## 7. BUSINESS OVERVIEW *(Cont'd)*

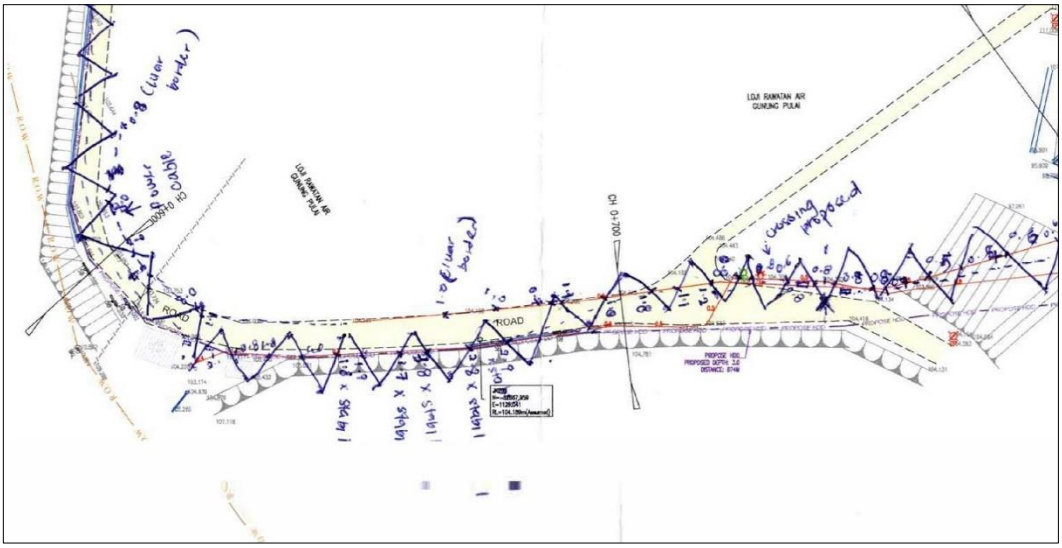
### (ii) Trial pit boring

Trial pits are bored at regular intervals along the proposed route to determine ground conditions and verify the presence of other underground utilities. This allows us to determine whether the proposed route is suitable for our HDD works. Trial hole tapping is a cost-effective method which requires minimal machinery and increases the success rate of the eventual HDD works to be undertaken.

### (iii) Passive live tracing or tracing zigzag

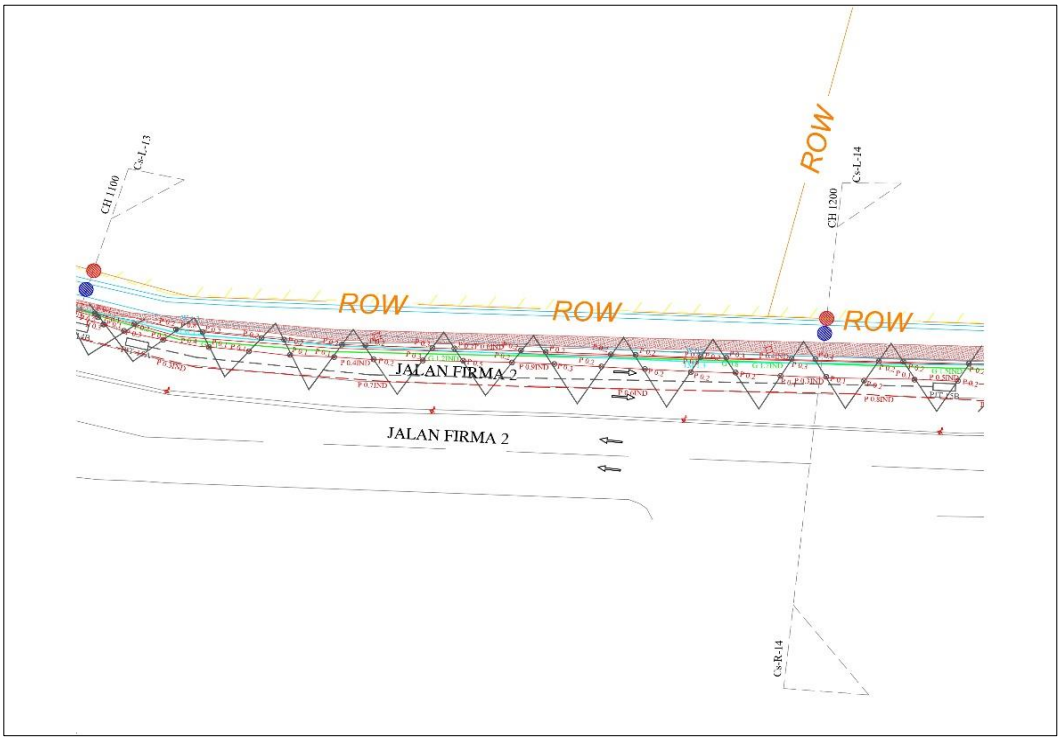
The passive live cable tracing is done using the PCL and 50 Hz frequency to identify the location and depth of buried live power cables underground. Video of the passive live tracing in zigzag motion along with the alignment of the utility detected are recorded as result of the tracing activity.

The zigzag drawing is first sketched on site during tracing activity on UDM layout plan, where data of sonde and induction found on site are collated. Thereafter, the final zigzag drawing is produced using AutoCAD software for submission to TNB, as supporting documentation that underground utilities survey works have been performed to identify existing buried live power cables underground prior to the commencement of underground utilities engineering works.




Example of a zigzag sketch done on the UDM during tracing zigzag

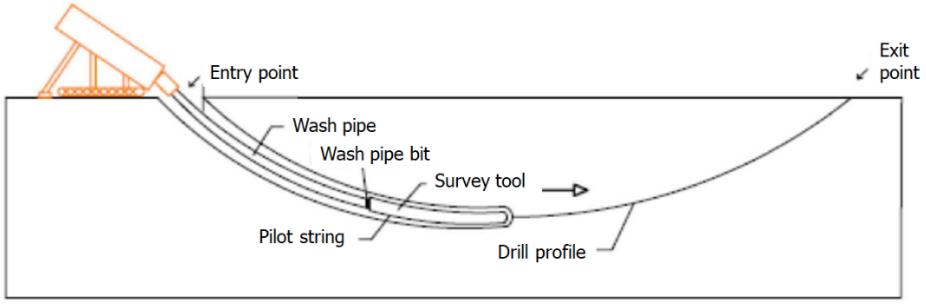
## 7. BUSINESS OVERVIEW *(Cont'd)*




Example of final drawing zigzag for submission to TNB

The stages of the HDD installation method are as follows:

**(i) Drill pilot bore**

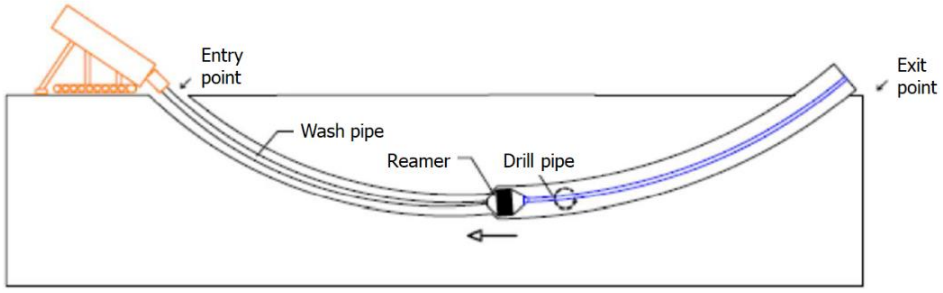



Cross section view of drilling pilot bore process

A small entrance that is called the 'start pit' is dug as the entry point. Then, a small-diameter bore is drilled along the pre-determined drill path using the drill tool of the HDD machine to reach the 'target pit' (being the exit point) where the product pipe is to be pulled. Slurry is emitted from the jets into the drill tool and forced through the ground to form a pilot bore. The removed soil is transported along the pilot bore to the 'start pit' via the slurry mixture. Throughout the drilling process, the operator has control over steering the drill head in a straight line or in any selected direction, depending on the drill path, using the locating system.

## 7. BUSINESS OVERVIEW *(Cont'd)*

### (ii) Pre-ream

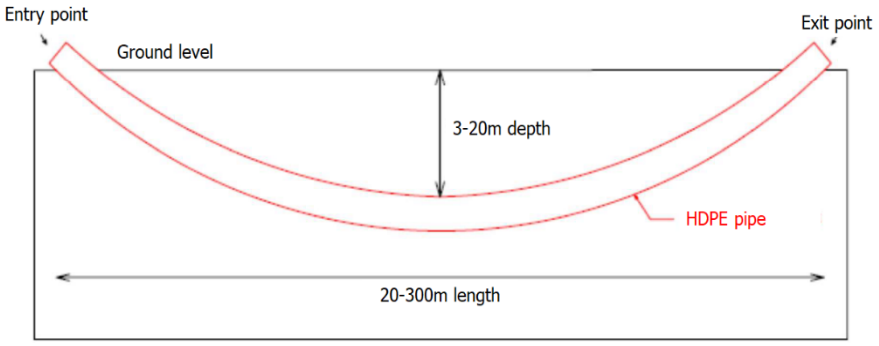



Cross section view of pre-reaming process

Upon reaching the 'target pit', the drill head is removed from the wash pipe in the 'target pit' and replaced with the back reamer. The back reamer is pulled back to the 'start pit' and rotated while pumping slurry to widen the initial pilot bore to the intended tunnel size such that the product pipeline can be installed. If needed, numerous back reamers of gradually larger diameters are used to ensure the bore is large enough for the installation of product pipeline.

### (iii) Pullback pipe

The product pipe to be installed is attached to a swivel, which is then attached to the back reamer. The swivel prevents the turning of the wash pipe from twisting the product pipeline. The back reamer is then retracted with rotation and mud and the product pipe is pulled back from the 'target pit' to the 'start pit'.




General profile of a product pipeline installation process using the HDD method

## 7. BUSINESS OVERVIEW *(Cont'd)*

The major components of the HDD system are as follows:

(a) Field power unit (FPU)

The field power unit provides hydraulic, pneumatic and electric connection to the high-pressure drilling fluid.

(b) Radio detection unit

The radio detection unit is used to investigate and locate any hidden obstacles such as undetected cables or utility pipelines along the proposed drill path.

(c) HDD machine

The HDD machine is used at all phases of the drilling process. HDD machines are generally categorised by the size (diameter), forward thrust, pullback rate and rotational torque of the drill head.

(d) Drill pipe

The drill pipe, also known as drill rod, is a hollow pipe that allows slurry to be pumped to the drill head for the fluid jet cutting operation. The drill pipe has to withstand severe stresses relating to the rotational torque, pushing, pulling and bending. The diameter of the drill pipe used is dependent on the size of the drill head. Wash pipe is a type of drill pipe with extra steel or HDPE casing for unstable soils.

(e) Slurry

Slurry, which is the drilling fluid, is a viscous mixture of water and bentonite. The slurry mixture provides necessary functions to the HDD process, such as establishing and maintaining the tunnel integrity, cooling the drill head, lubricating the tunnel, suspending the sediment particles and transporting them back to the surface as well as providing hydraulic power when drilling hard soils.

Slurry mixture that we use to establish and maintain tunnel integrity, cool drill head, lubricate tunnel, suspend sediment particles and transport back to the surface as well as provide hydraulic power when drilling hard soils

## 7. BUSINESS OVERVIEW *(Cont'd)*

(f) Back reamer

The back reamer is used to enlarge the pilot bore to a diameter that is large enough to accommodate the cable and pipeline. It has a series of jets, which produces sufficient mudflow and pressure to cut away and remove soil, widening the pilot bore to the desired diameter.

Reamer units of varying sizes affixed to HDD machines to enlarge pilot bore

(g) Locating system

The locating system is used to locate, track and guide the drill head such that it stays on the proposed drill path. The signal receiver above the ground, in combination with the transmitter located in the drill head, determines the position of the drill head such that steering directions can be provided to the machine operator to guide the drill head via the orientation of jet drill head.

Different models of underground location transmitter units that we utilise

## 7. BUSINESS OVERVIEW *(Cont'd)*

### (iv) As-built drawing development

Our Group uses a gyroscopic surveying tool which leverages on GPS to get the precise coordinate and elevation of the pipe at the HDD entry and exit pits. The gyroscopic tool is used to collect the as-built data of HDD pipe. The GPS coordinate is further checked by comparing it with the nearest boundary mark at site.

Tracing officers pulling the gyroscopic surveying tool from HDD exit pit

Tracing officers checking the coordinates using the boundary mark at site

Data obtained is processed using the gyroscopic surveying tool software for final results in Excel data, AutoCAD drawing, Google Earth image and HDD graph image.


An example of the data overlaid on Google Earth image for submission to TNB

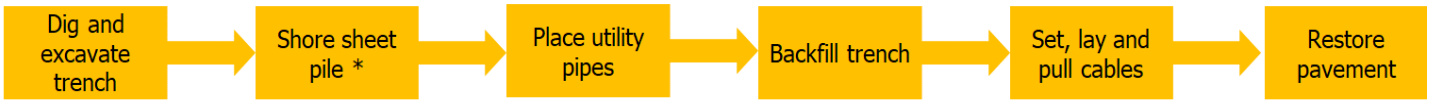
## 7. BUSINESS OVERVIEW *(Cont'd)*

**Open cut method**

Open trench excavation involves digging a pit of a specific depth in the surface of the ground along the specified route for the installation of each piece of pipeline. With the open trench excavation method, cables or pipes are installed underground at a depth close to the surface. This depth is typically up to 1.5m beneath ground level, or to the specifications of local authorities, or our customers.

We are able to install utilities/product pipelines that are of higher capacity (i.e. high number of cables and/or pipelines with wide diameter pipes) using this method.

We typically engage subcontractors to carry out the following activities in the open trench excavation method as follows:




* If necessary, based on project requirements

The open trench excavation method is a cost-effective method for cable or pipeline routes located in non-pavement or grass verge areas. If the route is located on paved areas, we will be required to restore the pavement after the cable laying work is completed. This may involve reconstruction of road, footpath or kerb, surface vegetation and reinstating all traffic signs and road markings to the original position.

**Micro trenching method**

Micro trenching is a technique for deploying cables (such as for broadband networks) in a cost effective manner. A micro trencher is a small rockwheel specially designed for work in urban areas. It is fitted with a cutting wheel that saws a micro-trench with smaller dimensions than the ones achieved with conventional trench digging equipment. The trench dimensions range from about 10mm to 50mm in width, and at maximum depths of 400mm.

Once the microtrencher is used to cut a tiny slot / pathway on the side of the road, our subcontractors install and lay the cables' protective ducts, through which fibre optic cables are pulled or pushed.

