | 2.8 | 1.5% |
| NLE Electrical Engineering S/B | Dec-22 | 186.6 | 23.6 | 12.6% | 17.7 | 9.5% | 13.4 | 7.2% |
| CBH Engineering S/B | Dec-22 | 172.2 | 40.1 | 23.3% | 23.8 | 13.8% | 15.2 | 8.8% |
| Bond M & E S/B [5] | Jun-23 | 164.1 | 2.9 | 1.8% | 7.9 | 4.8% | 5.8 | 3.5% |
| Exyte Services (Malaysia) S/B | Dec-22 | 117.3 | 5.2 | 4.4% | 3.2 | 2.8% | 2.5 | 2.1% |
| **Hexatech Group** | **Dec-22** | **107.6** | **15.0** | **13.9%** | **8.0** | **7.4%** | **6.2** | **5.7%** |
| LWE Engineering S/B | Jun-22 | 95.5 | 28.7 | 30.1% | 13.0 | 13.6% | 10.1 | 10.6% |
| Hong Hin Electrical S/B | Dec-22 | 59.8 | 11.1 | 18.6% | 8.1 | 13.6% | 6.1 | 10.2% |
| Carpeton Industries S/B | Dec-22 | 56.5 | 2.8 | 4.9% | 0.6 | 1.0% | 0.4 | 0.8% |
| Protech Builders S/B | May-22 | 42.7 | 8.5 | 19.8% | 1.6 | 3.8% | 1.3 | 3.0% |
| Cabnet M&E S/B [6] | Feb-23 | 44.1 | 7.8 | 17.7% | 3.6 | 8.1% | 2.5 | 5.7% |
| Telewiring Electrical Eng. S/B | Dec-22 | 39.1 | 3.2 | 8.1% | 1.1 | 2.9% | 0.7 | 1.9% |
| Emas Jaya Electric S/B | Sep-22 | 35.0 | 4.4 | 12.5% | 1.7 | 4.7% | 1.4 | 4.0% |

## 8. IMR REPORT (CONT'D)



| Company/Group | FYE/ FPE [1] | Rev [2] (RM mil) | GP [2] (RM mil) | GP [2] Margin | PBT/LBT[2] (RM mil) | PBT/LBT Margin[2] | PAT/LAT[2] (RM mil) | PAT/LAT Margin[2] |
|---|---|---|---|---|---|---|---|---|
| Gecmal S/B | Dec-22 | 28.6 | 5.1 | 17.7% | 0.8 | 2.7% | 0.5 | 1.8% |
| MN Power Transmission S/B[7] | Jun-22 | 27.2 | 4.7 | 17.2% | 2.5 | 9.3% | 2.0 | 7.2% |
| Letrik P.J. Union S/B | Dec-22 | 19.7 | n.a. | n.a. | -0.8 | -3.9% | -0.8 | -4.0% |

*FYE= Financial year ended; FPE= Financial period ended; Rev= Revenue; GP= Gross profit; PBT= Profit before tax; LBT= Loss before tax; PAT= Profit after tax; LAT= Loss after tax; S/B= Sendirian Berhad; Bhd= Berhad; n.a.= not available; mil= million; Eng.= Engineering*

*(1) Latest available audited financial information.*
*(2) Derived from the development of power distribution systems for end-user premises and may include other business activities.*
*(3) A subsidiary of PESTECH International Berhad, a company listed on Bursa Securities.*
*(4) Listed on Bursa Securities.*
*(5) A subsidiary of Hollysys Automation Technologies Ltd, a company listed on the NASDAQ.*
*(6) Based on the financial period from 1 September 2021 to 28 February 2023. A subsidiary of Cabnet Holdings Berhad, a company listed on Bursa Securities.*
*(7) A subsidiary of MN Holdings Berhad, a company listed on Bursa Securities.*

The criteria for selecting the above companies are as follows:
- Registered with the ST as electrical contractors and Construction Industry Development Board (CIDB) as Grade 7 mechanical and electrical contractors; and
- Involved in the development of power distribution systems for industrial premises and/or substations in Malaysia.

### 6.2 Market Size and Share

- The market size of electrical installation works and the share of Hexatech Group are estimated as follows:

| | Malaysia | Hexatech Group | |
|---|---|---|---|
| | 2022 Market Size [1] (RM million) | FYE 2022 Revenue [2] (RM million) | 2022 Market share [3] (%) |
| **Electrical installation** | 3,118 | 90 | 3 |

*(1) Based on the value of construction work completed for electrical installation (Source: DOSM).*
*(2) Hexatech Group's total revenue for FYE 2022 was RM107.6 million, of which only RM90 million was related to electrical installation works comprising power distribution systems and electrical equipment hook-ups.*
*(3) Hexatech Group's electrical installation revenue, divided by the market size. (Source: Hexatech Group and Vital Factor analysis).*

## 7. BARRIERS TO ENTRY

- Some barriers to entry to the power distribution systems for end-user premises industry include track record, meeting regulatory requirements and availability of experienced technical resources as well as registration with ST. As a service-based industry, capital requirements are generally not a major barrier to entry. A CIDB Grade 7 company requires paid-up capital of at least RM750,000. The number of operators would provide some indication of the level of barriers to entry.

- As of 18 December 2023, there are 7,392 electrical contractors registered with ST, of which 1,227 of them are Class A electrical contractors who can undertake electrical works with no restrictions in value. Hexatech Group is a Class A electrical contractor. As for CIDB, as of 18 December 2023, there are 9,644 Grade 7 M&E contractors, and 1,938 registered M&E contractors focusing on medium and high voltage electrical works including installation as well as underground and overhead cabling, of which 796 of them are Grade 7 contractors. CIDB Grade 7 has the most stringent conditions with no limit to the value of projects undertaken. Hexatech Group is a CIDB Grade 7 contractor. Given the number of Class A electrical contractors and CIDB Grade 7 contractors, barriers to entry into the power distribution systems for end-user premises industry are not overly onerous.

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## 8. INDUSTRY CONSIDERATION FACTORS

- Power distribution systems for end-user premises are closely related to the construction industry, represented by the specialised construction subsector which includes electrical installation. For the first 9 months of 2023, the value of construction work completed for electrical installation grew by 18.4%, while the number of applications for new electrical installations grew by 0.1%, compared to the corresponding period in 2022 *(Sources: DOSM and ST)*. The real GDP of the construction industry is estimated to grow by 6.3% in 2023, mainly supported by the civil engineering and specialised construction activity subsectors in the first half of 2023, and growth across all subsectors in the second half of 2023. In 2024, the construction industry is forecasted to grow by 6.8% following the anticipated improved performance across all subsectors *(Source: MoF)*. The continuing growth in the construction industry particularly for electrical installation will help sustain and provide opportunities for operators involved in the development of power distribution systems for end-user premises.