Finally, our subcontractors use applicators to fill the micro-trenches with resin. An ideal infill system will include 2 layers of resin. The first resin layer may be dyed bright orange as a dig-safe indicator. We then go over that layer with a second application of resin, which is pigmented to match the road colour. The result on the road section where the infill system is installed is a minimally visible reinstatement with a stronger bond than the initial asphalt's cohesive strength.

Our micro trencher being operated at a project site

## 7. BUSINESS OVERVIEW *(Cont'd)*

### 7.3.2 Manufacturing of HDPE pipes

We are also involved in the manufacturing of HDPE pipes to complement our underground utilities engineering solutions business segment. Approximately 70.0% of the HDPE pipes that we manufacture is primarily utilised in the underground utilities projects that we undertake locally, while the remaining is typically exported to Singapore to be utilised by main contractors of underground utilities projects. We also supply and distribute HDPE pipes on a purchase order basis as and when such business opportunities arise.

HDPE pipe is a type of flexible plastic pipe made from HDPE polymer. We typically use these HDPE pipes for electrical conduits and telecommunication conduits.

HDPE pipes generally have the following features:

- low weight;
- resistance to low temperatures, compressive stress and tension stress;
- high impact strength;
- resistant to environmental stress cracking (ESC);
- erosion resistant;
- chemical resistant;
- electrical insulation;
- low water absorption;
- high flow rate;
- easy to connect; and
- flexible and tough even at extremely low temperatures.

We manufacture HDPE pipes with material grade of PE80 and PE100 and pressure rating of PN10, PN12.5 and PN16 in the following diameters and lengths:

| | Drum | Piece | Coil |
|---|---|---|---|
| **Diameter (mm)** | 160 | 110, 160, 200 and 250 | 110 |
| **Length (m)** | 200 | 6 and 12 | 100 |

Our Group's HDPE pipes are certified compliant to the standards of ISO 4427-2:2019. ISO 4427-2:2019 states the requirements for a PE piping system and its components intended to be used in buried or above ground applications, for the conveyance of water for human consumption, raw water prior to treatment, drainage and sewerage under pressure, vacuum sewer systems, and water for other purposes. Our Group's HDPE pipes are also certified compliant to the standards of MS1058:Part2:2005, which specifies the characteristics of pipes made from PE intended for the conveyance of water for human consumption, including raw water prior to treatment. PPI was further certified compliant to the SIRIM 52:2022 standards in relation to PE smooth wall pipes for electrical cable installation by SIRIM QAS International Sdn Bhd. We implement QC and quality assurance procedures in our HDPE pipe manufacturing process. Please refer to Section 7.14 for further details on our quality management system as well as quality assurance measures of our Group.

## 7. BUSINESS OVERVIEW *(Cont'd)*

HDPE pipes finished products in piece form being stored at PPI prior to transportation to project site

HDPE pipes finished products in coil form being stored at PPI prior to transportation to project site

Line 2 pipe extrusion lines at PPI

## 7. BUSINESS OVERVIEW *(Cont'd)*

Line 1 pipe extrusion lines at PPI

View of mixing tower of pipe extrusion line, dried raw materials (being HDPE resin and masterbatches) will be loaded

Finished HDPE pipe pieces from the pipe extrusion lines

Raw material inventories (i.e. resin) for our pipe manufacturing activities

## 7. BUSINESS OVERVIEW *(Cont'd)*

Our Group's QC testing equipment include:

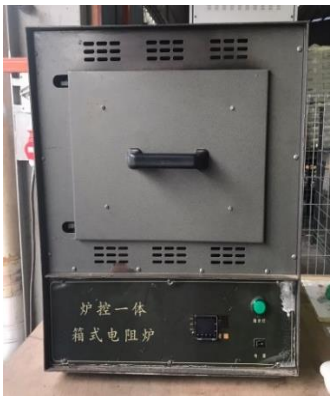
Electronic densimeter used for density test (maximum 200 grams)

Melt flow indexer used for melt flow rate test (maximum 400°C)

Forced convection oven used for longitudinal reversion test (maximum 250°C)

Tensile machine used for elongation at break, tensile strength and compression test (maximum 5,000 Newton)

Hydrostatic pressure testing machine used for hydrostatic test (0 – 20 megapascal)




Muffle furnace used for ash content test (up to 1000°C)

## 7. BUSINESS OVERVIEW *(Cont'd)*

### 7.3.3 Our ongoing and completed projects

#### (i) Ongoing projects

As at LPD, we have 101 ongoing projects with total contract value of RM423.7 million that is expected to be realised over the next 3 financial years. Out of this total contract value, RM223.4 million remains unbilled as at LPD.

From the abovementioned 101 projects with total contract value of RM423.7 million, the following table sets forth our ongoing projects over FYE 2021 to 2023 and FPE 2024 and up to LPD with contract value of RM2.0 million and above.

| Project details/ scope[1] | Role | Geographical market | Project owner | Customer | Industry | Commencement and expected completion period[2][3] | Contract value/ Balance contract value as at LPD[4] (RM million) | Stage of completion (% as at LPD) | FYE of balance contract value to be fully recognised |
|---|---|---|---|---|---|---|---|---|---|
| Laying of 33kV cables using HDD method for Pembangunan Aset Zon Johor | Subcontractor | Malaysia | TNB | Komasi Engineering | Electricity supply | March 2019 to June 2024 | 18.1/ 3.1 | 82.9 | FYE 2025 |
| Laying of 33kV cables and connection works for Unit Pembangunan Aset Negeri Sembilan, Distribution Network | Subcontractor | Malaysia | TNB | Komasi Engineering | Electricity supply | July 2019 to November 2024 | 47.5/ 13.2 | 72.2 | FYE 2025 |
| Laying of 11kV cables using HDD method for Zone J2 Unit Pembangunan Aset Johor | Subcontractor | Malaysia | TNB | Komasi Engineering | Electricity supply | September 2019 to December 2024 | 17.7/ 1.2 | 93.2 | FYE 2025 |

## 7. BUSINESS OVERVIEW *(Cont'd)*

| Project details/ scope[1] | Role | Geographical market | Project owner | Customer | Industry | Commencement and expected completion period[2][3] | Contract value/ Balance contract value as at LPD[4] (RM million) | Stage of completion (% as at LPD) | FYE of balance contract value to be fully recognised |
|---|---|---|---|---|---|---|---|---|---|
| Laying of 33kV cables and connection works for Unit Pembangunan Aset Zon Johor, Distribution Network | Subcontractor | Malaysia | TNB | Komasi Engineering | Electricity supply | January 2020 to March 2025 | 54.0/ 13.9 | 74.3 | FYE 2026 |
| Project development PPU (mobile) Tiara for Package 3 and 33kV cables laying and connection works at route of Majlis Bandaraya Johor Bahru | Subcontractor | Malaysia | TNB Energy Services Sdn Bhd | Sutera Utama | Electricity supply | June 2022 to August 2024 | 6.3/ 1.5 | 76.2 | FYE 2025 |
| Survey, construction and implementation of civil infrastructure, fibre optic cabling system and all related works of fibre optic infrastructure – Package 2 (Johor) | Subcontractor | Malaysia | Celcom Networks Sdn Bhd | Sutera Utama | Telecom-munications | July 2022 to November 2024 | 9.1/ 8.2 | 9.9 | FYE 2025 |

## 7. BUSINESS OVERVIEW *(Cont'd)*

| Project details/ scope[1] | Role | Geographical market | Project owner | Customer | Industry | Commencement and expected completion period[2][3] | Contract value/ Balance contract value as at LPD[4] (RM million) | Stage of completion (% as at LPD) | FYE of balance contract value to be fully recognised |
|---|---|---|---|---|---|---|---|---|---|
| Survey, construction and implementation of civil infrastructure, fibre optic cabling system and all related works of fibre optic infrastructure – Package 1 (Johor and Terengganu) | Subcontractor | Malaysia | Celcom Networks Sdn Bhd | Sutera Utama | Telecom-munications | August 2022 to November 2024 | 15.0/ 11.0 | 26.7 | FYE 2025 |
| Supply, delivery, installation, commissioning and maintenance of equipment and provision of outside plant and maintenance work (Johor) | Main contractor | Malaysia | Maxis Broadband Sdn Bhd | Maxis Broadband Sdn Bhd | Telecom-munications | June 2022 to December 2024 | [5]2.5/ 1.7 | 32.0 | FYE 2025 |

## 7. BUSINESS OVERVIEW *(Cont'd)*

| Project details/ scope[1] | Role | Geographical market | Project owner | Customer | Industry | Commencement and expected completion period[2][3] | Contract value/ Balance contract value as at LPD[4] (RM million) | Stage of completion (% as at LPD) | FYE of balance contract value to be fully recognised |
|---|---|---|---|---|---|---|---|---|---|
| Installation, testing and commissioning of 33kV cables and accessories for asset development all zones, Distribution Network Division, TNB - Mainhead E: Selatan (Johor and Melaka) | Subcontractor | Malaysia | TNB | Komasi Engineering | Electricity supply | January 2023 to January 2025 | 26.9/ 22.2 | 17.5 | FYE 2025 |
| Installation, testing and commissioning of 11kV cables and accessories for asset development all zones, Distribution Network Division, TNB – Mainhead E (Johor) | Subcontractor | Malaysia | TNB | Komasi Engineering | Electricity supply | December 2022 to December 2024 | 14.5/ 3.9 | 73.1 | FYE 2025 |

## 7. BUSINESS OVERVIEW *(Cont'd)*

| Project details/ scope[1] | Role | Geographical market | Project owner | Customer | Industry | Commencement and expected completion period[2][3] | Contract value/ Balance contract value as at LPD[4] (RM million) | Stage of completion (% as at LPD) | FYE of balance contract value to be fully recognised |
|---|---|---|---|---|---|---|---|---|---|
| Installation, testing and commissioning of 11kV cables and accessories for asset development all zones, Distribution Network Division, TNB - Mainhead E: South Zone 11kV (Johor and Melaka) | Subcontractor | Malaysia | TNB | Sutera Utama | Electricity supply | December 2022 to December 2024 | 29.1/ 20.2 | 30.6 | FYE 2025 |
| Survey, construction and implementation of civil infrastructure, fibre optic cabling system and all related works of fibre optic infrastructure – Package 3 (Terengganu) | Subcontractor | Malaysia | Celcom Networks Sdn Bhd | Sutera Utama | Telecom-munications | December 2022 to November 2024 | 13.0/ 10.5 | 19.2 | FYE 2025 |

## 7. BUSINESS OVERVIEW *(Cont'd)*

| Project details/ scope[1] | Role | Geographical market | Project owner | Customer | Industry | Commencement and expected completion period[2][3] | Contract value/ Balance contract value as at LPD[4] (RM million) | Stage of completion (% as at LPD) | FYE of balance contract value to be fully recognised |
|---|---|---|---|---|---|---|---|---|---|
| IM10 Package 3 for projects (i) Laying of 11kV cables and fibre optic cables from PPU Ulu Choh to Simpang Gelang Patah, Johor (ii) Spur feeder - Pub Gunung Pulai (iii) Spur feeder - Sri Pulai Granite | Subcontractor | Malaysia | TNB Energy Services Sdn Bhd | Komasi Engineering | Electricity supply | June 2023 to June 2024 | 3.8/ 1.5 | 60.5 | FYE 2025 |
| Installation, testing and commissioning of 33kV cables and accessories for asset development all zones, Distribution Network Division, TNB - Mainhead A: Timur (Terengganu and Kelantan) | Subcontractor | Malaysia | TNB | Komasi Engineering | Electricity supply | March 2024 to December 2025 | 22.0/ 21.4 | 2.7 | FYE 2026 |

## 7. BUSINESS OVERVIEW *(Cont'd)*

| Project details/ scope[1] | Role | Geographical market | Project owner | Customer | Industry | Commencement and expected completion period[2][3] | Contract value/ Balance contract value as at LPD[4] (RM million) | Stage of completion (% as at LPD) | FYE of balance contract value to be fully recognised |
|---|---|---|---|---|---|---|---|---|---|
| Installation, testing and commissioning of 11kV cables and accessories for asset development all zones, Distribution Network Division, TNB - Mainhead A (Kelantan) | Subcontractor | Malaysia | TNB | Komasi Engineering | Electricity supply | June 2023 to June 2025 | 13.0/ 7.5 | 42.3 | FYE 2026 |
| Installation, testing and commissioning of 33kV cables and accessories for asset development all zones, Distribution Network Division, TNB - Mainhead A: East Zone (Pahang) 33kV | Subcontractor | Malaysia | TNB | Sutera Utama | Electricity supply | April 2023 to April 2025 | 22.8/ 19.1 | 16.2 | FYE 2026 |

## 7. BUSINESS OVERVIEW *(Cont'd)*

| Project details/ scope[1] | Role | Geographical market | Project owner | Customer | Industry | Commencement and expected completion period[2][3] | Contract value/ Balance contract value as at LPD[4] (RM million) | Stage of completion (% as at LPD) | FYE of balance contract value to be fully recognised |
|---|---|---|---|---|---|---|---|---|---|
| Installation, testing and commissioning of 33kV cables and accessories for asset development all zones, Distribution Network Division, TNB - Mainhead A: East Zone 11kV (Terengganu and Kelantan) | Subcontractor | Malaysia | TNB | Sutera Utama | Electricity supply | June 2023 to June 2025 | 26.1/ 21.3 | 18.4 | FYE 2026 |
| Supply and install new infrastructure from Kulai Iskandar Data Exchange to Southern Industrial Logistic Clusters, Johor | Main contractor | Malaysia | Xenith IG Malaysia Sdn Bhd (formerly known as Speedlink Com-munications Sdn Bhd) | Xenith IG Malaysia Sdn Bhd | Telecom-munications | July 2023 to June 2024 | 6.4/ 0.5 | 92.2 | FYE 2025 |

## 7. BUSINESS OVERVIEW *(Cont'd)*

| Project details/ scope[1] | Role | Geographical market | Project owner | Customer | Industry | Commencement and expected completion period[2][3] | Contract value/ Balance contract value as at LPD[4] (RM million) | Stage of completion (% as at LPD) | FYE of balance contract value to be fully recognised |
|---|---|---|---|---|---|---|---|---|---|
| Supply and installation of 66kV power cables, auxiliary cables and accessories at Jurong Pier Road, Google Tower 1B, Singapore | Subcontractor | Singapore | SP PowerAssets Limited | Wee Guan Construction Pte Ltd | Electricity supply | May 2023 to June 2024 | 8.2/ - | [6]100.0 | FYE 2025 |
| Fibre infrastructure and cable works from Kulai to Tanjung Kupang, Johor | Subcontractor | Malaysia | YTL Communications Sdn Bhd | Sutera Utama | Telecom-munications | September 2023 to May 2024 | 7.5/ 0.6 | 92.0 | FYE 2025 |
| Fibre infrastructure and cable works to Menara Ansar, Johor | Subcontractor | Malaysia | YTL Communications Sdn Bhd | Sutera Utama | Telecom-munications | December 2023 to August 2024 | 7.8/ 5.8 | 25.6 | FYE 2025 |
| Supply and installation of 66kV power cables, auxiliary cables and accessories at Buona Vista and Clementi, Singapore | Subcontractor | Singapore | SP PowerAssets Limited | Wee Guan Construction Pte Ltd | Electricity supply | May 2023 to December 2024 | 2.6/ 0.9 | 65.4 | FYE 2025 |