- Power distribution systems for end-user premises are largely driven by performance and investments in user industries. For the first 9 months of 2023, the sales value of the manufacture of electronic components and boards in Malaysia grew by 6.9%, while irradiation, electromedical and electrotherapeutic equipment grew by 2.9%, compared to the corresponding period in 2022 *(Source: DOSM)*. Growth and new investments in the semiconductor, electronic product and medical devices industries may increase demand for power distribution systems for industrial facilities.

- In October 2022, the New Investment Policy (NIP) was introduced by the Ministry of Investment, Trade and Industry (MITI), outlining various strategies to ensure Malaysia remains a competitive destination for high-value investments which can deliver sustainable and holistic economic growth. In 2023, the MITI further launched the New Industrial Master Plan (NIMP) 2030 for Malaysia's industrial development covering, among others, the E&E and medical device industries. Its implementation targets a total investment of up to RM95 billion, and is expected to grow Malaysia's manufacturing value-added by a CAGR of 6.5% between 2022 and 2030. This will reinvigorate and catalyse Malaysia's investment growth, which will in turn create opportunities for operators involved in the development of power distribution systems for end-user premises. Between 2020 and 2022, foreign direct investments in Malaysia experienced a CAGR of 13.3%, amounting to RM879.1 billion in 2022 *(Source: DOSM)*.

- The Malaysian economy is estimated to grow by 4.0% in 2023, with a forecast real GDP growth between 4.0% and 5.0% in 2024. The anticipated growth is expected to be led by the services sector, driven by sustained domestic consumption and improved export activities. In the manufacturing sector, growth is expected to be supported by improved export-oriented industries particularly the E&E, and favourable domestic-oriented industries. Meanwhile, the construction sector is expected to be supported by expansion across all subsectors. *(Source: MoF)*

- Under Budget 2024, efforts to attract investments included among others, the following:
  - allocation of RM100 million each for the NIMP 2030 Industrial Development Fund (NIDF) and the NIMP 2030 Strategic Co-Investment Fund (CoSIF). The NIDF will cover among others, research, development, commercialisation and innovation, technology adoption, talent development and industrial cluster development, while the CoSIF will be used to support mission-based projects identified under the NIMP 2030;
  - establishment of a high-technology industrial area in Kerian, Perak to widen the E&E cluster ecosystem in the northern region;
  - establishment of an investment and trade coordination action committee to facilitate foreign direct investments and domestic direct investments; and
  - allocation of RM100 million for the Domestic Investment Strategic Fund, which, among others, allows Malaysian companies to upgrade machinery and equipment, increase R&D activities, upskill talent through training initiatives and international certification of their products.

## 9. RISK FACTORS

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

### 9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

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

As the nature of our business is project-based, our revenue is derived from the execution and completion of projects. In this respect, our financial performance is dependent on our ability to continually submit tender bids and quotation proposals, secure new projects and replenish our order book. Revenue contribution from our projects comprising provision of power distribution systems, and other building systems and works accounted for approximately 66.82% (RM20.97 million), 86.26% (RM86.65 million), 85.81% (RM92.30 million) and 95.03% (RM131.69 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

As at LPD, the total unbilled contract value of our on-going projects based on contracts secured was RM211.91 million, which is expected to sustain our business until 2024. Please refer to Section 12.6 of this Prospectus for further details of our order book. Although we have 6 on-going projects as at LPD, there is no assurance that we would be able to continuously secure new and sizeable projects promptly, nor can we assure that the new projects we secured will be commercially favourable to us in terms of the overall project profitability.

If we are unable to secure new and sizeable projects promptly, our order book may reduce over time and this would adversely affect our business sustainability and future financial performance. Additionally, our order book is also subject to unexpected adjustments in the scope of work which could occur from time to time during the project's duration. Any reductions in the contract value or scope of work will reduce the value of our order book and revenue to be generated thereafter, and if we are unable to secure new and sizeable projects promptly to supplement these reductions, this would, in turn, affect our long-term sustainability and business growth, as well as future financial performance.

#### 9.1.2 We may face unanticipated increases in project costs including material, subcontractor and labour costs as our projects are typically based on fixed lump sum contracts

Our projects are mainly based on fixed lump sum contracts where the contract value is agreed upon and specified in the contract. In the event of any increases in costs, we are unable to increase the contract value as it is based on a fixed price. As such, if there are any unanticipated increases in costs during project execution where we are unable to pass on such increases to our customers, we would have to absorb these costs and thus affecting our financial performance. Some of these unanticipated increases in project cost may include, among others, the following:

- Increase in material costs, such as power cables, switchgear, transformers and distribution boards, of which some such as, power cables, are influenced by commodity prices and subjected to price fluctuations. For the Financial Years and Period Under Review, the material costs accounted for 73.32% (RM19.95 million), 60.27% (RM51.67 million), 72.47% (RM65.42 million) and 57.69% (RM70.78 million) of our total purchases of materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

- Increase in subcontractor costs. During the Financial Years and Period Under Review, subcontractor costs accounted for 26.52% (RM7.22 million), 39.61% (RM33.95 million), 26.92% (RM24.31 million) and 41.05% (RM50.37 million) of our total purchases of materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively;

## 9. RISK FACTORS (CONT'D)

- Increase in costs of products and services due to inflation, shortages in materials, supply chain disruptions and other factors; and

- Delays attributed to external factors relating to the site and interactions with external contractors working at the site.

The unanticipated cost increases may arise due to the time gap between cost estimation from submission of tender bids or quotation proposals and award of contract which may take 1 to 4 months, and completion of certain projects which may take up to 24 months to complete from the award of the contract. Although we have experience in project budgeting to estimate costs during the submission of tender bids or quotation proposals including incorporating buffer for labour and material cost increases, there is no assurance that we may not face unanticipated cost increases in the future.

Power cables and wires are one of the key materials used in the provision of power distribution systems. The purchases of power cables and wires accounted for 14.54% (RM3.96 million), 8.36% (RM7.17 million), 24.84% (RM22.43 million) and 22.88% (RM28.08 million) of our total purchases of materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. The prices of our power cables are subject to price fluctuations as it is made largely from copper, which is a globally traded commodity. As such, any fluctuations in copper prices would directly affect the prices of power cables and wires.

Generally, our project cost estimation of materials and subcontractor services are based on, among others, existing prices and quotations from suppliers and subcontractors, past price trends, potential commodity price fluctuations, potential foreign exchange rate fluctuations, potential price increases and buffer for contingencies. In the event of any unfavourable fluctuations in the cost of these materials and subcontractor fees during the project period it may increase our overall project cost.

For the Financial Years and Period Under Review, our Group has experienced price fluctuations in our materials, particularly cables.