## 7. BUSINESS OVERVIEW *(Cont'd)*

| Project details/ scope[1] | Role | Geographical market | Project owner | Customer | Industry | Commencement and expected completion period[2][3] | Contract value/ Balance contract value as at LPD[4] (RM million) | Stage of completion (% as at LPD) | FYE of balance contract value to be fully recognised |
|---|---|---|---|---|---|---|---|---|---|
| Supply and installation of 230kV power cables, auxiliary cables and accessories at Harbour Drive, West Coast Highway and Jalan Buroh | Subcontractor | Singapore | SP PowerAssets Limited | Wee Guan Construction Pte Ltd | Electricity supply | October 2023 to October 2024 | 5.3/ 2.3 | 56.6 | FYE 2025 |
| Project development PPU Majidee for Package 1 | Subcontractor | Malaysia | TNB Energy Services Sdn Bhd | Sutera Utama | Electricity supply | January 2024 to August 2024 | 3.9/ 3.4 | 12.8 | FYE 2025 |
| Installation of pipes using HDD method from PPU Kluang to SSU Petronas | Subcontractor | Malaysia | TNB | Sutera Utama | Electricity supply | March 2024 to July 2024 | 2.7/ 1.9 | 29.6 | FYE 2025 |
| Supply and installation of pipes using HDD method in PTD 199658, Jalan Gemilang Utama, Taman Bukit Gemilang, Mukim Pulai, Johor Bahru | Main contractor | Malaysia | Khoo Soon Lee Realty Sdn Bhd | Khoo Soon Lee Realty Sdn Bhd | Electricity supply | March 2024[7] to November 2024 | 2.5/ 2.5 | - | FYE 2025 |

## 7. BUSINESS OVERVIEW *(Cont'd)*

| Project details/ scope[1] | Role | Geographical market | Project owner | Customer | Industry | Commencement and expected completion period[2][3] | Contract value/ Balance contract value as at LPD[4] (RM million) | Stage of completion (% as at LPD) | FYE of balance contract value to be fully recognised |
|---|---|---|---|---|---|---|---|---|---|
| Supply and installation of 66kV power cables, auxiliary cables and accessories at Choa Chu Kang and Bukit Batok Road | Subcontractor | Singapore | SP PowerAssets Limited | Wee Guan Construction Pte Ltd | Electricity supply | April 2024 to December 2024 | 2.5/ 2.5 | - | FYE 2025 |

**Notes:**

(1) Project details/ scope are based on the respective LOAs and purchase orders.

(2) Commencement date of each project is based on the respective LOAs or purchase orders or management estimates on commencement date.

(3) Expected completion date of each project is based on the completion date set out in the respective LOAs and includes subsequent extension of time required to deliver variation of work orders from the customers to our Group, if any, or management estimates on completion date.

(4) Contract value and balance contract value as at LPD of each project includes original contract value as per LOAs or purchase orders and subsequent variation orders, if any.

(5) Contract value based on cumulative purchase orders.

(6) Pending issuance of CC from our customer.

(7) As at LPD, our Group has commenced planning works but pending the notice of commencement of work to start physical construction works at site.

## 7. BUSINESS OVERVIEW *(Cont'd)*

### (ii) Completed projects

The following table sets forth our past projects over FYE 2021 to 2023 and FPE 2024 and up to LPD with contract values of RM2.0 million and above.

| Project details/ scope | Scope of role | Geographical market | Project owner | Customer | Industry | Commencement and completion period[1] | Contract value[2] (RM million) |
|---|---|---|---|---|---|---|---|
| Laying of 33kV cables and connection works for Unit Pembangunan Aset Negeri Sembilan, Bahagian Pembangunan TNB | Subcontractor | Malaysia | TNB | Komasi Engineering | Electricity supply | September 2018 to March 2023 | 3.4 |
| 11kV HDD works for IM10 Johor for Unit Asset Planning & Performance Zon Johor | Subcontractor | Malaysia | TNB | Sutera Utama | Electricity supply | May 2019 to October 2022 | 4.1 |
| 11kV HDD works for IM10 Johor for Unit Asset Planning & Performance Zon Johor | Subcontractor | Malaysia | TNB | Komasi Engineering | Electricity supply | June 2020 to August 2022 | 4.8 |
| Laying of 33kV cables using HDD method for Unit Pembangunan Aset Zon Negeri Sembilan | Subcontractor | Malaysia | TNB | Komasi Engineering | Electricity supply | June 2019 to April 2021 | 3.9 |
| Supply and installation of 66kV power cables, auxiliary cables and accessories at Pioneer Road and Northern Tuas, Singapore | Subcontractor | Singapore | SP PowerAssets Limited | Wee Guan Construction Pte Ltd | Electricity supply | November 2019 to October 2021 | 4.8 |
| Installation of HDPE pipes using HDD method – cable installation turnkey project at Loyang Avenue, Nicoll Drive and Changi Coast Road, Singapore | Subcontractor | Singapore | SP PowerAssets Limited | Weng Guan Technology Pte Ltd | Electricity supply | February 2020 to October 2021 | 5.8 |

## 7. BUSINESS OVERVIEW *(Cont'd)*

| Project details/ scope | Scope of role | Geographical market | Project owner | Customer | Industry | Commencement and completion period[1] | Contract value[2] (RM million) |
|---|---|---|---|---|---|---|---|
| Bulk contract for laying of 11kV cables using HDD method for Unit Pembangunan Aset Zon Johor | Subcontractor | Malaysia | TNB | Komasi Engineering | Electricity supply | May 2020 to June 2021 | 4.6 |
| Supply and installation of 66kV power cables, auxiliary cables and accessories at Boon Lay, Yuan Ching Road and Tukang Road, Singapore | Subcontractor | Singapore | SP PowerAssets Limited | Wee Guan Construction Pte Ltd | Electricity supply | July 2021 to December 2022 | 2.6 |
| Installation of HDPE pipes using HDD method for 66kV power cables at Old Choa Chu Kang Road, Singapore | Subcontractor | Singapore | SP PowerAssets Limited | Integrate Engineers Pte Ltd | Electricity supply | March 2022 to December 2022 | 2.9 |
| Supply, installation and commissioning of FTTX network infrastructure for Zone 2: Eastern & Southern Region (Johor) | Subcontractor | Malaysia | Allo Technology Sdn Bhd | Komasi Engineering | Telecommunications | January 2021 to June 2023 | 4.6 |
| Supply, installation and commissioning of FTTX network infrastructure for Zone 2: Eastern and Southern Region (Johor) | Subcontractor | Malaysia | Allo Technology Sdn Bhd | Sutera Utama | Telecommunications | July 2021 to June 2023 | 3.4 |
| HDD works for TNB supply from PPU Pasir Putih to 2 industrial premises at Kawasan Perindustrian Tanjung Langsat, Johor | Subcontractor | Malaysia | TNB | Bio Brilliant Sdn Bhd | Electricity supply | November 2022 to June 2023 | 3.5 |

## 7. BUSINESS OVERVIEW *(Cont'd)*

| Project details/ scope | Scope of role | Geographical market | Project owner | Customer | Industry | Commencement and completion period[1] | Contract value[2] (RM million) |
|---|---|---|---|---|---|---|---|
| Supply and installation of 66kV power cables, auxiliary cables and accessories at multiple locations across Singapore | Subcontractor | Singapore | SP PowerAssets Limited | Wee Guan Construction Pte Ltd | Electricity supply | March 2021 to June 2023 | 15.3 |
| Bulk contract for laying of 11kV cables using HDD method for Pembangunan Aset Zon Negeri Sembilan | Subcontractor | Malaysia | TNB | Komasi Engineering | Electricity supply | May 2019 to August 2023 | 4.6 |
| Laying of 11kV cables using HDD method for Selatan Bulk 2019 (Johor, Negeri Sembilan and Melaka) | Subcontractor | Malaysia | TNB | Sutera Utama | Electricity supply | March 2019 to November 2023 | 17.3 |
| Supply and installation of pipes in Pasir Gudang | Subcontractor | Malaysia | SJ Holdings Sdn Bhd | Selatan Takzim Sdn Bhd | Electricity supply | October 2023 to December 2023 | 2.3 |
| Pembekalan dan pemasangan paip menggunakan kaedah HDD dari PPU JPO ke SSU Busana dan PPU I-Park ke SSU Aspirasi Mahsuri, Johor | Subcontractor | Malaysia | Aspirasi Mahsuri Sdn Bhd | ST Trenchless (M) Sdn Bhd | Electricity supply | January 2024 to April 2024 | 2.5 |

**Notes:**

(1) Commencement period of each project is based on the respective LOA or purchase order, whereas the completion period is based on the CC.

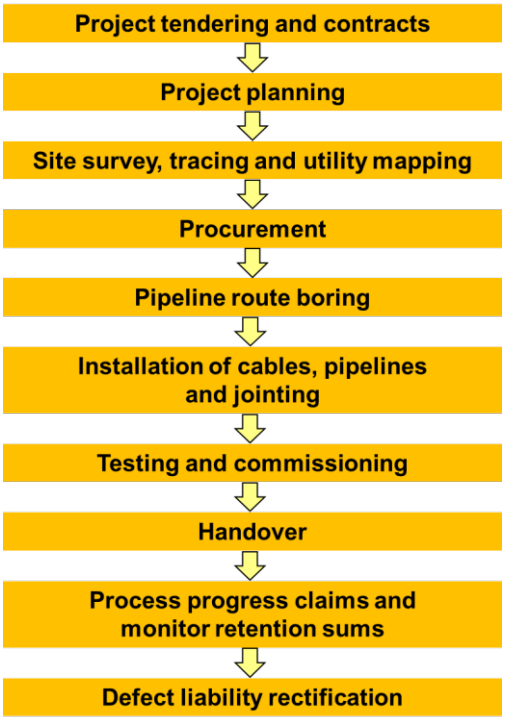
(2) Contract value of each project is determined based on the original contract amount stated in the LOAs or purchase orders and subsequent variation orders (if any), which collectively form the final project accounts to be mutually agreed by both parties.

## 7. BUSINESS OVERVIEW *(Cont'd)*

### 7.4 BUSINESS PROCESSES

#### 7.4.1 Provision of HDD engineering solutions

We adopt the following process flow in the provision of HDD engineering solutions:




**(a) Project tendering and contracts**

We generally participate in private tenders via direct invitations. Direct invitations refer to tender invitations extended to us directly by main contractors or project owners.

Upon receipt of invitation to tender, we will perform a preliminary assessment by reviewing the scope of services required, project timeline and relevant industry standards, statutory and regulatory requirements. The tender documents that we receive from main contractors or project owners will indicate the type of underground utilities engineering solution method, namely HDD method or open cut method. We will also evaluate our current project commitments and resources available before deciding whether to participate in a new project tender. For indirect invitations, we may be required to complete a pre-qualification exercise before participating in the tender exercise.

In cases where we decide to participate in the tender exercise, we will subsequently prepare a tender proposal including tender documents, costing details and quotation.

We may also be requested to attend tender interviews during the tendering phase. If we are successful, we will be issued a letter of award prior to signing a contract.

## 7. BUSINESS OVERVIEW *(Cont'd)*

We may hold a retention sum, typically between 5.0% to 10.0% of the contract value, from our subcontractors. We also provide our customers with retention sum, typically ranging from 5.0% to 10.0% of the contract value. Specific to our project with Maxis Broadband Sdn Bhd wherein we had been appointed as the main contractor, we provided a performance bond (typically 5.0% of the contract value) to Maxis Broadband Sdn Bhd to guarantee the completion of project. As at LPD, we are only required to provide performance bond for our ongoing project with Maxis Broadband Sdn Bhd, being that we are the main contractor for this particular project. Please refer to Section 7.3.3(i) for further details on our ongoing project with Maxis Broadband Sdn Bhd. While our Group was also appointed as a main contractor in relation to our project with Xenith IG Malaysia Sdn Bhd (formerly known as Speedlink Communications Sdn Bhd), we did not provide a performance bond to Xenith IG Malaysia Sdn Bhd as it was not stipulated as a requirement from our Group in the contract that Kum Fatt entered into with Xenith IG Malaysia Sdn Bhd. For clarity, our Group will provide a performance bond to our customers when it is stipulated as a requirement from our Group in the contracts that we enter into with our customers.

### (b) Project planning

Upon award of a project, we will form an internal project team consisting of project engineers, technical staff, tracing officers and safety officers and it will be headed by an appointed project manager. Our project team will hold a kick-off meeting with the customer representatives to establish a common understanding of the project requirements and schedule for a site visit.

During the project planning phase, our project team is involved in developing a master project development plan which includes project costing details, work schedules, resource allocation, roles and responsibilities of project team members as well as QC measures and site safety procedures. In projects wherein our Group has been appointed as the main contractor, our project team is also responsible for liaising with the local authorities on the necessary registrations, licences and permits prior to site preparation and commencement of works to ensure compliance to the relevant regulatory requirements.

Subject to our project commitments and resource availability, we may engage subcontractors to undertake selected parts of our works to scale up our capabilities. In such cases, our project manager will liaise closely with the appointed subcontractor in relation to the project plan to ensure that the quality of works performed by the subcontractor is in accordance with the customer requirements. We typically engage subcontractors on a project basis to undertake the physical underground utilities engineering works encompassing physical open cut trenching works, micro trenching works, physical HDD works, cable laying works, cable termination and jointing, milling and paving, electrical works and structural works, traffic management as well as site preparation, maintenance and cleaning.

## 7. BUSINESS OVERVIEW *(Cont'd)*

### (c) Site survey, tracing and utility mapping

Our project team will perform a site visit with the main contractor and / or the project owner (being the utility company or telecommunications service provider) or their appointed consultant / representative. Subsequent to the site visit, our project team will conduct site survey and geotechnical analysis of the area during the site visit. Our project team will also conduct underground utilities survey via zigzag tracing. The locator and transmitter used during the survey works will be calibrated before use to ensure that the readings are accurate. The range, depth and geospatial coordinates of existing underground utilities obtained during the tracing works will be subsequently utilised to prepare the utility plan with the proposed utility route such that the proposed pipeline route is done without damaging the existing underground utilities.

Further to the underground utility detection and mapping, our project team will also excavate a trial hole to verify underground utilities at the proposed HDD pit. The trial hole is needed to ensure that there no other existing underground utilities will be disrupted based on our pipeline route. If the trial hole area contains other existing underground utilities, another trial hole to be dug nearby needs to be proposed.

### (d) Procurement

Our project manager will acquire and submit the relevant documents and information to our procurement team. Our procurement team will subsequently order the required materials and equipment from suppliers. The appointment of suppliers and subcontractors will be based on criteria such as timeliness of delivery, reputation, reliability, quality and pricing. We will also determine our existing HDD machinery availability, and if required, lease additional HDD machinery to meet project requirements and timeline.

Upon receipt of the procured materials and equipment, our project team and subcontractors will inspect the items and ensure that the quality and quantity align with the project requirements. Our project team will ensure that all machinery, equipment and materials arrive at the project site on time before the commencement of works.

### (e) Pipeline route boring

Warning signs and traffic cones are placed according to the relevant traffic management guidelines prior to the commencement of site works. The entry and exit pits for the cable installation will be marked and excavated. The HDD machine will be moved to the entry pit to bore the pipeline route in accordance with the approved utility drawing plan and contract specifications.

### (f) Installation of cables, pipelines and jointing

Installation of cables, pipelines and jointing are done in accordance with standard procedures, project specifications and/or machine manufacturer requirements. In projects where we appoint subcontractors to carry out the installation works, our project team will monitor the progress of works and ensure that the installation works are undertaken in accordance with the project specifications.

## 7. BUSINESS OVERVIEW *(Cont'd)*

### (g) Testing and commissioning

After the installation works, our project team will perform the mandrel test. The mandrel test is the inspection of pipes after they are pulled through the bored tunnel to ensure that they do not break or clog with soil and debris. It is done via inserting a duct rod into the pipe. The duct rod is tied to one end of a mandrel which is suitable for the size of the pipe. The other side of the mandrel is tied to a rope. The duct rod is then pulled through the pipe. If the mandrel passes through smoothly, the ends of the installed pipes will be covered with end caps. If the mandrel is stuck or hard to pull out, the pipe needs to be cleaned from soil and debris and the test will be repeated. The affected section of the installed pipes need to be pulled out and replaced with new pipes if they fail the second mandrel test.

Our project manager will also hold a meeting with the customer to verify the pipe length installed via the HDD method, using the surface measurement, rope measurement or pipe measurement method.

### (h) Handover

Our project team will hand over the completed installation works and relevant handover documents to the customer after all the necessary tests have been performed to ensure compliance to contractual and regulatory requirements.

Subsequent to this, our customer will issue a completion certificate or an acknowledgement of stage of work completed, indicating that our works have been completed, inspected and approved.

### (i) Process progress claims and monitor retention sums

Our revenue is recognised based on percentage of project completion or upon completion of work orders. Subsequent to the issuance of completion certificate or acknowledgement of stage of work completed by our customer, our Finance department will prepare and issue the corresponding invoices.

We will also monitor our receipts and return of retention monies from time to time. Generally, our customers hold 5.0% to 10.0% of the contract value as retention sum, half of which will be released to us upon 6 months of the completion date and the remaining half will be released to us upon 12 months of the completion date. We may impose similar retention requirements on our subcontractors.

### (j) Defect liability rectification

We generally provide our customers with defect liability period of 12 months effective from the date of the completion certificate. Specific to the projects that we undertake for power grid projects in Singapore, we provide a defect liability period which corresponds to the defect liability period imposed on our Group by our main contractors. In the event the defect liability period is not imposed by the main contractor, we generally provide them with a defect liability period of 24 months effective from the date of the completion certificate. During the defect liability period, we are liable to render remedial works which may arise from the defective works or materials used as identified by our customers. Upon expiry of the defect liability period, we will be released from our obligations under the contract terms.

## 7. BUSINESS OVERVIEW *(Cont'd)*

### 7.4.2 Provision of open cut and micro trenching engineering solutions

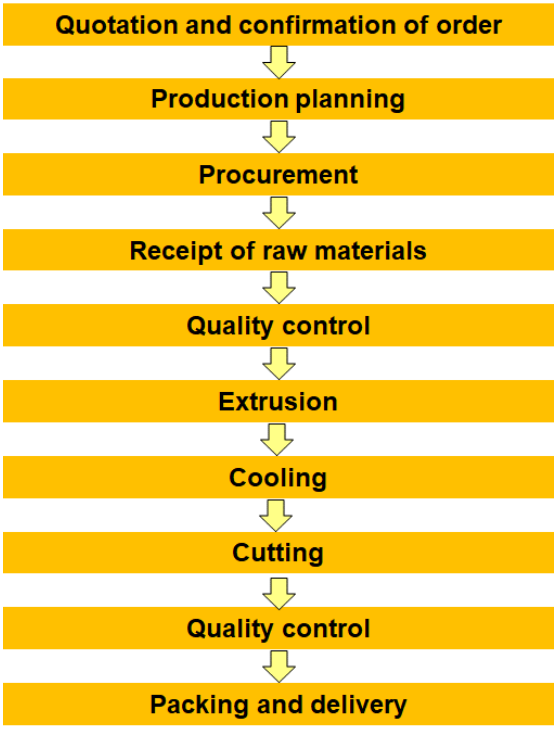
The overall process flow for underground utilities engineering solutions using the HDD, open cut and micro trenching methods is similar. However, there are differences in specific activities performed in the process flow specific to pipeline route boring and installation of cables, pipelines and jointing. The differences are summarised below:

| | Method | | |
|---|---|---|---|
| **Activity** | **HDD** | **Open cut** | **Micro trenching** |
| **Pipeline route boring** | The entry and exit pits for the cable installation will be marked and excavated.<br><br>The HDD machine will be moved to the entry pit to bore the pipeline route in accordance with the approved utility drawing plan and contract specifications. The bore is enlarged to a diameter that would allow the installation of the required pipe. | Not applicable | Not applicable |
| **Installation of cables, pipelines and jointing** | The pipeline is pulled into the hole. The process creates a continuous segment of pipes underground. | A trench of a specific depth is dug in the surface of the ground along the specified route for the installation of each piece of pipeline. The depth of the trench is typically up to 1.5m beneath ground level, or to the specifications of local authorities, or our Group's customer.<br><br>Pipelines are manually placed in the exposed trench.<br><br>Lastly cables are laid and pulled through the pipelines.<br><br>The open trench is then backfilled and the surface is restored to the original condition. | A microtrencher is a small rockwheel fitted with a cutting wheel that saws a micro-trench with smaller dimensions than the ones achieved with conventional trench digging equipment. The trench dimensions range from about 10mm to 50mm in width, and at maximum depths of 400mm.<br><br>Once the microtrencher is used to cut a tiny slot / pathway on the side of the road, the cables' protective ducts are installed and laid, through which fibre optic cables are pulled or pushed.<br><br>Finally, applicators are used to fill the micro trenches with resin and restore the road section. |

## 7. BUSINESS OVERVIEW *(Cont'd)*

### 7.4.3 Manufacturing of HDPE pipes

The typical process flow of our manufacturing of HDPE pipes is depicted below:




**(a) Quotation and confirmation of order**

Upon receiving enquiries from our customers, we will provide quotations to our customers based on the type and quantity of HDPE pipes required. Upon acceptance of the sales quotation, our customers will place purchase orders with us.

**(b) Production planning**

Our factory manager is responsible for preparing production planning based on the purchase orders received. The schedule for product planning will be reviewed and updated every week, unless we receive ad hoc order placements. The factory manager will acknowledge any updates to production planning and communicate them to the production supervisor promptly for the preparation of raw materials.

**(c) Procurement**

Our procurement team will place purchase orders of raw materials from approved suppliers on a monthly basis based on the quantity required detailed in the production planning schedule.

## 7. BUSINESS OVERVIEW *(Cont'd)*

### (d) Receipt of raw materials

Raw materials will be delivered by our suppliers to PPI and received by our production team.

### (e) QC

Upon the receipt of procured raw materials, our lab technicians will perform the following tests on a sampling basis:

- density test; and
- melt index test.

### (f) Extrusion

The machine operator will initiate the warming up process by switching on the heaters for extruders. The warming up process will take up to 3 hours for Line 1 and 4 hours for Line 2. The dried raw materials (being HDPE resin and masterbatches) will be loaded into the mixing tower and the mixed raw materials will be discharged from the mixing tower and kept in mixture containers. When the heater temperature reaches the predetermined temperature, the heating rings of the extruder barrel will melt the raw material mixtures and the extruder will be set to start pushing the molten raw material mixture through the extruder die head. The die set is shaped according to the size of the pipe required. The HDPE pipe formed shall be connected to the leftover HDPE pipe from the previous production run using heat-resistant gloves. Irregular parts from the first batch of extrusion are cut off after successful connection of HDPE pipes.

### (g) Cooling

The HDPE pipe formed will go through the vacuum tank to keep its shape intact once it leaves the die set and go through the cooling tanks. The calibration sleeve is a component that assists the cooling and shaping of plastic pipes. After the pipe comes out of the extruder die head, it enters the vacuum tank and spray cooling tank for further cooling through the calibration sleeve for preliminary cooling and sizing, until it is completely cooled and solidified, so as to achieve the size specification required. The water spraying cooling tanks cool down the HDPE pipes during production. We recycle rainwater used in the water circulation system. The pipe is indelibly marked by the laser marking machine at pre-set intervals with identification of trademark, pipe size, PE classification (material grade), nominal pressure (pressure rating), label as well as date and time of manufacture.

### (h) Cutting

The pre-cooled and shaped HDPE pipes will be pulled down by the haul-off machine at a constant speed and then cut into the required lengths by the cut-off saw machine.

## 7. BUSINESS OVERVIEW *(Cont'd)*

### (i) QC

Our QC and assurance process involves daily sampling inspection of 1 in every 20 HDPE pipes output for pipe thickness, size and appearance, where the inspection results need to be approved by the factory manager. This QC sampling size is based on sampling standards defined under the SIRIM 52: 2022 standards.

In the event of deviation from product quality during production, we will promptly make adjustments on the speed of extruder and haul-off machine, temperature of heaters and/or pressure of calibration sleeve to resolve the issue.

For pressure pipes, we perform additional quality testing to determine conformance to tensile strength and hydrostatic pressure. Unlike our HDPE pipes in which power cables are laid and are used to protect the power cables contained therein, pressure pipes are used to contain fluid at high pressure. Pressure pipes are commonly used for water supply distribution and gas distribution.

For clarity, our Group did not produce and sell any pressure pipes during FYE 2021 to 2023, FPE 2024 and up to LPD. During FYE 2021 to 2023, FPE 2024 and up to LPD, our Group only produced HDPE pipes for the electricity supply and telecommunications sectors. However, our Group is able to produce and sell pressure pipes should opportunities arise and when we receive such requests from customers.

If any deviation in product quality is noticed during the manufacturing or testing phase, the production supervisor will resolve it by adjusting the speed of extruder and haul off machine, temperature of heaters and/or pressure of calibration sleeve.

### (j) Packing and delivery

The HDPE pipes are stacked or rolled in wheel drums to be packaged and delivered after passing the testing stage.

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## 7. BUSINESS OVERVIEW *(Cont'd)*

### 7.5 PRINCIPAL MARKETS AND SEGMENTS

The breakdown of our revenue by business segment for FYE 2021 to 2023 and FPE 2024 is as follows:

| | Audited | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | FYE 2021 | | FYE 2022 | | FYE 2023 | | FPE 2024 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Underground utilities engineering solutions | 44,061 | 85.2 | 68,596 | 91.6 | 79,720 | 89.9 | 92,849 | 89.5 |
| - As a subcontractor | 44,004 | 85.1 | 68,479 | 91.4 | 78,494 | 88.5 | 86,044 | 82.9 |
| - As a main contractor | 57 | 0.1 | 117 | 0.2 | 1,226 | 1.4 | 6,805 | 6.6 |
| Manufacturing and trading of HDPE pipes[1] | 7,645 | 14.8 | 6,290 | 8.4 | 8,942 | 10.1 | 10,909 | 10.5 |
| **Total** | **51,706** | **100.0** | **74,886** | **100.0** | **88,662** | **100.0** | **103,758** | **100.0** |

**Note:**

(1) Being the sales of HDPE pipes to external parties.

The breakdown of our revenue by country for FYE 2021 to 2023 and FPE 2024 is as follows:

| | Audited | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | FYE 2021 | | FYE 2022 | | FYE 2023 | | FPE 2024 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Malaysia | 43,249 | 83.6 | 57,278 | 76.5 | 65,774 | 74.2 | 78,089 | 75.3 |
| Singapore | 8,457 | 16.4 | 17,608 | 23.5 | 22,888 | 25.8 | 25,669 | 24.7 |
| **Total** | **51,706** | **100.0** | **74,886** | **100.0** | **88,662** | **100.0** | **103,758** | **100.0** |

### 7.6 BUSINESS DEVELOPMENT AND MARKETING STRATEGIES

Our projects typically come from private tenders extended to us directly from the project owners or via a main contractor. We also obtain opportunities for new projects through recommendations or word-of-mouth through our existing customers.

We believe our ability to consistently procure new projects is attributable to our expertise in HDD technology, track record as well as quality and timely delivery of services. We have also established and maintained good relationships with our customers, leading to us being appointed as the exclusive HDD engineering service provider by Komasi Engineering and Sutera Utama. We believe that the goodwill from satisfied customers will continue contributing to new projects and business opportunities either through recurring business or business referrals to other prospective customers.