### 9.1.3 We have exhibited some degree of reliance on Customer A and the loss of revenue from this customer, if not replaced promptly, may affect our financial performance

We have exhibited some degree of reliance on Customer A by virtue of its revenue contribution to our total revenue for the FYE 2022 and FPE 2023. Revenue contribution from Customer A grew from 10.74% in FYE 2020 and 7.85% in FYE 2021 to 21.82% in FYE 2022 and 42.11% in FPE 2023. Nevertheless, the contract with this customer is expected to be completed in October 2024.

As such, any significant reduction in the value of the contracts, deferment and/or cancellation in the contracts or purchase orders from this customer or the loss of this customer, if not replaced in a timely manner, would materially and adversely affect our financial performance.

Although we will continue to bid for other contracts, there is no assurance that we will be able to successfully secure contracts. If we are unable to secure other contracts to replace the revenue contribution from Customer A after the completion of the contract in October 2024, our financial performance would be materially and adversely affected.

### 9.1.4 We are dependent on our subcontractors to carry out certain works for our projects

We engage subcontractors to perform certain works including, among others, mechanical works, control and instrumentation works, civil, structural and architectural works, as well as installation, testing and commissioning of power distribution systems. Subcontractor costs accounted for approximately 26.52% (RM7.22 million), 39.61% (RM33.95 million), 26.92% (RM24.31 million) and 41.05% (RM50.37 million) of our total purchases of materials and services for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

## 9. RISK FACTORS (CONT'D)

We select subcontractors for our projects via tenders after taking into consideration their track record, financial strength, workmanship, efficiency, reliability, capacity and pricing. In some cases, our subcontractors have been pre-selected or nominated by our customers. The scope of subcontracting works as well as terms and conditions including retention sum and completion period are specified in the contract awarded to the subcontractors. This allows us to claim any damages or compensation in the event of poor, late or non-performance by our subcontractors.

We are subject to the risks associated with poor, late or non-performance by our subcontractors. While we may attempt to seek compensation from the relevant subcontractors, we may, from time to time, be required to compensate our customers before receiving the said compensation from the relevant subcontractors or the amount of the claims from our customers cannot be recovered in full or at all from the subcontractors. In these cases, we may be required to bear some or all of the costs of the claims from our customers, which will adversely affect our results of operations and financial performance. Furthermore, if our subcontractors' performance is not up to the expectations of our customers, our reputation may also be adversely affected resulting in increased difficulties in securing new projects.

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

### 9.1.5 Our projects may be subject to delays resulting in the risk of claims relating to LAD

Our projects must be completed within the timeline specified in the contracts. Although we may continue to monitor and manage the projects closely and adhere to our project execution schedule and milestones, there is a risk that we may not be able to complete our project in time due to various factors including external factors that are beyond our control. Any delay in the completion of our works will result in project cost overruns, and potential LAD claims from our customers which may adversely affect our financial performance and reputation.

Delay in a project may occur from time to time due to various circumstances such as delay in obtaining permits or approvals from regulatory authorities, issues relating to engineering, safety or site conditions, shortage of materials or labour, and changes in government policies relating to foreign labour. In the event we encounter any of these circumstances that cause delays in our projects, we will seek EOT from our customers. As an EOT is still subject to the approval of our customer, there is no assurance that we would not experience any claims for LAD or penalties for delays in the completion of projects. For the Financial Years and Period Under Review and up to the LPD, we have not encountered any situation where our customers had imposed LAD on us.

### 9.1.6 We are exposed to the risk of defect liability claims from our customers

The DLP for our contracts with our customers generally ranges from 12 to 24 months from the issuance of CPC. Typically, our customers retain 5 to 10% of the total contract sum throughout the contract period until the issuance of CPC by the architect or engineer where half of the retention sum will be released, while the remaining half is released upon issuance of CMGD at the end of the DLP. During the DLP, we are responsible to repair, rectify and make good any defects which may surface or be identified at our cost and expenses. For materials supplied by our suppliers or works undertaken by our subcontractors, we will require them to either replace defective materials or restore defective works to the required specifications without additional cost or expense to us.

The terms of our letters of award to subcontractors allow us to claim any damages or compensation in the event of non-performance, late or poor performance by our subcontractors. To the extent we are unable to seek recourse from our suppliers and subcontractors, we would be liable for the repair costs and damages which will in turn increase our project costs. If such defects are material, our reputation, business operation and financial performance will be materially and adversely affected. During the Financial Years and Period Under Review and up to the LPD, we encountered an incident which requires the replacement of defective power cables for a project during the DLP amounting to RM0.20 million paid in FYE 2023.

## 9. RISK FACTORS (CONT'D)

As at LPD, we are in the midst of obtaining a third-party laboratory test report of the defective power cables for the reimbursement of the said replacement cost from our supplier.

During the Financial Years and Period Under Review and up to the LPD, we have not experienced any defect liability claims or any claims for compensation and retention sum asserted by our customers against us, which has materially affected our operations and financial performance. Nevertheless, there can be no assurance that we will not be subjected to any material defect liability claims in the future which may have an adverse impact on our business operations and financial performance.

### 9.1.7 We may not be able to renew or obtain material licences and permits required to carry out our projects

Our subsidiary, Hexatech Engineering, is registered with CIDB as a Grade G7 contractor which allows us to bid and carry out projects without any limit on the value of work, as well as a Class A Electrical Contractor with ST. Our registrations are subject to compliance with the restrictions, conditions and regulations imposed under the CIDB Act 1994 and the ESA 1990 and any failure to comply with them could result in the suspension, revocation, or non-renewal of our registrations, which will in turn materially and adversely affect our business activities, reputation and financial performance.

During the Financial Years and Period Under Review and up to the LPD, we have not encountered any compounds or penalties from CIDB or ST.

In addition to the CIDB Act 1994 and the ESA 1990, we are required to obtain certain licences and permits to operate our business. These licences and permits are subject to periodic reviews and renewals by the relevant government authorities or agencies. Please refer to Section 7.17 of this Prospectus for details of these material licences and permits.

As at LPD, we have not experienced any non-renewal or revocation of our certificates of registration, licences or permits. However, there can be no assurance that we will be able to continue to renew them promptly in the future. Any fines, non-renewal or revocation of our registrations, licences and permits may materially and adversely affect our business and operations.

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

Our business strategies and plans are focused on leveraging on our key strengths and capitalising on our competencies in the provision of power distribution systems. We plan to continue with our existing business as well as embark on expanding our internal competency in mechanical and process utility systems to become an integrated MEP engineering service provider, set-up physical offices in Kedah and Johor, expansion of our end-user industry coverage. Please refer to Section 7.15 of this Prospectus for further details on our strategies and plans.

The implementation of these business strategies and plans involves capital expenditure as well as operating expenses such as staff costs. The feasibility and implementation of such business strategies and plans will also depend on, among others, favourable economic conditions, timing of execution and regulatory framework and policies.