## 7. BUSINESS OVERVIEW *(Cont'd)*

### 7.7 MAJOR CUSTOMERS

Our top 5 major customers for FYE 2021 to 2023 and FPE 2024 are as follows:

**FYE 2021**

| No. | Major customers | Solutions delivered | Revenue contribution | | [(1)]Length of relationship |
|---|---|---|---|---|---|
| | | | RM'000 | % | Years |
| 1 | Komasi Engineering | HDD engineering solutions | 25,264 | 48.9 | 9 |
| 2 | Sutera Utama | HDD engineering solutions | 10,885 | 21.1 | 10 |
| 3 | Wee Guan Group[(2)] | HDD engineering solutions and HDPE pipes | 7,238 | 14.0 | 12 |
| 4 | Drill Dig Sdn Bhd | HDPE pipes | 2,127 | 4.1 | 1 |
| 5 | Motobina Sdn Bhd | HDPE pipes | 1,979 | 3.8 | 1 |
| | | | **47,493** | **91.9** | |

**FYE 2022**

| No. | Major customers | Solutions delivered | Revenue contribution | | [(1)]Length of relationship |
|---|---|---|---|---|---|
| | | | RM'000 | % | Years |
| 1 | Komasi Engineering | HDD engineering solutions | 42,803 | 57.2 | 10 |
| 2 | Wee Guan Group[(2)] | HDD engineering solutions and HDPE pipes | 15,362 | 20.5 | 13 |
| 3 | Sutera Utama | HDD engineering solutions | 10,753 | 14.4 | 11 |
| 4 | Integrate Engineers Pte Ltd | HDD engineering solutions and HDPE pipes | 1,413 | 1.9 | 8 |
| 5 | Viva Complete Sdn Bhd | HDPE pipes | 953 | 1.3 | 2 |
| | | | **71,284** | **95.3** | |

## 7. BUSINESS OVERVIEW *(Cont'd)*

**FYE 2023**

| No. | Major customers | Solutions delivered | Revenue contribution | | [(1)]Length of relationship |
|---|---|---|---|---|---|
| | | | RM'000 | % | Years |
| 1 | Komasi Engineering | HDD engineering solutions and HDPE pipes | 39,721 | 44.8 | 11 |
| 2 | Wee Guan Group[(2)] | HDD engineering solutions and HDPE pipes | 16,921 | 19.1 | 14 |
| 3 | Sutera Utama | HDD engineering solutions | 12,311 | 13.9 | 12 |
| 4 | Integrate Engineers Pte Ltd | HDD engineering solutions and HDPE pipes | 5,586 | 6.3 | 9 |
| 5 | Bio Brilliant Sdn Bhd | HDD engineering solutions | 3,954 | 4.5 | 2 |
| | | | **78,493** | **88.6** | |

**FPE 2024**

| No. | Major customers | Solutions delivered | Revenue contribution | | [(1)]Length of relationship |
|---|---|---|---|---|---|
| | | | RM'000 | % | Years |
| 1 | Sutera Utama | HDD engineering solutions | 32,662 | 31.5 | 13 |
| 2 | Komasi Engineering | HDD engineering solutions and HDPE pipes | 27,952 | 26.9 | 12 |
| 3 | Wee Guan Group[(2)] | HDD engineering solutions and HDPE pipes | 20,772 | 20.0 | 15 |
| 4 | Xenith IG Malaysia Sdn Bhd (formerly known as Speedlink Communications Sdn Bhd) | HDD engineering solutions | 5,313 | 5.1 | 6 |
| 5 | Selatan Takzim Sdn Bhd | HDD engineering solutions | 3,891 | 3.8 | Less than 1 year |
| | | | **90,590** | **87.3** | |

**Notes:**

(1) Length of relationship as at the respective FYE/ FPE.

## 7. BUSINESS OVERVIEW *(Cont'd)*

(2) The companies within our customer grouping are as follows:

| Customer grouping | Companies |
|---|---|
| Wee Guan Group | Wee Guan Construction Pte Ltd, Weng Guan Technology Pte Ltd and Geecomms Pte Ltd |

Our major customers contributed to 91.9%, 95.3%, 88.6% and 87.3% of our revenues in FYE 2021 to 2023 and FPE 2024 respectively. Revenue contribution from our Group's major customers varies from year to year given the nature of our business being conducted on a contract basis, and are based on projects secured from time-to-time as well as work-in-progress claims. The contracts that our Group enters into with our customers typically range between 3 months and 24 months, depending on the scale of project and the scope of services that we are engaged to perform. We may not secure similar contracts in terms of size and scope with the same customers every year.

Notwithstanding the above, our Group's business is dependent on Komasi Engineering, Sutera Utama and Wee Guan Group by virtue of their collective revenue contributions of 84.0%, 92.1%, 77.8% and 78.4% for FYE 2021 to 2023 and FPE 2024 respectively. The breakdown of the number of contracts and contract value awarded by Komasi Engineering, Sutera Utama and Wee Guan Group to our Group for FYE 2021 to 2023 and FPE 2024 are as follows:

| Major customers | Parameter | FYE 2021 | FYE 2022 | FYE 2023 | FPE 2024 |
|---|---|---|---|---|---|
| Komasi Engineering | Number of contracts | 8 | 15 | 25 | 15 |
| | Contract value (RM million)(1) | 50.8 | 36.5 | 78.5 | 22.7 |
| Sutera Utama | Number of contracts | 10 | 59 | 62 | 61 |
| | Contract value (RM million)(1) | 6.8 | 9.2 | 91.5 | 44.2 |
| Wee Guan Group | Number of contracts | 2 | 8 | 2 | 9 |
| | Contract value (RM million)(1) | 0.6 | 16.9 | 1.1 | 20.8 |
| Others | Number of contracts | 7 | 15 | 39 | 40 |
| | Contract value (RM million) | 1.5 | 2.0 | 33.1 | 14.7 |
| **Total** | **Number of contracts** | **27** | **97** | **128** | **125** |
| | **Contract value (RM million)** | **59.7** | **64.6** | **204.2** | **102.4** |

**Note:**

(1) The contract value awarded for each of the financial year/period will not correspond to the revenue contributed by these customers as the revenues are based on percentage of project completion or upon completion of work orders during the financial year/period.

## 7. BUSINESS OVERVIEW *(Cont'd)*

Further details of Komasi Engineering, Sutera Utama and Wee Guan Group are as follows:

(i) Komasi Engineering is a private limited company incorporated in Malaysia on 30 September 1983 and commenced its business since 1984. Komasi Engineering is principally involved as general contractor and transportation agents. The directors and shareholders of Komasi Engineering are as follows:

| Name of directors / shareholders | Designation | Nationality | No. of shares held (%) |
|---|---|---|---|
| Abd Aziz Bin Abd Majid | Director and shareholder | Malaysian | 800,800 shares (80.0%) |
| Helan Bin Awang | Director and shareholder | Malaysian | 200,200 shares (20.0%) |
| Mohd Nizam Bin Abd Majid | Director | Malaysian | - |

(ii) Sutera Utama is a private limited company incorporated in Malaysia on 4 February 2009 and commenced its business since 2009. Sutera Utama is principally involved in general contracting and generation of electricity using solar power. The directors and shareholders of Sutera Utama are as follows:

| Name of directors / shareholders | Designation | Nationality | No. of shares held (%) |
|---|---|---|---|
| Wan Mohd Azmir Bin Wan Mohd Affandi | Director and shareholder | Malaysian | 375,000 shares (50.0%) |
| Mohamad Zailan Bin Melan | Director and shareholder | Malaysian | 375,000 shares (50.0%) |

(iii) Wee Guan Construction Pte Ltd, Weng Guan Technology Pte Ltd and Geecomms Pte Ltd (collectively Wee Guan Group) are indirect subsidiaries of Wei Yuan Holdings Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited, through its indirect subsidiary, Wee Guan Corporation Pte Ltd, a company incorporated in Singapore. Wei Yuan Holdings Limited is an investment holding company and its subsidiaries are principally engaged in general construction of civil engineering projects in Singapore.

The details of the relevant companies under Wee Guan Group are as follows:

(a) Wee Guan Construction Pte Ltd

Wee Guan Construction Pte Ltd is a private limited company incorporated in Singapore on 14 February 1991 and commenced its business since 1992. The company is principally a general construction contractor. The directors and shareholder of the company are as follows:

| Name of directors / shareholder | Designation | Nationality / Country of incorporation | No. of shares held (%) |
|---|---|---|---|
| Ng Tian Kew | Director | Malaysian | - |
| Ng Tian Fah | Director | Singaporean | - |
| Ng Tian Soo | Director | Malaysian | - |
| Wee Guan Corporation Pte Ltd | Shareholder | Singapore | 3,000,000 (100.0%) |

## 7. BUSINESS OVERVIEW *(Cont'd)*

(b) Weng Guan Technology Pte Ltd

Weng Guan Technology Pte Ltd is a private limited company incorporated in Singapore on 4 March 1992 and commenced its business since 1994. The company is principally involved in road and railway construction. The directors and shareholder of the company are as follows:

| Name of directors / shareholder | Designation | Nationality / Country of incorporation | No. of shares held (%) |
|---|---|---|---|
| Phang May Lan | Director | Malaysian | - |
| Chen Teck Men | Director | Singaporean | - |
| Wee Guan Corporation Pte Ltd | Shareholder | Singapore | 750,000 (100.0%) |

(c) Geecomms Pte Ltd

Geecomms Pte Ltd is a private limited company incorporated in Singapore on 27 May 2014 and commenced its business since 2014. The company is principally involved in electrical works. The director and shareholder of the company are as follows:

| Name of director / shareholder | Designation | Nationality / Country of incorporation | No. of shares held (%) |
|---|---|---|---|
| Chen Teck Men | Sole Director | Singaporean | - |
| Wee Guan Corporation Pte Ltd | Shareholder | Singapore | 500,000 (100.0%) |

Our Group has entered into Exclusive Engineering Service Provider Agreements with Komasi Engineering and Sutera Utama respectively, details of which are as follows:

(i) Exclusive Engineering Service Provider Agreement dated 1 July 2021 and Supplementary Agreement dated 1 August 2021 between Kum Fatt and Komasi Engineering; and

(ii) Exclusive Engineering Service Provider Agreement dated 1 August 2021 and Supplementary Agreement dated 1 August 2021 between Kum Fatt and Sutera Utama.

## 7. BUSINESS OVERVIEW *(Cont'd)*

The salient terms of each of the Exclusive Engineering Service Provider Agreement is as follows:

| | **Descriptions** |
|---|---|
| Parties | (1) Komasi Engineering / Sutera Utama (each party respectively referred to as the "**Contractor**")<br><br>(2) Kum Fatt |
| Purpose of the agreement | The Contractor irrevocably appointing Kum Fatt as the sole and exclusive engineering service provider for HDD for all the projects (save and except those contracts awarded with the participation of Bumiputera only) ("**Award**") |
| Tenure | From 1 January 2021 until and unless being terminated by Kum Fatt solely |
| Obligation of the Parties | <u>Contractor's obligation</u><br>The Contractor is to identify and submit tenders for all potential projects<br><br><u>Kum Fatt's obligations</u><br>Kum Fatt is to provide consultancy, construction and commissioning for works including but not limited to the supply of pipes and fittings for the project and any other scope of works that may be required, stated or prescribed in the Award, from time to time.<br><br>Kum Fatt is also required to undertake the following:<br><br>(a) if required to obtain relevant financing including providing a bank guarantee in relation to the project awarded;<br>(b) if required, to apply and obtain all relevant licenses, permits, approvals and/or certificates required for undertaking the scope of work for the project awarded;<br>(c) as and when required by the Contractor, issue performance bond, pay earnest monies and such other monies necessary to undertake the project awarded; and<br>(d) if required, to maintain an insurance for the purpose of undertaking the project.<br><br>The Contractor agrees and grants Kum Fatt with the absolute right to enter into any joint venture arrangements with any party including to appoint any subcontractors, consultants and professionals to undertake and complete the project awarded provided always that a notification be provided to the Contractor and the Contractor undertakes not to interfere, prohibit, restrict nor object to such arrangement.<br><br>Kum Fatt is granted with an exclusive right to manage each and every project awarded, obtained and secured by the Contractor at its own costs and expenses. For clarity, any costs incurred in relation to the tender submission by the Contractor shall be borne by the Contractor. |

## 7. BUSINESS OVERVIEW *(Cont'd)*

| | **Descriptions** |
|---|---|
| Parties' entitlements | Kum Fatt's Entitlement<br>90% of the contract or award sum, inclusive of any variation, additions and any deduction certified by the consultant of the project to those set out in the award.<br><br>Contractor's Entitlement<br>The remaining 10% of the contract or award sum. |
| Terms of payment | For any progressive claims or invoices or other claim statement ("**Billings**") for the work done/completed are to be submitted directly to the Contractor, which the Contractor will collate such Billings and forward to the principal or owner of the project. The Contractor irrevocably:<br><br>(a) commits to settle all Billings submitted by Kum Fatt based on payment terms stated in the Billings; and<br>(b) undertakes to remit the payment to Kum Fatt no later than seven (7) working days from the date of the receipt of the payment from principal or project owner.<br><br>For illustrative purposes, under scenario (a) above if the Contractor did not receive payment from the principal / project owner, the Contractor is to commit to settle all Billings based on the Billing terms whilst under scenario (b), if the Contractor receives payment from the principal / project owner, payment is to be remitted within 7 working days from the date of receipt of the payment by the Contractor.<br><br>All projects awarded by the Contractors to Kum Fatt is based on 90% of the total value of the contract / award sum awarded by the project owner, hence, there is no deduction prior to the remittance of progressive payments by the Contractors to Kum Fatt. |
| Termination | The Exclusive Engineering Service Provider Agreement is to be terminated upon the occurrence of any of the following events, whichever is the earliest:<br><br>(a) termination by Kum Fatt at any time; or<br>(b) termination by Kum Fatt due to breach or non-observance by the Contractors.<br><br>In addition to the above, Kum Fatt reserves the right to terminate the Exclusive Engineering Service Provider Agreement upon the occurrence of any event of default ("**Events of Default**") as set out below by giving notice to the Contractor:<br><br>(a) the Contractor goes into liquidation, being served with a winding up order, involved in any legal proceedings or litigation that will materially impact the Contractor's performance under the award including failure to maintain any of its licences during the tenure of the Exclusive Engineering Service Provider Agreement; |

## 7. BUSINESS OVERVIEW *(Cont'd)*

| | Descriptions |
|---|---|
| | (b) the Contractor appoints third party without the consent of Kum Fatt in respect of any project and fails, neglects and/or refuses to appoint Kum Fatt as the engineering service provider;<br>(c) there is change of structure, shareholdings and directors in the Contractor without the consent of Kum Fatt which could materiality affect Kum Fatt from undertaking the project or award; and<br>(d) the Contractor defaults, breaches and/or fails to comply with any provisions of any statute, law, enactment, ordinance, act, rule, regulation, by-law, or any statutory or other requirement affecting the Awards or contravenes its obligations and undertakings under the Exclusive Engineering Service Provider Agreements.<br><br>On any occurrence of the Events of Default, Kum Fatt may:<br><br>(a) terminate the Exclusive Engineering Service Provider Agreement and seek for compensation for all the direct financial loss and expense incurred by Kum Fatt; or<br>(b) seek specific performance against the Contractor in relation to the breach of under paragraphs (b) and (c) as well as failure to uphold, maintain and renew (if applicable) any of its licences. |
| Arbitration | If either the Contractor or Kum Fatt disagrees on the settlement quantum under the event of default or the matter cannot be resolved amicably, the parties agree to opt for mediation and to appoint a mediator to negotiation and to reach a settlement between other parties, failing which, the parties agree to submit the dispute to a mutually agreed upon arbitrator in Kuala Lumpur. if the Contractor and Kum Fatt are unable reach any further amicable settlement during the mediation or arbitration, either party may refer that matter, dispute or claim to Court of Malaysia |
| Governing law | Law of Malaysia |
| First right of refusal | The Contractor agrees to grant Kum Fatt the irrevocable right of first refusal, if the Contractor decides to issue any new shares in its company including any disposal of its shares by any of its shareholder provided always that the Contractor shall comply with its contractor license's terms and conditions and/or its Bumiputera status |
| Project completion work | All projects awarded to Kum Fatt shall be completed on timely basis. If the progress work of the project carried out by Kum Fatt is behind the schedule (subject to any extension of time granted by the project owner or the Contractor (as case may be) in accordance with the terms of the award made between the project owner and the Contractor), the Contractor shall in good faith discuss with Kum Fatt to resolve the matter amicably (including quantum to liquidated damages, if any imposed on the Contractor) and if required, to appoint additional subcontractor(s) (as may be approved by Kum Fatt) to complete the project on time at the cost of Kum Fatt. For the avoidance of doubt, Kum Fatt has not been subject to any liquidated damages for FYE 2021 to 2023, FPE 2024 and up to LPD. |

## 7. BUSINESS OVERVIEW *(Cont'd)*

For projects undertaken with Kum Fatt pursuant to the Exclusive Engineering Service Provider Agreements, Komasi Engineering and Sutera Utama will undertake the role of a main contractor who is responsible for the scope of work of the its contract at large, that includes HDD works. The scope of work that falls beyond the scope of HDD works generally include the following:

(a) overall project management and liaising with project owner on project progress;
(b) liaising with consultants appointed by the project owner and local authorities to obtain the requisite permit approvals and clearance to commence work;
(c) obtaining approval from the local authority for traffic management plan during construction activities;
(d) supervising works taking place on the project site as well as liaising with appointed subcontractors and managing their progress vis-à-vis the project timeline;
(e) procurement of construction materials;
(f) cable laying, jointing and termination works;
(g) installation of earthing cables and systems;
(h) civil works such as milling and paving; and
(i) fibre to the home (FTTH) deployment.

Pursuant to the Exclusive Engineering Service Provider Agreements, Komasi Engineering and Sutera Utama are obliged to engage Kum Fatt for HDD works. They may also, at their own discretion, subcontract the above scope of works to Kum Fatt in addition to the HDD works in which they are obligated to subcontract to Kum Fatt, where Kum Fatt generally also subcontracts such non-HDD works out where this encompasses labour-intensive physical underground utilities engineering works such as open cut trenching works, micro trenching works, physical HDD works, cable laying works, cable termination and jointing, milling and paving, electrical works and structural works, traffic management as well as site preparation, maintenance and cleaning. For avoidance of doubt, our Group is unable to affirm whether it is a common industry practice to enter into such exclusive agreements.

Komasi Engineering, Sutera Utama and Wee Guan Group are expected to continue contributing significantly to our Group's revenue in the future. Thus, if Komasi Engineering, Sutera Utama and Wee Guan Group cease to be our customer(s), our financial results will be adversely affected if we are not able to replace the decrease or loss in sales in a timely manner. Additionally, 23 (with total contract value of RM314.2 million) of 101 (with total contract value of RM423.7 million) ongoing projects as at LPD are for the electricity supply industry where TNB is the project owner for electricity supply-related projects in Peninsular Malaysia. Thus, we are also dependent on our 2 major customers' ability to continuously secure new projects from TNB. Please refer to Section 9.1.2 for further details of the risk of dependency on our major customers.

Notwithstanding the above, our Group will continue to work closely with our existing major customers as part of our ongoing efforts in meeting the service quality and other project requirements to ensure customer satisfaction; engage with potential customers via direct communication in efforts to participate in new tenders and/or requests for quotations and secure new projects from them; and serve other customers and pursue business development activities to expand our customer base and reduce dependency on Komasi Engineering, Sutera Utama and Wee Guan Group.

Further, our Group is also striving to expand our business and customer base through our future plans and strategies. Please refer to Section 7.18 for further details on our business strategies and prospects.

## 7. BUSINESS OVERVIEW *(Cont'd)*

### 7.8 TYPES, SOURCES AND AVAILABILITY OF INPUTS

The main inputs for our business are as follows:

(a) subcontractors' fees for our underground utilities engineering solutions;

(b) construction materials such as pipes, cables and microducts for our underground utilities engineering solutions; and

(c) raw materials such as HDPE resin and masterbatches for our HDPE pipe manufacturing activities.

The breakdown of the inputs purchased/sourced by our Group for FYE 2021 to 2023 and FPE 2024 is as follows:

| | **FYE 2021**[1] | | **FYE 2022**[1] | | **FYE 2023**[1] | | **FPE 2024**[1] | |
|---|---|---|---|---|---|---|---|---|
| | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** | **RM'000** | **%** |
| Subcontractors' fee | 20,742 | 64.3 | 27,023 | 63.7 | 31,262 | 61.0 | 33,579 | 59.4 |
| HDPE pipes[3] | 5,331 | 16.5 | 9,424 | 22.2 | 10,380 | 20.3 | 10,295 | 18.2 |
| HDPE resin | 5,012 | 15.5 | 3,973 | 9.4 | 6,212 | 12.1 | 6,040 | 10.7 |
| Accessories[2] | 767 | 2.4 | 1,305 | 3.1 | 1,979 | 3.9 | 3,689 | 6.5 |
| Cables | 248 | 0.8 | 565 | 1.3 | 631 | 1.2 | 1,821 | 3.2 |
| Masterbatches | 158 | 0.5 | 136 | 0.3 | 111 | 0.2 | 118 | 0.2 |
| Microducts | - | - | - | - | 662 | 1.3 | 799 | 1.4 |
| Bentonite | - | - | - | - | - | - | 213 | 0.4 |
| **Total** | **32,258** | **100.0** | **42,426** | **100.0** | **51,237** | **100.0** | **56,554** | **100.0** |

**Notes:**

(1) Our Group's purchases for FYE 2021 to 2023 are locally sourced. For FPE 2024, 99.6% of our Group's purchases are locally sourced while 0.4% are foreign sourced.

(2) Accessories include cable support structures, lightning mast poles, lightning protection rods and accessories, sockets, concrete slabs, manholes, poles, cable plugs, link boxes, electrical relays, rods, cable glands and cable markers.

## 7. BUSINESS OVERVIEW *(Cont'd)*

(3) Includes cost of production by PPI for HDPE pipes purchased by Kum Fatt. For clarity, purchases of HDPE pipes from suppliers other than PPI were accounted for at their actual purchase cost, as these are considered third party transactions. Conversely, purchases from PPI are accounted for based on the cost of production in view that this approach was taken to eliminate intercompany transactions. As a result, at the group level, the cost of HDPE pipes used in Kum Fatt's projects are accounted for based on the cost of production incurred by PPI in producing these HDPE pipes. This ensures consistent tracking of construction material costs.

Subcontractors' fee was our largest component of purchases and comprised 64.3%, 63.7%, 61.0% and 59.4% of our total purchases in FYE 2021 to 2023 and FPE 2024 respectively. As at LPD, we have engaged 57 subcontractors for our ongoing projects. We engage subcontractors on a project basis to carry out selected parts of our works, such as physical open cut trenching works, micro trenching works, physical HDD works, cable laying works, cable termination and jointing, milling and paving, electrical works and structural works, traffic management as well as site preparation, maintenance and cleaning. Thus, in these instances, we take on the role of overall project management, whereby we manage and monitor the works performed by our subcontractors. Our Group is not materially dependent on any of the subcontractors that we engage. We have a list of subcontractors that we approach to source comparable quotations prior to engaging a subcontractor. By engaging subcontractors, we are able to scale up our project capabilities to complete our projects in a timely manner and undertake more projects.

Notwithstanding that project owners may nominate suppliers from whom we purchase certain materials, the construction materials for our Group's underground utilities engineering solutions are readily available from local suppliers. We maintain a list of suppliers which meet our project requirements. We select these suppliers based on multiple factors, including the availability of materials, quality, pricing and lead time for delivery as well as their reliability. We have good business relationships with our suppliers, which we believe contributes to our purchasing and cost efficiency. By maintaining a certain level of buffer in our budgeted project cost, we are better prepared for instances of potential cost overruns due to an increase in the price of materials.

Our Group procures pipes for our underground utilities engineering projects, to supplement PPI's internal production volume, and in instances where we require corrugated HDPE pipes. We procure HDPE resin for the manufacturing of our HDPE pipes.

Our purchases are subject to price fluctuations as a result of demand and supply conditions in the market. Generally, the unit prices of these materials are budgeted into our project costing where we have factored in potential price fluctuations over the duration of the project period. However, any unfavourable fluctuations in the cost of these materials during the performance of our projects may increase our overall project costs.

## 7. BUSINESS OVERVIEW *(Cont'd)*

### 7.9 MAJOR SUPPLIERS AND SUBCONTRACTORS

Our top 5 major suppliers for FYE 2021 to 2023 and FPE 2024 are as follows:

**FYE 2021**

| | | | Purchase contribution | | [(1)]Length of relationship |
|---|---|---|---|---|---|
| **No.** | **Major suppliers** | **Materials procured** | **RM'000** | **%** | **Years** |
| 1 | Lotte Chemical Titan (M) Sdn Bhd | HDPE resin | 6,373 | 57.4 | 2 |
| 2 | Nu-Plus Manufacturing Sdn Bhd | HDPE resin | 855 | 7.7 | Less than 1 year |
| 3 | CJ Polymers Sdn Bhd | HDPE resin | 765 | 6.9 | Less than 1 year |
| 4 | Bina Plastic Industries Sdn Bhd | HDPE pipes | 679 | 6.1 | 11 |
| 5 | Foremost Cable Accessories Sdn Bhd | Cable accessories | 404 | 3.6 | Less than 1 year |
| | | | **9,076** | **81.7** | |

**FYE 2022**

| | | | Purchase contribution | | [(1)]Length of relationship |
|---|---|---|---|---|---|
| **No.** | **Major suppliers** | **Materials procured** | **RM'000** | **%** | **Years** |
| 1 | Lotte Chemical Titan (M) Sdn Bhd | HDPE resin | 5,907 | 38.1 | 3 |
| 2 | CJ Polymers Sdn Bhd | HDPE resin | 2,104 | 13.6 | 1 |
| 3 | Bina Plastic Industries Sdn Bhd | HDPE pipes | 1,657 | 10.7 | 12 |
| 4 | Cew Sin Plastic Pipe Sdn Bhd | HDPE pipes | 1,194 | 7.7 | 7 |
| 5 | Nu-Plus Manufacturing Sdn Bhd | HDPE resin | 936 | 6.0 | 1 |
| | | | **11,798** | **76.1** | |

## 7. BUSINESS OVERVIEW *(Cont'd)*

**FYE 2023**

| No. | Major suppliers | Materials procured | Purchase contribution | | [(1)]Length of relationship |
|---|---|---|---|---|---|
| | | | RM'000 | % | Years |
| 1 | Petronas Chemicals Marketing (Labuan) Ltd | HDPE resin | 4,713 | 25.3 | 1 |
| 2 | Lotte Chemical Titan (M) Sdn Bhd | HDPE resin | 4,511 | 24.2 | 4 |
| 3 | Power Cable Solutions Sdn Bhd | Cable accessories | 1,225 | 6.6 | 2 |
| 4 | CKY Recycle Plastic Sdn Bhd | HDPE resin | 1,118 | 6.0 | 1 |
| 5 | Cew Sin Plastic Pipe Sdn Bhd | HDPE pipes | 778 | 4.2 | 8 |
| | | | **12,345** | **66.3** | |

**FPE 2024**

| No. | Major suppliers | Materials procured | Purchase contribution | | [(1)]Length of relationship |
|---|---|---|---|---|---|
| | | | RM'000 | % | Years |
| 1 | Petronas Chemicals Marketing (Labuan) Ltd | HDPE resin | 6,721 | 28.4 | 2 |
| 2 | Lotte Chemical Titan (M) Sdn Bhd | HDPE resin | 3,158 | 13.4 | 5 |
| 3 | Power Cable Solutions Sdn Bhd | Cable accessories | 1,579 | 6.7 | 3 |
| 4 | Bina Plastic Industries Sdn Bhd | HDPE pipes | 1,072 | 4.5 | 14 |
| 5 | Wei Tu Sdn Bhd | HDPE resin | 1,047 | 4.4 | 1 |
| | | | **13,577** | **57.4** | |

**Note:**

(1) Length of relationship as at the respective FYE/ FPE.

The abovementioned major suppliers contributed to 81.7%, 76.1%, 66.3% and 57.4% of our Group's total purchases for FYE 2021 to 2023 and FPE 2024 respectively. Our Group's top supplier is Lotte Chemical Titan (M) Sdn Bhd, a petrochemical producer, which contributed to 57.4%, 38.1%, 24.2% and 13.4% of our total purchases in FYE 2021 to 2023 and FPE 2024 respectively. While we primarily procure HDPE resin from Lotte Chemical Titan (M) Sdn Bhd, our Group also has other suppliers that are able to supply us with HDPE resin based on our production and quality requirements.

## 7. BUSINESS OVERVIEW *(Cont'd)*

Our Group's pipe extrusion lines are able to produce HDPE pipes with dimensions ranging from 75mm up to 315mm. PPI produces non-corrugated HDPE pipes (also known as solid HDPE pipes) which are suitable for and used in our HDD projects. The dimensions of non-corrugated HDPE pipes produced by PPI are as follows:

| | Drum | Piece | Coil |
|---|---|---|---|
| **Diameter (mm)** | 160 | 110, 160, 200 and 250 | 110 |
| **Length (m)** | 200 | 6 and 12 | 100 |

In the event our Group requires non-corrugated HDPE pipes of different dimensions, we will purchase such pipes from other suppliers.

Further, prior to June 2021 (during FYE 2022 period), our Group only had 1 pipe extrusion line for the production of non-corrugated HDPE pipes at PPI's factory. Thus, in order to meet our HDD project requirements, our Group also purchased non-corrugated HDPE pipes of similar dimensions (i.e. 110mm, 160mm and 200mm) from other suppliers to supplement PPI's production volume. In June 2021, we installed our second pipe extrusion line for the production of non-corrugated HDPE pipes at PPI's factory. With 2 pipe extrusion lines in operations at PPI's factory, we were able to increase our production volume of non-corrugated HDPE pipes to meet our HDD project needs, especially 160mm and 200mm HDPE pipes. Thus, our Group's purchases of non-corrugated HDPE pipes from other suppliers were lower in FYE 2023 compared to FYE 2021 and 2022. However, our Group does supplement internal production of HDPE pipes with purchases from other suppliers in the event that (i) our Group faces unavailability of HDPE pipes with specific diameter to meet our project requirements; and/or (ii) our Group requires a limited quantity of HDPE pipes with specific diameter for our project requirements and production of such quantity does not enable economies of scale to be reaped. This is because we primarily produce 160mm and 200mm HDPE pipes, for which our Group has higher requirement in its electricity supply projects.