The prospects and future growth of our business are dependent on our ability to implement and execute our strategies and plans effectively and promptly. There is a risk that we may not be able to successfully implement our business strategies and plans promptly nor can we provide assurance that our business strategies will be commercially successful or that we will be able to anticipate all the business and operational risks associated with our strategies and plans. Some of the factors that may affect our timing and objectives to execute our business strategies and plans include, among others, the inability to secure sufficient funding and/or bank borrowings, limitations in human resources or experience, regulatory changes, and other unanticipated delays.

## 9. RISK FACTORS (CONT'D)

In the event of any delays or failures in executing our business strategies or plans effectively, our future business growth or expected financial prospects or returns may be adversely affected.

### 9.1.9 There is no assurance that our insurance coverage would be adequate

We maintain general insurance policies where practicable, covering both our provision of services and employees in line with general business practices, with policy specifications and insured limits which we believe are reasonable. Currently, the insurance policies taken up by us include contractor's all risk, workmen's compensation, and public liability. All the insurance coverages are subject to exclusions and limitations of liability both in amount and for the insured events such as willful act or negligence, war and act of terrorism. However, if the amount of claims exceeds the coverage of the insurance policies that we have taken up, we may be liable for shortfalls in the amount claimed. In such events, our financial position will be adversely and materially affected.

For the Financial Years and Period Under Review and up to the LPD, there has not been any claim which exceeded the coverage of our general insurance policies.

Although we have taken the necessary steps to ensure that our provision of services and employees are adequately insured, there can be no assurance that our insurance coverage would be adequate to compensate for the replacement costs of the assets or any consequential losses arising thereof.

### 9.1.10 We may not be able to sustain our revenue growth rate and our financial performance in the future

Our revenue growth grew from RM31.39 million in FYE 2020 to RM107.57 million in FYE 2022, representing a CAGR of 85.13%. In FPE 2023, our revenue grew by 169.61% from RM51.40 million in FPE 2022 to RM138.58 million. Our growth was mainly contributed by several high-value contracts of approximately RM40 million per contract in FYE 2021 and FYE 2022, one of which was our largest contract to date amounting to approximately RM240 million which was secured in FYE 2022. In addition, we also expanded our business activities where the contribution from other building systems and works represented 15.07% (RM 16.21 million) and 28.49% (RM39.48 million) of our total revenue in FYE 2022 and FPE 2023 where there was no revenue contribution in FYE 2020.

As our business is mainly project-based, there can be no assurance that we will be able to achieve similar growth rates and financial performance in the future. If we are unable to maintain adequate revenue and profit growth, our financial position would be negatively affected.

### 9.1.11 We are dependent on our Managing Director, Executive Director and Key Senior Management for our business continuity

Our achievements are largely attributed to the continued efforts of our Managing Director, Executive Director and Key Senior Management who are directly responsible for the vision, strategic direction, leadership, business planning and development, as well as management and running our Group's day-to-day operations. The loss of services from any of our Managing Director, Executive Director and/or Key Senior Management, and our subsequent inability to recruit suitable replacements promptly, may adversely affect our business operations and financial performance as well as our continuing ability to compete effectively in the industry. Please refer to Sections 5.1.2 and 5.4.2 of this Prospectus for the profiles of our Managing Director, Executive Director and Key Senior Management.

As part of our management succession plan, we have identified suitable personnel to facilitate knowledge transfer and to build upon their capabilities to take on senior management and operations positions to ensure the continuity of our business. Although we have competitive remuneration packages in place and a succession plan, there is no assurance that we would be able to retain the services of our Managing Director, Executive Director and Key Senior Management.

## 9. RISK FACTORS (CONT'D)

### 9.1.12 We are subject to foreign exchange fluctuation risks which may impact the profitability of our Group

In FPE 2023, we are exposed to foreign exchange fluctuation risks as part of our revenue and purchases were transacted in foreign currencies. In FPE 2023, RM6.36 million or 4.59% of our total revenue were transacted in USD and RM0.67 million or 0.54% of our total purchases were transacted in SGD. Meanwhile, in FYE 2020, FYE 2021, and FYE 2022, none of our revenue and purchases were transacted in foreign currencies.

Moving forward, we may continue to generate sales and make purchases in foreign currencies. As at LPD, we do not use any financial instrument to hedge our exposure against transactions in foreign currencies. Should this exposure become substantial in the future, we may need to enter into derivative contracts with financial institutions to minimise the impact of foreign exchange fluctuations. Nevertheless, there can be no assurance that any future fluctuations in exchange rates will not have a material and adverse effect on our financial conditions and our profitability.

## 9.2 RISKS RELATING TO OUR INDUSTRY

### 9.2.1 We are subject to risks inherent in the construction industry

We are involved in the provision of power distribution systems for industrial buildings, substations as well as commercial and residential buildings which are part of the construction industry. As we will continue to operate within this industry, our business is subject to the inherent risks in the construction industry, which include, among others, the following:

(i) General economic conditions, where a slowdown in the economy may cause an increase in unemployment, low or no wage increases, reduction in consumer wealth and confidence as well as deterioration in business conditions and confidence resulting in a lower demand for industrial, commercial or residential property investments and purchases thus negatively affecting the construction industry;

(ii) shortage of labour and increases in labour costs resulting in delays in construction and higher project costs;

(iii) increase in material costs which may result in lower margins and/or higher prices of construction and properties; and

(iv) changes in lending policies and practices by financial institutions which would affect building owners' ability to obtain adequate funds for construction.

Risks inherent in the construction industry affects operators involved in the development of power distribution system at end-user premises as most of such projects are for new properties such as industrial, commercial and residential developments.

### 9.2.2 We are subject to the demand and performance of end-user industries

As an electrical engineering service provider focusing on providing power distribution systems to end-user premises, particularly the semiconductor, medical devices and electronic products industries, we are dependent on the demand and performance of the operators in these end-user industries. For the Financial Years and Period Under Review, we were dependent on the operators in the semiconductor, medical devices and electronic products industries as our major source of revenue, as demonstrated by our revenue contribution from these industries. Our revenue contribution from semiconductor, medical devices and electronic products industries cumulatively accounted for 21.90% (RM6.87 million), 80.88% (RM81.25 million), 93.45% (RM100.53 million) and 83.86% (RM116.21 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

## 9. RISK FACTORS (CONT'D)

As we have no control over the prospects and success of operators in these industries, our financial performance may be adversely affected if operators in these industries experience an economic downturn or low demand for their products, which affects their capital investment decisions. Nevertheless, for the Financial Years and Period Under Review, our Group's revenue has increased from RM31.39 million to RM100.46 million, RM107.57 million and RM138.58 million in FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

Any downturn in the performance of the semiconductor, medical devices and electronic products industries or any development in the political, economic and regulatory environment where our customers operate or serve will have a negative impact on the demand for our services. In the event we are unable to secure new contracts or projects from operators in these industries, may adversely affect our business operations and financial performance.