Commencing FPE 2024, we have been receiving some orders for 250mm HDPE pipes from our customers in Singapore for the electricity supply projects undertaken by them. As such, we only produce 250mm HDPE pipes when we receive such orders from our customers. Our Group did not purchase any 250mm HDPE pipes from suppliers for FYE 2021 to 2023, FPE 2024 and up to LPD.

Our Group also purchases corrugated HDPE pipes from external suppliers, as PPI does not produce corrugated HDPE pipes. Corrugated HDPE pipes are used in open cut related projects.

As our Group's underground utilities engineering solutions are primarily using the HDD method, it is more cost effective for our Group to manufacture non-corrugated HDPE pipes internally and purchase corrugated HDPE pipes from external suppliers when we secure open cut related projects.

## 7. BUSINESS OVERVIEW *(Cont'd)*

Our top 5 major subcontractors for FYE 2021 to 2023 and FPE 2024 are as follows:

**FYE 2021**

| No. | Major subcontractors | Services procured | Purchase contribution | | [(1)]Length of relationship |
|---|---|---|---|---|---|
| | | | RM'000 | % | Years |
| 1 | Ecobore Sdn Bhd | HDD subcontracting services | 7,892 | 38.5 | 1 |
| 2 | Drill Dig Sdn Bhd | HDD subcontracting services | 7,060 | 34.4 | 9 |
| 3 | Viva Complete Sdn Bhd | Cable laying and HDD subcontracting services | 2,346 | 11.4 | 1 |
| 4 | Jaringan Seia Sdn Bhd | Fibre optic cable laying services | 1,290 | 6.3 | Less than 1 year |
| 5 | TSE Jaya Sdn Bhd | HDD subcontracting services | 1,060 | 5.2 | 3 |
| | | | **19,648** | **95.8** | |

**FYE 2022**

| No. | Major subcontractors | Services procured | Purchase contribution | | [(1)]Length of relationship |
|---|---|---|---|---|---|
| | | | RM'000 | % | Years |
| 1 | Ecobore Sdn Bhd | HDD subcontracting services | 9,083 | 33.7 | 2 |
| 2 | Viva Complete Sdn Bhd | Cable laying and HDD subcontracting services | 4,370 | 16.2 | 2 |
| 3 | Drill Dig Sdn Bhd | HDD subcontracting services | 2,856 | 10.6 | 10 |
| 4 | Jaringan Seia Sdn Bhd | Fibre optic cable laying services | 2,609 | 9.7 | 1 |
| 5 | TSE Jaya Sdn Bhd | HDD subcontracting services | 1,619 | 6.0 | 4 |
| | | | **20,537** | **76.2** | |

## 7. BUSINESS OVERVIEW *(Cont'd)*

**FYE 2023**

| No. | Major subcontractors | Services procured | Purchase contribution | | [(1)]Length of relationship |
|---|---|---|---|---|---|
| | | | RM'000 | % | Years |
| 1 | Ecobore Sdn Bhd | HDD subcontracting services | 9,675 | 30.9 | 3 |
| 2 | Viva Complete Sdn Bhd | Cable laying and HDD subcontracting services | 7,133 | 22.8 | 3 |
| 3 | Jaringan Seia Sdn Bhd | Fibre optic cable laying services | 3,115 | 10.0 | 2 |
| 4 | Drill Dig Sdn Bhd | HDD subcontracting services | 2,403 | 7.7 | 11 |
| 5 | TSE Jaya Sdn Bhd | HDD subcontracting services | 2,070 | 6.6 | 5 |
| | | | **24,396** | **78.0** | |

**FPE 2024**

| No. | Major subcontractors | Services procured | Purchase contribution | | [(1)]Length of relationship |
|---|---|---|---|---|---|
| | | | RM'000 | % | Years |
| 1 | Ecobore Sdn Bhd | HDD subcontracting services | 9,378 | 27.9 | 4 |
| 2 | Drill Dig Sdn Bhd | HDD subcontracting services | 4,196 | 12.5 | 12 |
| 3 | TSE Jaya Sdn Bhd | HDD subcontracting services | 3,466 | 10.3 | 6 |
| 4 | Jaringan Seia Sdn Bhd | Fibre optic cable laying services | 2,377 | 7.1 | 3 |
| 5 | TG Power Construction Works Sdn Bhd | HDD subcontracting services | 2,025 | 6.0 | 4 |
| | | | **21,442** | **63.8** | |

**Note:**

(1) Length of relationship as at the respective FYE/ FPE.

Further details of our major subcontractors for the physical HDD and cable laying works are set out below.

## 7. BUSINESS OVERVIEW *(Cont'd)*

The abovementioned major subcontractors contributed to 95.8%, 76.2%, 78.0% and 63.8% of our Group's total subcontractors' fees for FYE 2021 to 2023 and FPE 2024 respectively. Save for the following, our Group is not dependent on any other single subcontractor as none of the other subcontractors accounted for more than 10.0% of our total subcontractors' fees during FYE 2021 to 2023 and FPE 2024:

(a) Ecobore Sdn Bhd, engaged for the provision of HDD subcontracting services, contributed to 38.5%, 33.7%, 30.9% and 27.9% of our Group's total subcontractors' fees in FYE 2021 to 2023 and FPE 2024 respectively. Ecobore Sdn Bhd is a private limited company incorporated in Malaysia on 14 April 2017 and is principally engaged as general contractor and transportation agents. Ecobore Sdn Bhd commenced its business since 2017. The details of the director and shareholder of the company are as follows:

| Name of director / shareholder | Designation | Nationality | No. of shares held (%) |
|---|---|---|---|
| Mohamed Rizal Bin Mohamed Yakub | Sole director and shareholder | Malaysian | 900,000 shares (100.0%) |

For information purposes, Ecobore Sdn Bhd was originally owned by our Promoters. Datuk Dr Ting and Hin Wai Mun disposed their respective shareholdings in Ecobore Sdn Bhd on 11 May 2020 while Chong Tuo Chooi disposed his shareholding in Ecobore Sdn Bhd on 23 March 2021.

Ecobore Sdn Bhd was primarily involved in the provision of physical HDD works which are physically labour intensive in nature. Ecobore Sdn Bhd was also involved in the provision of underground engineering services using the pipe-jacking method prior to the disposal of Ecobore Sdn Bhd by our Promoters.

Our Promoters disposed Ecobore Sdn Bhd as they did not want to be involved in the physically labour-intensive portion of the HDD works and instead focus on the technical aspects of underground utilities engineering services, namely project planning and management, site survey, tracing and utility mapping while subcontracting out the physically labour-intensive portion of the HDD works. This allows us to scale up our operations by focusing on our core expertise which is project planning and management, site survey, tracing and utility mapping.

As disclosed in Section 7.9, we continue to engage subcontractors such as Ecobore Sdn Bhd to undertake the physically labour-intensive HDD works as this strategy allows us to scale up our operations and focus on the technical aspects of HDD namely project planning and management, utility detection and mapping.

(b) Viva Complete Sdn Bhd, engaged for the provision of cable laying and HDD subcontracting services, contributed to 11.4%, 16.2%, 22.8% and 3.2% of our Group's total subcontractors' fees in FYE 2021 to 2023 and FPE 2024 respectively. Viva Complete Sdn Bhd is a private limited company incorporated in Malaysia on 25 June 2009 and is principally engaged in amongst other, in the business in civil, electrical and mechanical engineering, transportation services and to provide design, installation and maintenance of renewable energy installations and consultation for the likes, and to carry on the business as building contractor and to undertake construction and civil engineering works. Viva Complete Sdn Bhd commenced its business since 2009. The details of the directors and shareholders of the company are as follows:

## 7. BUSINESS OVERVIEW *(Cont'd)*

| Name of directors / shareholders | Designation | Nationality | No. of shares held (%) |
|---|---|---|---|
| Tee Chie Piau | Director and shareholder | Malaysian | 301,000 shares (33.2%) |
| Tan Seng Guan | Director and shareholder | Malaysian | 302,000 shares (33.4%) |
| Tee Kee Seng | Director and shareholder | Malaysian | 302,000 shares (33.4%) |

(c) Drill Dig Sdn Bhd, engaged for the provision of HDD subcontracting services, contributed to 34.4%, 10.6%, 7.7% and 12.5% of our Group's total subcontractors' fees in FYE 2021 to 2023 and FPE 2024 respectively. Drill Dig Sdn Bhd is a private limited company incorporated in Malaysia on 20 January 2010 and is principally engaged as general contractor and transportation agents. Drill Dig Sdn Bhd commenced its business since 2010. The details of the directors and shareholders of the company are as follows:

| Name of directors / shareholders | Designation | Nationality | No. of shares held (%) |
|---|---|---|---|
| Ling Poh Yong | Director and shareholder | Malaysian | 400,000 shares (80.0%) |
| Ling Chai Yien | Director and shareholder | Malaysian | 100,000 shares (20.0%) |

TSE Jaya Sdn Bhd, a former related party by virtue of the interest of Hin Wai Mun, our Executive Director, is a private limited company incorporated in Malaysia on 15 July 2015 and is principally engaged in the provision of HDD in installing underground pipes. TSE Jaya Sdn Bhd commenced its business since 2015. The details of directors and shareholders of the company are as follows:

| Name of directors / shareholders | Designation | Nationality | No. of shares held (%) |
|---|---|---|---|
| Lieo Yong Tiam | Director and shareholder | Malaysian | 30,000 shares (15.0%) |
| Samuel Loh Wei Yue | Director and shareholder | Malaysian | 50,000 shares (25.0%) |
| Loh Weng Keong | Director and shareholder | Malaysian | 90,000 shares (45.0%) |
| Ling Poh Yong | Shareholder | Malaysian | 20,000 shares (10.0%) |
| Loh Weng Kian | Shareholder | Malaysian | 10,000 shares (5.0%) |

Further details of our transactions with TSE Jaya Sdn Bhd are set out in Section 10.1.

We engage Ecobore Sdn Bhd, Drill Dig Sdn Bhd, Viva Complete Sdn Bhd and TSE Jaya Sdn Bhd to carry out the physical HDD works and cable laying portion of HDD projects undertaken by our Group which are labour intensive in nature, where this involves pipeline route boring and installation of cables, pipelines and jointing, under the supervision of our Group's employees.

## 7. BUSINESS OVERVIEW *(Cont'd)*

While our Group is able to carry out these works internally and we also own 18 HDD machines, our Group engages subcontractors to undertake the physical HDD works as this strategy allows us to scale up our operations and focus on project planning and management, utility detection and mapping as well as HDD technical expertise while also providing the necessary machinery and materials. As at LPD, we lease 3 additional HDD machines to support our projects based on project requirements.

Thus, our Group will continue engaging subcontractors for the physical HDD and cable laying works portion of HDD projects. However, we will assess its subcontractors on a project-to-project basis, and the appointment of subcontractors will be based on a variety of factors, including quality, pricing and lead time for delivery as well as their reliability. As such, this does not preclude our Group from engaging other subcontractors for physical HDD and cable laying works.

Regardless of the role that our Group assumes, we may engage subcontractors to carry out selected portions of our works as this allows our Group to increase our project delivery capabilities and capacity. We engage subcontractors on a project basis to undertake the physical underground utilities engineering works encompassing physical open cut trenching works, micro trenching works, physical HDD works, cable laying works, cable termination and jointing, milling and paving, electrical works and structural works, traffic management as well as site preparation, maintenance and cleaning. In such cases, we are responsible for the quality and timeliness of materials procured and works performed by our subcontractors.

The construction materials and services as well as raw materials that our Group procures from our major suppliers and subcontractors are readily available from other local suppliers and subcontractors. Our Group maintains a list of approved suppliers and subcontractors based on a variety of factors, including the availability of raw materials, quality of products/services, pricing, lead time for delivery and reliability. In this respect, our Group has continuously engaged our major suppliers and subcontractors due to their product specifications and availability of supply, ability to meet delivery timelines, price competitiveness and service quality.

Our Group does not enter into long term agreements or arrangements with our suppliers and subcontractors, as this allows us to have the flexibility to source for quality materials and services at competitive prices and favourable credit terms. Our Group has established long-standing business relationships with our suppliers and subcontractors to ensure minimal disruptions to our supply chain and business operations.

## 7. BUSINESS OVERVIEW *(Cont'd)*

### 7.10 TECHNOLOGY USED OR TO BE USED

The technologies relevant to our Group in order to facilitate our business operations include the following:

**(a) Underground utility locating system**

We utilise our underground utility locating system consisting of pipe and cable locator, GPR and GPS to detect and locate existing underground utilities for our UDM plan prior to commencement of construction works.

**(b) VR HDD and simulator**

We use a VR HDD and simulator which is equipped with training software to introduce to our employees in the Project Department to the basic concepts and procedures of using a HDD machine and a locating system prior to physical training at sites. These employees are able to learn and incorporate skills in relation to initial setup, project site setup, pre-drilling and drilling at virtual project sites with increasing levels of difficulty and complexity using the VR headset and controller. The learning modules in the training include site safety guidelines, type of locating equipment used, transmitter selection, overcoming interference, locater frequency optimisation, transmitter and locator pairing, calibration, changing transmitter bands, locating points, height above ground, steering, creating log-while-drilling as-built drawings as well as common commands between locating specialist and drill operator.

At the end of the practice modules, our employees can take an examination to assess the knowledge and skills learned and the result will be generated at the end of the examination. This training is provided to new employees upon joining our Project Department as well as existing employees in the Project Department on an ongoing basis.

## 7. BUSINESS OVERVIEW *(Cont'd)*


Our employees undergoing VR HDD and simulator training

### (c) AutoCAD

AutoCAD is a computer-aided design and drafting software developed by Autodesk that we use to sketch and develop the UDM plans for our projects.

## 7. BUSINESS OVERVIEW *(Cont'd)*

### 7.11 INTERRUPTIONS TO BUSINESS

Save for the interruption in our operations arising from the imposition of movement controls in Malaysia following the outbreak of COVID-19 pandemic, our Group had not experienced any other interruptions which has significantly affected our business during the past 12 months preceding LPD.

#### 7.11.1 Impact of COVID-19 on our Group

Pursuant to the outbreak of the COVID-19 pandemic in 2020, the Government had implemented different forms of MCO since 18 March 2020 to contain the spread of the virus. During this period, our Group was required to comply with the changes in SOP outlined by MITI throughout the period.