### 9.2.3 We are subject to competition from other electrical engineering companies

We are registered as a Class A electrical contractor with ST and registered with CIDB as a G7 contractor for M&E engineering works. As of 18 December 2023, there are 7,392 electrical contractors registered with ST, of which 1,227 of them are Class A electrical contractors who can undertake electrical work with no restrictions in value. As for CIDB, there are 1,938 registered M&E contractors focusing on medium and high voltage electrical works including installation as well as underground and overhead cabling works, of which 796 of them are G7 contractors as of 18 December 2023 (*Source: IMR Report*).

Our competitors may have a longer track record, more financial and skilled personnel resources and other advantages compared to us. The existence of competition would also result in competitive pressure on various aspects including pricing and timing of project completion. Although we have our competitive advantages, there is no assurance that we will be able to compete effectively against our peers. In the event we are unable to remain competitive or unable to build on our competitive advantages and key strengths moving forward, our prospects and financial performance may be adversely affected. Please refer to Section 7.3 of this Prospectus for further details on our competitive advantages and key strengths.

### 9.2.4 We are subject to economic, social, political and regulatory risks in Malaysia as well as the occurrence of force majeure events such as global pandemic risks

Any adverse changes in the political, social, economic and regulatory conditions in Malaysia may harm our business operations and financial performance. Our business is also susceptible to the risks of any outbreak of diseases that could result in localised epidemics or pandemics causing interruptions in our business operations while adversely affecting our financial performance. Please refer to Section 7.10.1 of this Prospectus for further details on the adverse impact of the COVID-19 pandemic.

Changes in the political, social, economic and regulatory conditions could arise from, among others, changes in political leadership, geopolitical events, general economic and business conditions, fluctuations in interest rates, acts of terrorism, riots, wars and/or sanctions, prolonged pandemic or the emergence of new epidemics or pandemics, expropriation or nationalisation, fiscal and monetary policies such as inflation, deflation, methods of taxation, tax policies, repatriation of profits, foreign worker levy and exchange control measures, unemployment trends, deterioration of international bilateral relationships, and other matters that may influence consumer and business confidence and spending.

Some of our customers, as well as addressable customer groups, are dependent on global demand for their products and events that affect directly or indirectly their business operations and financial conditions. As such, our business prospects are also directly and indirectly affected by global events such as, among others, geopolitical events, financial crises, trade conflicts and sanctions, technological changes and shifts in consumer trends and behaviour.

## 9. RISK FACTORS (CONT'D)

As a result, this may cause our addressable customer group to revise, defer, halt or abandon their development or expansion plans. As such, there can be no assurance that any adverse economic, social, political, and regulatory developments which are beyond our control, will not materially affect our business operations and financial performance.

### 9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

#### 9.3.1 There has been no prior market for our Shares

Prior to our Listing, there has been no public market for our Shares. Hence, there is no assurance that upon Listing, an active market for our Shares will develop, or, if developed, that such market can be sustained. The IPO Price was determined after taking into consideration a number of factors including but not limited to our business strategies and our financial and operating history.

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

#### 9.3.2 The trading price and volume of our Shares upon Listing may be volatile

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

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

(i) material variations in our financial results and operations;

(ii) success or failure of our management in implementing future plans, and business and growth strategies;

(iii) gain or loss of an important business relationship;

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

(v) changes in conditions affecting our industry, the prevailing global and local economic conditions or stock market sentiments or other events or factors;

(vi) changes in market valuations and share prices of companies with similar businesses to our Group that may be listed on Bursa Securities;

(vii) additions or departures of key personnel;

(viii) fluctuations in stock market prices and volumes;

(ix) involvement in claims, litigation, arbitration or other form of dispute resolution; or

(x) general operational and business risks.

## 9. RISK FACTORS (CONT'D)

### 9.3.3 There may be a potential delay to or failure 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 for the Listing and / or admission for whatever reason; or

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

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

(a) 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 the Company shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or

(b) 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 allotment and issuance of our IPO Shares:

(aa) 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, the Company shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or

(bb) 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:

- the sanction of our shareholders by special resolution in a general meeting, supported by 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

- the sanction of our shareholders by special resolution in a general meeting, supported by a solvency statement from our Directors.

## 9. RISK FACTORS (CONT'D)

### 9.3.4 The interest of our Specified Shareholders who control our Group may not be aligned with the interest of our other shareholders

Our Specified Shareholders will collectively hold 62.63% of our enlarged number of issued Shares upon Listing. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group including the election of Directors, the timing and payment of dividends as well as having substantial voting control over our Group and as such, will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they and persons connected with them are required to abstain from voting either by law, relevant guidelines or regulations. Therefore, there is a risk of non-alignment of interests by our Specified Shareholders with those of our other shareholders.

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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.

### 10.1.1 Material Related Party Transactions

Save for the Acquisition of Hexatech Engineering and as disclosed below, our Group has not entered into nor proposes to enter into any material related party transactions for the Financial Years and Period Under Review, and for the subsequent financial period up to the LPD:

| No. | Transacting parties | Nature of relationship | Nature of transaction | FYE 2020 RM'000 | FYE 2021 RM'000 | FYE 2022 RM'000 | FPE 2023 RM'000 | From 1 September 2023 up to the LPD RM'000 |
|---|---|---|---|---|---|---|---|---|
| 1. | • Hexatech Engineering<br>• HEC | • Hexatech Engineering is a wholly-owned subsidiary of HE Group<br>• HEC is a major shareholder of HE Group<br>• Yong Chong Cheang is a director and a major shareholder of HEC, having a 90.00% direct equity interest | (i) Sale of electrical products by Hexatech Engineering to HEC | 208.64 (0.66% of the Group's revenue) | - | - | - | - |
| | | | (ii) Purchase of electrical product by Hexatech Engineering from HEC | - | 29.79 (0.03% of the Group's cost of sales) | 1.11 (0.001% of the Group's cost of sales) | - | - |

## 10. RELATED PARTY TRANSACTIONS (CONT'D)

| No. | Transacting parties | Nature of relationship | Nature of transaction | FYE 2020 RM'000 | FYE 2021 RM'000 | FYE 2022 RM'000 | FPE 2023 RM'000 | From 1 September 2023 up to the LPD RM'000 |
|---|---|---|---|---|---|---|---|---|
| | | | (iii) Services rendered by HEC to Hexatech Engineering on project management [(1)] | 27.60 (0.10% of the Group's cost of sales) | 408.90 (0.46% of the Group's cost of sales) | - | - | - |
| | | | (iv) Administrative fees [(2)] charged by HEC to Hexatech Engineering | 81.38 (4.19% of the Group's PBT) | 82.39 (9.51% of the Group's PBT) | 10.34 (0.14% of the Group's PBT) | - | - |
| | | | (v) Administrative fees [(3)] charged by Hexatech Engineering to HEC | - | - | 20.00 (0.25% of the Group's PBT) | - | - |
| 2. | • Hexatech Engineering<br>• Mepcon Sdn Bhd ("**Mepcon**") | • Hexatech Engineering is a wholly-owned subsidiary of HE Group<br>• Mepcon was wholly-owned by HEC previously[(7)] | (i) Sale of electrical products and electrical equipment hook-up and retrofitting services by Hexatech Engineering to Mepcon | 4,271.07 (13.61% of the Group's revenue) | 3,282.54 (3.27% of the Group's revenue) | 536.71 (0.50% of the Group's revenue) | - | - |

## 10. RELATED PARTY TRANSACTIONS (CONT'D)

| No. | Transacting parties | Nature of relationship | Nature of transaction | FYE 2020 RM'000 | FYE 2021 RM'000 | FYE 2022 RM'000 | FPE 2023 RM'000 | From 1 September 2023 up to the LPD RM'000 |
|---|---|---|---|---|---|---|---|---|
| | | • HEC is a major shareholder of HE Group | (ii) Subcontract work rendered by Mepcon to Hexatech Engineering | 4,818.77 (17.31% of the Group's cost of sales) | 6,656.90 (7.41% of the Group's cost of sales) | 1,425.97 (1.54% of the Group's cost of sales) | - | - |
| | | • Yong Chong Cheang is a major shareholder of HE Group, and was a director of Mepcon previously | (iii) Lease rental and other related expenses [4] charged by Mepcon to Hexatech Engineering | 39.30 (2.02% of the Group's PBT) | 68.74 (1.25% of the Group's PBT) | 110.51 (1.38% of the Group's PBT) | 30.00 (0.30% of the Group's PBT) | - |
| | | | (vi) Administrative fees [3] charged by Hexatech Engineering to Mepcon | - | - | 20.00 (0.25% of the Group's PBT) | - | - |
| 3. | • Hexatech Engineering<br>• Simosynergy | • Hexatech Engineering is a wholly-owned subsidiary of HE Group<br>• HEC is a major shareholder of HE Group and | (i) Supply of electrical products and retrofitting services by Hexatech Engineering to Simosynergy | 172.70 (0.55% of the Group's revenue) | 5.87 (0.01% of the Group's revenue) | 1,476.75 (1.37% of the Group's revenue) | 10.00 (0.01% of the Group's revenue) | 199.87 |

## 10. RELATED PARTY TRANSACTIONS (CONT'D)

| No. | Transacting parties | Nature of relationship | Nature of transaction | FYE 2020 RM'000 | FYE 2021 RM'000 | FYE 2022 RM'000 | FPE 2023 RM'000 | From 1 September 2023 up to the LPD RM'000 |
|---|---|---|---|---|---|---|---|---|
| | | having a 60.00% direct equity interest in Simosynergy | (ii) Purchase of switchgear by Hexatech Engineering from Simosynergy | 0.97 (0.003% of the Group's cost of sales) | 2,714.58 (3.02% of the Group's cost of sales) | 604.41 (0.65% of the Group's cost of sales) | [9] 8,009.45 (6.53% of the Group's cost of sales) | 1.52 |
| | | • Yong Chong Cheang is a director and a major shareholder of HEC, having a 90.00% direct equity interest | (iii) Administrative fees [3] charged by Hexatech Engineering to Simosynergy | - | - | 50.00 (0.63% of the Group's PBT) | - | - |
| | | • Haw Chee Seng and Eng Choon Leong are Directors and major shareholders of HE Group | (iv) Rental income received from Simosynergy [5] | 96.00 (4.94% of the Group's PBT) | 96.00 (1.75% of the Group's PBT) | 96.00 (1.20% of the Group's PBT) | 64.00 (0.64% of the Group's PBT) | 8.00 |
| | | • Haw Chee Seng and Eng Choon Leong are shareholders of Simosynergy, each having a 5.00% direct equity interest | (v) Sale by Hexatech Engineering to Simosynergy of a single-storey detached factory [6] | - | - | 4,800.00 | - | - |
| | | | (vi) Rooftop rental charged by Simosynergy to Hexatech Engineering | - | - | - | - | 5.00 |

## 10. RELATED PARTY TRANSACTIONS (CONT'D)

| No. | Transacting parties | Nature of relationship | Nature of transaction | FYE 2020 RM'000 | FYE 2021 RM'000 | FYE 2022 RM'000 | FPE 2023 RM'000 | From 1 September 2023 up to the LPD RM'000 |
|---|---|---|---|---|---|---|---|---|
| 4. | • Hexatech Engineering<br>• Hexatech Solutions Sdn Bhd *(now known as HX Solutions Sdn Bhd)* ("**HX Solutions**") | • Hexatech Engineering is a wholly-owned subsidiary of HE Group<br>• HEC is a major shareholder of HE Group<br>• Yong Chong Cheang is a director and a major shareholder of HEC, having a 90.00% direct equity interest<br>• HX Solutions was 60% owned by HEC previously(8) | (i) Subcontract work rendered by HX Solutions for maintenance work to Hexatech Engineering | 40.29 (0.14% of the Group's cost of sales) | 21.40 (0.02% of the Group's cost of sales) | 110.65 (0.12% of the Group's cost of sales) | - | - |
| | | | (ii) Administrative fees (3) charged by Hexatech Engineering to HX Solutions | - | - | 20.00 (0.25% of the Group's PBT) | - | - |

## 10. RELATED PARTY TRANSACTIONS (CONT'D)

**Notes:**

(1) Tang Kok Wai, our Project and Technical Director, as well as another 2 engineers were assigned to our Group (which they were under the employment of HEC at the time) to assist in overseeing and managing power distribution system projects which was secured by our Group.

(2) Administrative fees include management services such as human resources, accounting and finance and corporate secretary services, as the provision of these services were carried out by staff attached to HEC during the Financial Years Under Review. It also includes the charge back of staff insurance coverage and utilities charges. Effective from 1 March 2022, HEC had ceased to provide management services to our Group. Moving forward, these services will be carried out by our staff.

(3) Administrative fees include human resources and accounting and finance services, as the provision of these services were temporarily carried out by staff attached to Hexatech Engineering during FYE 2022 for a short interim period following their resignation from HEC.

(4) Lease rental for an office in Puchong, Selangor and other related expenses such as security charges, utilities charges, and other related expenses.The lease rental has been terminated on 31 March 2023. The monthly lease rental for the office during the Financial Years Under Review is as below:

| FYE | Monthly lease rental (RM) | Purposes |
|---|---|---|
| 2020 | (i) 2,750.00 (January – May)<br>(ii) 3,650.00 (June – December) | (i) Monthly rental for office (2,089 sq. ft.)<br>(ii) Monthly rental for office (2,089 sq. ft.) and storage |
| 2021 | (i) 3,832.50 (January – May)<br>(ii) 4,132.50 (June – December) | (i) Monthly rental for office (2,089 sq. ft.) and storage<br>(ii) Monthly rental for office (2,089 sq. ft.), storage and basement storage |
| 2022 | (i) 4,132.50 (January – July)<br>(ii) 10,000.00 (August – December) | (i) Monthly rental for office (2,089 sq. ft.), storage and basement storage<br>(ii) Monthly rental for office (7,192 sq. ft.), 6 parking lots, basement store and inclusive of other related expenses such as security charges, utility charge, and other related expenses |
| 2023 | 10,000.00 (January - March) | Monthly rental for office (7,192 sq. ft.), 6 parking lots, basement store and inclusive of other related expenses such as security charges, utility charge, and other related expenses |

## 10. RELATED PARTY TRANSACTIONS (CONT'D)

(5) Simosynergy had rented Lot 7743 for a term of 1 year commencing from 1 July 2017 until 30 June 2018 with the option to yearly renewal pursuant to a tenancy agreement dated 1 July 2017 between Hexatech Engineering (as landlord) and Simosynergy (as tenant). The tenancy agreement was renewed for 5 consecutive years until 30 June 2023 and was further renewed until 30 September 2023. The monthly rental is RM8,000.00. The landlord may terminate the tenancy agreement at any time before expiry date by giving 2 months prior written notice.

(6) Sale and purchase agreement dated 19 December 2022 as supplemented by a letter dated 30 December 2022 entered into between Hexatech Engineering (as vendor) and Simosynergy (as purchaser) for the disposal of Lot 7743 at purchase price of RM4,800,000.00, which was arrived at a willing-buyer willing-seller basis after taking into consideration the market value of Lot 7743 of RM4,800,000.00 as appraised by an independent valuer. Pursuant to the supplemental letter dated 30 December 2022, it was agreed that the rooftop solar PV system does not form part of the property to be disposed and shall remain as property of Hexatech Engineering. As at LPD, the disposal of Lot 7743 has been completed on 14 September 2023.

(7) HEC had disposed of its entire equity interest in Mepcon to third parties on 17 March 2023.

(8) HEC had disposed of its entire equity interest in HX Solutions to third parties on 22 December 2022.

(9) During FPE 2023, the purchase of switchgear by Hexatech Engineering from Simosynergy amounting to RM8.01 million is in relation to a purchase of Siemens switchgears for Customer C which was based on the customer's requirement for its project.

In relation to item 3(iv) above, our Directors do not deem that the transaction was carried out on arms' length basis in view that the rental was below the market rate taking into consideration Hexatech Engineering and Simosynergy are commonly held by HEC. However, as set out in item 3(v) above, the disposal of Lot 7743 has been completed on 14 September 2023. Lot 7743 has been transferred by Hexatech Engineering to Simosynergy on the same date.

Save for the above, our Directors confirm that all the other related party transactions between our Group and our Directors and/or major shareholders of our Company and/or persons connected to them were transacted on an arm's length basis and on normal commercial terms which are not unfavourable to our Group and are not detrimental to our minority shareholders.

After our Listing, 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 can be 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. In the event there are any proposed related party transactions that require prior approval of our shareholders, our Directors, major shareholders and / or persons connected with them who have any direct or indirect interest in the proposed related party transactions shall abstain from deliberation and voting on resolution(s) pertaining to the respective transactions. Under the Listing Requirements, related party transactions may be aggregated to determine its materiality if the transactions occurred within a 12-month period, are entered into with the same party or with parties related to one another or if the transactions involved the acquisition or disposal of securities of interests in one corporation / asset or of various parcels of land contiguous to each other.

## 10. RELATED PARTY TRANSACTIONS (CONT'D)

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 terms not more favourable to the related party than those generally available to the third parties dealing at arm's length basis with our Group and are not to the detriment to our minority shareholders. Our Group will seek such relevant shareholders' approval where required. We 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 our Group during the financial year and in the annual reports for the subsequent financial years.

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

Our Directors have confirmed that there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Company and/or our Subsidiary was a party in the Financial Years and Period Under Review and up to the LPD.

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## 10. RELATED PARTY TRANSACTIONS (CONT'D)

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

Save as disclosed below, there are no outstanding loans (including guarantees of any kind) and/or financial assistance that have been granted by our Company and/or our subsidiary to or for the benefit of the related parties for the Financial Years and Period Under Review and up to the LPD.

| | | | | Outstanding amount as at | | | | |
|---|---|---|---|---|---|---|---|---|
| **No.** | **Transacting parties** | **Nature of relationship** | **Nature of transaction** | **31 December 2020 RM'000** | **31 December 2021 RM'000** | **31 December 2022 RM'000** | **31 August 2023 RM'000** | **LPD RM'000** |
| 1. | • Hexatech Engineering<br>• HEC | • Hexatech Engineering is a wholly-owned subsidiary of HE Group<br>• HEC is a major shareholder of HE Group<br>• Yong Chong Cheang is a director and a major shareholder of HEC, having a 90.00% direct equity interest | Advances provided by Hexatech Engineering to HEC for working capital purposes | 2,000 | 2,000 | - | - | - |

Our Directors confirm that the advances outlined above were not made on an arm's length basis as they were interest-free, unsecured and repayable on demand. As at LPD, these advances were fully paid. Moving forward, our Group has put in place strict internal control and compliance procedures in relation to advances and loans to third parties, and no further advances or loans will be given to any related parties of our Group unless such advances and loans are permitted under applicable law and the Listing Requirements and brought to our Audit Committee and our Board for deliberation and approval.

## 10. RELATED PARTY TRANSACTIONS (CONT'D)

### 10.4 LOANS AND/OR FINANCIAL ASSISTANCE FROM RELATED PARTIES TO OUR GROUP

The substantial shareholders of HE Group, namely, Haw Chee Seng, Eng Choon Leong and HEC have provided joint and several personal guarantees and corporate guarantees respectively for certain outstanding banking facilities extended by Malayan Banking Berhad, Public Bank Berhad, CIMB Bank Berhad, United Overseas Bank (Malaysia) Berhad and Alliance Bank Malaysia Berhad ("**Financiers**") to our Group. The aggregate amount of banking facilities secured by HEC as at LPD is approximately RM0.50 million while the aggregate amount of banking facilities secured by Haw Chee Seng and Eng Choon Leong collectively as at LPD is approximately RM59.42 million.

We have applied to the Financiers to discharge the guarantees by substituting the same with a corporate guarantee from the Company and/or other securities from our Group acceptable to the Financiers. Until such discharge and substitution of guarantees have been implemented by the Financiers, our relevant substantial shareholders will continue to guarantee the banking facilities extended to our Group.

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

### 10.5 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

#### 10.5.1 Audit and Risk Management Committee review

Our Audit and Risk Management Committee assesses the financial risk and matters relating to related party transactions and conflict of interest situation that arose, persist or may arise within our Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity, and the measures taken to resolve, eliminate or mitigate such conflict. Our Audit and Risk Management Committee maintains and periodically reviews the adequacy of the procedures and processes set by our Company to monitor related party transactions and conflicts of interest. It also sets the procedures and processes to ensure that transactions are carried out in the best interest of our Company on normal commercial terms that are industry norms and not more favourable to the related party than those generally available to third parties dealing at arm's length, and are not to the detriment of the interest of our Company's minority shareholders. Amongst others, the related parties and parties who are in a position of conflict with the interest of our Group will be required to abstain from deliberations on the transactions.

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

#### 10.5.2 Our Group's policy on related party transactions and conflicts of interest

It is the policy of our Group that all related party transactions and conflicts of interest must be immediately and fully disclosed by our interested or conflicted Directors or substantial shareholders to the management for reporting to our Audit and Risk Management Committee. Any related party transactions must be reviewed by our Audit and Risk Management Committee to ensure that they are negotiated and agreed upon in the best interest of our Company on an arm's length basis, and are based on normal commercial terms not more favourable to the related party than those generally available to third parties, and are not to the detriment of the interest of our Company's minority shareholders.

## 11. CONFLICT OF INTEREST

### 11.1 CONFLICT OF INTEREST

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

| Business Corporation | Principal Activity | Nature | Interested directors and/or substantial shareholders | Nature of interest |
|---|---|---|---|---|
| Simosynergy | To carry on the business of manufacturer of switchgear, electrical and electronic appliances and apparatus. | Simosynergy is our Group's supplier for switchgears and other ancillary parts | HEC, Haw Chee Seng, Eng Choon Leong and Yong Chong Cheang | (i) Haw Chee Seng and Eng Choon Leong are our Directors and substantial shareholders and the substantial shareholders of Simosynergy; and<br><br>(ii) HEC and Yong Chong Cheang are our substantial shareholders and the substantial shareholders of Simosynergy.(1) |

**Note:**

(1) Yong Chong Cheang is deemed interested in Simosynergy by virtue of his interest in HEC pursuant to Section 8 of the Act.

Our Board confirms that any potential conflict of interest situation which may arise through the interests of HEC, Haw Chee Seng, Eng Choon Leong and Yong Chong Cheang in Simosynergy as described above has been mitigated on the basis that:

(a) As at LPD, HEC, Haw Chee Seng, Eng Choon Leong and Yong Chong Cheang are not involved in the day-to-day management and operation of Simosynergy, which is currently managed by the managing director of Simosynergy, How Seck Wan together with his own independent management team;

(b) HEC, Haw Chee Seng, Eng Choon Leong and Yong Chong Cheang will abstain from deliberations and voting in their capacity as shareholders of Simosynergy and HE Group, on all resolutions pertaining to any future transactions involving Simosynergy and our Group;

(c) Simosynergy is not in competition with our Group and there is a clear delineation of business activities because Simosynergy is principally involved in the business of manufacturing of switchgear, electrical and electronic appliances and apparatus whilst our Group is principally involved in the provision of power distribution system, other building systems and works, hook-up and retrofitting of electrical equipment and trading. Further, Simosynergy and our Group are operating in different levels of the supply chain where Simosynergy is involved in the manufacturing sector whereas our Group is providing electrical engineering services; and

## 11. CONFLICT OF INTEREST (CONT'D)

(d) Yong Chong Cheang is not a director of any company within our Group and he is not involved in the day-to-day management and operation of our Group.

As set out in Section 10.5.1 of this Prospectus, our Audit and Risk Management Committee will review any conflict of interest situation that may arise within our Company or our Group including any transaction, procedure or course of conduct that raises questions on management integrity. Our Audit and Risk Management Committee will also ensure that any such transactions are carried out on terms that are not detrimental to our Group.

Notwithstanding the above, the interests that are held by our Directors and substantial shareholders and the interests that may be held by our Directors and substantial shareholders in the future in other businesses or corporations which carry on a similar trade as that of our Group or which are our customers or suppliers may give rise to a conflict of interest situation with our business. Where such interests give rise to a conflict of interest situation, our Directors and substantial shareholders and persons connected to them shall abstain from deliberating and voting on the resolutions relating to these matters or transactions that require the approval of our shareholders in respect of their direct or indirect interests. Such transactions will be carried out on arm's length basis and on normal commercial terms.

### 11.2 DECLARATION BY ADVISERS ON CONFLICT OF INTEREST

#### 11.2.1 Principal Adviser, Sponsor, Sole Underwriter and Placement Agent

AIS and / or its related companies ("**Alliance Banking Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking and credit transaction services business. The Alliance Banking Group has engaged and may in the future, engage in transactions with and perform services for our Group and / or our Group's affiliates, in addition to the roles set out in this Prospectus. In addition, in the ordinary course of business, any member of the Alliance Banking Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with any member of our Group, our shareholders, and / or our affiliates and / or any other entity or person, hold long or short positions in securities issued by our Group and / or our affiliates, and may trade or otherwise effect transactions for its own account or account of its other customer in debt or equity securities or loans of any member of our Group and / or our affiliates. This is the result of the businesses of Alliance Banking Group generally acting independently of each other and accordingly, there may be situations where parts of the Alliance Banking Group now have or in the future, may have an interest or take actions that may conflict with the interest of our Group. Nonetheless, Alliance Banking Group is required to comply with the applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities and Chinese wall between different business divisions.

For information, Alliance Banking Group has offered a banking facility amounting to RM4.12 million to our Group and the utilisation of the banking facility is subject to completion of legal documentation. The banking facility offered by Alliance Banking Group represents 25.93% of the audited NA of our Group as at 31 December 2022, and 0.06% of the latest available audited consolidated NA of Alliance Bank Malaysia Berhad as at 31 March 2023.

## 11. CONFLICT OF INTEREST (CONT'D)

AIS has confirmed that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Sole Underwriter and Placement Agent to our Group in relation to the Listing as the abovementioned total outstanding financing owed by our Group is not material as compared to the consolidated NA of Alliance Bank Malaysia Berhad. The Underwriting Agreement which salient terms are set out in Section 4.7 of this Prospectus, was entered into on arm's length basis and on market terms.

### 11.2.2 Solicitors to our Company

Cheang & Ariff has confirmed that there is no existing or potential conflict of interest in its capacity as the Solicitors in relation to the Listing.

### 11.2.3 Auditors and Reporting Accountants

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

### 11.2.4 Independent Business and Market Research Consultants

Vital Factor confirms that there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher in relation to the Listing.

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