In FYE 2021, we faced some disruptions in PPI's operations when we temporarily halted operations from 18 March 2020 to 3 May 2020 in adherence to the MCO. We resumed operations on 4 May 2020 while adhering to operating capacity restrictions upon obtaining approval from MITI. During this period, Kum Fatt was able to continue operating while adhering to operating capacity restrictions, as we support project owners in the electricity supply and telecommunications industries which are deemed as essential services. Konnection's operations was temporarily halted from 7 April 2020 to 2 June 2020 in adherence to the circuit breaker imposed by the Government of Singapore to contain the spread of COVID-19 in Singapore.

We had informed our customers of the delay in project delivery schedules and in view of the COVID-19 situation, our customers did not initiate any penalty claims against our Group arising from the delay.

Further, there was no material adverse impact on our sales during the COVID-19 pandemic period as our sales activities have been able to continue through online meetings. There was no material impact on our sales, delivery and receipt of supplies upon the enforcement of the "Transition to Endemic" phase beginning 1 April 2022.

#### 7.11.2 Impact of COVID-19 and MCOs on our business, cash flows, liquidity, financial position and financial performance

The delay in project delivery schedules that our Group experienced in FYE 2021 had resulted in some delayed recognition of revenue of RM2.5 million in FYE 2021 which was subsequently recognised in FYE 2022.

Save for the above, there was no material impact to our business, cash flows, liquidity, financial position and financial performance in FYE 2021. Further, there was no material impact to our business, cash flows, liquidity, financial position and financial performance in FYE 2022 and FYE 2023 arising from the COVID-19 pandemic. Our business cash flows, liquidity, financial position and financial performance was also not impacted by the enforcement of the "Transition to Endemic" phase beginning 1 April 2022.

#### 7.11.3 Strategy and steps taken to address the impact of COVID-19

In response to the COVID-19 pandemic, our Group established a standard safety protocol that outlined several infection control measures based on the guidelines and SOP issued by MITI from time to time to protect employees and customers against COVID-19 infections.

Since March 2020 and up to LPD, there have been no actions taken or penalties issued by the relevant authorities against our Group for breach of any laws relating to COVID-19 restrictions and/or SOP.

## 7. BUSINESS OVERVIEW *(Cont'd)*

### 7.12 SEASONALITY

Our operations are not significantly affected by seasonal or cyclical effects as our customers generally operate throughout the year. However, the demand for our solutions may be affected by global and local economic conditions and government policies, which may affect the utilities industries that our customers operate in.

### 7.13 OPERATING CAPACITIES AND OUTPUT

Our operating capacities and production output in respect of the manufacturing of HDPE pipes for FYE 2021 to 2023 and FPE 2024 is outlined below:

| | Number of operating manufacturing lines | Production capacity (kg) | Actual production output (kg) | Utilisation rate (%) |
|---|---|---|---|---|
| **FYE 2021** | 1 | (1)2,293,200 | 2,024,301 | 88.3 |
| **FYE 2022(2)** | 2 | (2)4,730,400 | 2,479,151 | 52.4 |
| **FYE 2023(2)** | 2 | (3)6,130,800 | 2,886,044 | 47.1 |
| **FPE 2024** | 2 | (3)5,803,714 | 3,287,784 | 56.6 |

**Notes:**

(1) Based on operations of 24 hours a day and 6 days per week with average machine capacity of 325kg/hour for Line 1.

Line 1's operations was temporarily paused for the following period:

| Period | Reason |
|---|---|
| 18 March 2020 – 3 May 2020 | MCO 1.0 |

During the period from June 2020 to February 2021, weekly operations were extended from 6 days to 7 days per week for a total of 21 weeks in order to meet the production volume requirement for our ongoing underground utilities engineering projects and to build buffer stock of inventories.

(2) Based on operations of 24 hours a day and 6 days per week with average machine capacity of 325kg/hour for Line 1. Commencing the operations of Line 2 on 3 June 2021 and the gradual ramping up of Line 2's operations to full production capacity on 1 August 2021, Line 1 was redesignated as a reserve production line.

Line 1's operations was temporarily paused for the following period:

| Period | Reason |
|---|---|
| 1 June 2021 – 1 August 2021 | Installation and commissioning of Line 2 which required some civil and electrical engineering works to be carried out in the production area, thereby limiting the working space at PPI for Line 1's production operations |

Based on operations of 24 hours a day and 6 days per week with average machine capacity of 600kg/hour for Line 2 which commenced initial production on 3 June 2021 and gradually ramped up to full production capacity on 1 August 2021 was designated as our primary production line.

## 7. BUSINESS OVERVIEW *(Cont'd)*

Commencing 1 August 2021, we only operated Line 1 when:

a) Line 2's operations were paused for preventive maintenance; and

b) there were peak orders for HDPE pipes and PPI needed to operate both Line 1 and Line 2 simultaneously to meet the production delivery timelines.

(3) Based on operations of 24 hours a day and 6 days per week with average machine capacity of 325kg/hour for Line 1 and 600kg/hour for Line 2. Line 2 continued to function as a primary production line and Line 1 as a reserve production line.

During FYE 2023 and FPE 2024, we only operated Line 1 when:

a) Line 2's operations were paused for preventive maintenance; and

b) there were peak orders for HDPE pipes and PPI needed to operate both Line 1 and Line 2 simultaneously to meet the production delivery timelines.

Our Group will review opportunities to increase production output in line with demand for our HDPE pipes to support our ongoing underground utilities engineering projects in Malaysia and Singapore as well as demand arising from third party sales. We will continually review and evaluate the demand for our HDPE pipes as well as current inventory levels in determining further plans to increase our production output.

### 7.14 QC AND QUALITY ASSURANCE PROCEDURES

We recognise that the adoption of a QC and quality assurance systems are vital to maintaining our reputation and market standing as a reliable contractor. As such, our Group places emphasis on quality management to ensure that the quality of our deliverables comply with the relevant industry standards, regulations and meet the expectations and requirements of our customers.

In line with this, we have established and implemented a quality management system in accordance with the ISO 9001:2015 standards and requirements. As a testament to our quality commitment, Kum Fatt has been certified compliant to ISO 9001:2015, details of which are included below:

| Year first awarded | Current validity period | Certification | Scope | Awarding body |
|---|---|---|---|---|
| 2022 | 20 October 2022 – 12 April 2025 | ISO 9001:2015 | Provision of HDD services to construction, pipeline and utility | Global Compliance Certification Pty Ltd |

As part of our QC efforts, we practise the following in our provision of underground utilities engineering solutions:

(a) we strive to improve the quality and operations of our HDD works through underground utilities survey works prior to the commencement of HDD works. Our underground utilities survey works comprise underground utility detection (induction) and mapping, trial pit boring and passive live tracing or tracing zigzag;

(b) we strive to ensure that our projects are completed in accordance with customer specifications, industry standards and regulatory requirements;

## 7. BUSINESS OVERVIEW *(Cont'd)*

(c) we procure services, equipment and materials from our approved list of subcontractors and suppliers;

(d) subcontractors and suppliers are assessed in terms of service/product quality, timeliness of delivery and pricing prior to being placed on the approved list;

(e) we assign a project manager and safety officer to manage and monitor onsite activities such that they are in accordance with customer specifications, project schedule, utility mapping plan and safety regulations;

(f) we supervise and inspect works performed by our subcontractors and ensure that they meet the contractual specifications and are delivered on time;

(g) our project team conducts regular onsite inspections with customer representatives such that any issues in relation to onsite performance and safety management will be communicated and rectified promptly;

(h) in cases where the works of the subcontractors do not meet the technical specifications and requirements, our project manager will liaise closely with the subcontractor's site representative such that corrective measures and rectification works can be carried out promptly;

(i) we perform the necessary tests such as the mandrel test after the installation of cables, pipelines and jointing as well as rectification works, if required, prior to handover to customers; and

(j) we are responsible for rectifying defective works, if any, under the defect liability period of our project contracts. We also impose similar defect liability rectification arrangements on our subcontractors. Our subcontractors are responsible for the rectification of any defects in relation to the scope of work that we have subcontracted to them, and these subcontractors will bear the cost of rectification works. However, our Group is ultimately responsible to our customers for ensuring that the defects are rectified. In the event our subcontractors are unable to rectify defects for works that we have subcontracted to them, our Group may need to engage other subcontractors to perform rectification works and bear the initial rectification costs before we can charge the rectification costs back to the subcontractors who caused the defects.

We practise the following QC procedures in our HDPE pipe manufacturing process:

(a) we procure raw materials from our approved list of suppliers;

(b) suppliers are assessed in terms of product quality, timeliness of delivery and pricing prior to being placed on the approved list;

(c) we test our pipe manufacturing raw materials for density and melt index prior to loading them onto the manufacturing line;

(d) we perform daily sampling inspection procedures for 1 of every 20 HDPE pipes produced for the pipe thickness, size and appearance; and

(e) in the event of deviation from product quality during production, we will promptly make adjustments on the speed of extruder and haul-off machine, temperature of heaters and/or pressure of calibration sleeve to resolve the issue.

## 7. BUSINESS OVERVIEW *(Cont'd)*

### 7.15 RESEARCH AND DEVELOPMENT

Due to the nature of our business, we do not engage in research and development and thus have not undertaken any research and development activities.

### 7.16 DEPENDENCY ON CONTRACTS, AGREEMENTS OR OTHER ARRANGEMENTS

Save for the Exclusive Engineering Service Provider Agreements that our Group has entered into with Komasi Engineering and Sutera Utama, our Group is not dependent on any other contracts, agreements or other arrangements.

### 7.17 COMPETITIVE STRENGTHS

#### 7.17.1 We are a specialised provider of HDD engineering solutions with presence in Malaysia and Singapore

We have established our presence in the underground utilities engineering industry with approximately 15 years of operating history since the incorporation of Kum Fatt in 2009, specialising in the HDD method of underground utilities engineering. Leveraging on its HDD capabilities, our Group penetrated into the underground utilities engineering industry in Singapore during the same year. Our Group has a proven track record as evidenced by the increase in our revenue from RM51.7 million in FYE 2021 to RM88.7 million in FYE 2023. For FPE 2024, our Group recorded a revenue of RM103.8 million.

Throughout the years, our Group has gained substantial experience and expertise in providing underground utilities engineering solutions, encompassing: tracing, mapping, procurement, supply, installation, testing, commissioning, inspection, repair and maintenance of underground utilities. Further, our Group's HDPE pipe manufacturing business segment is also complementary to its provision of HDD engineering solutions and has provided our Group with cost and QC advantages as our Group utilises these pipes in its projects.

Historically, our Group primarily undertook underground utilities engineering projects in the electricity supply and telecommunications sector, comprising cable and pipeline installation and maintenance works for 11kV, 33kV and 66kV power distribution projects as well as for fixed line and mobile network services. Nevertheless, the expertise and technical know-how in the HDD technology that our Group accumulated over the years has prepared us and will allow us to strategically diversify over to other end markets or industries such as power transmission (132kV, 275kV and 500kV), water, sewerage and piped gas. For avoidance of doubt, there is no difference in terms of the underground utilities engineering solutions provided by our Group for 11kV and 33kV power distribution projects in Malaysia. However, we are only involved in the laying of HDPE pipes for 66kV power distribution projects in Singapore. Our Group receives and responds to requests for quotations from other main contractors in relation to power transmission projects. While we have submitted several quotations, these have not progressed further. Notwithstanding this, our Group will continue engaging with main contractors that are involved in these end markets or industries so that we continue to be invited to submit requests for quotations. Our Group's success in venturing into these end markets or industries will be dependent on our ability to secure such projects as well as the ability to build up our internal team and machinery resources for project execution.

## 7. BUSINESS OVERVIEW *(Cont'd)*

Leveraging on our experience and project track record in the electricity supply sector, we intend to further expand regionally in Peninsular Malaysia, specifically targeting the states of Terengganu, Kelantan and Pahang, by securing telecommunications and electricity supply projects. As at LPD, our Group has secured electricity supply projects with total contract value of RM83.9 million in the east coast region for Terengganu, Kelantan and Pahang. These projects will allow us to create presence and identify other potential business opportunities in the east coast region of Peninsular Malaysia.

Further, we also own a fleet HDD machinery and equipment such as underground utility locators/detectors and gyroscopic utility mapping devices, which enables us to better control our costs, and gives us flexibility in allocating operational resources in managing our Group's projects. As at LPD, we own 18 HDD machines, 2 backhoes, 1 excavator, 6 underground utility locators/detectors and 4 gyroscopic utility mapping devices.

As at LPD, our Group has an unbilled order book value of RM223.4 million which is expected to be realised over the next 3 financial years.

### 7.17.2 Our focus on project management and underground utilities survey works have enabled us to grow our underground utilities engineering solutions business

Our Group focuses on project planning and management, utility detection and mapping as well as HDD technical expertise. Other industry players may focus on 1 or more areas, and undertake physical underground utilities engineering works instead of project planning and management as well as utility detection and mapping activities, resulting in customers having to engage more than 1 party to undertake underground utilities engineering projects.

We engage subcontractors on a project basis to undertake the physical underground utilities engineering works encompassing physical open cut trenching works, micro trenching works, physical HDD works, cable laying works, cable termination and jointing, milling and paving, electrical works and structural works, traffic management as well as site preparation, maintenance and cleaning, and we are responsible for the quality and timeliness of materials procured and works performed by our subcontractors. This strategy allows our Group to increase our project delivery capabilities and capacity. Project planning and management is an important facet of construction projects. Our focus on project planning is a competitive advantage as it allows us to realise benefits in project delivery, including:

(a) having a clear definition of project requirements, tasks to be done and order of task implementation;

(b) having an accurate assessment of the costs associated with a project as well as a timeline for completion;

(c) ability to effectively manage subcontractors work performance in line with project requirements, timeline and cost; and

(d) ensuring project requirements are met.

Further, we carry out underground utilities survey works prior to the commencement of HDD works comprising underground utility detection (induction) and mapping, trial pit boring and passive live tracing or tracing zigzag. This is a competitive advantage to our Group as carrying out underground utilities surveys prior to HDD works allows us to determine existing utilities below the surface and minimise the risk of damaging these utility pipes during the course of our project. Upon completion of a project, we prepare as-built drawings for submission to TNB.

## 7. BUSINESS OVERVIEW *(Cont'd)*

We have invested in VR HDD and simulators to train our employees on the basic concepts and procedures of using a HDD machine and a locating system prior to physical training at sites. Our employees are able to learn and incorporate skills in relation to initial setup, project site setup, pre-drilling and drilling at virtual project sites with increasing levels of difficulty and complexity using the VR headset and controller. For clarity, the VR HDD and simulators are third party technologies that are not proprietary to our Group. While these technologies are available in the market, it's adoption rate for purposes for training and development to enhance employee competency in our industry is still limited. Thus, our adoption of VR HDD and simulators is a competitive advantage to our Group.

Our focus on project management and underground utilities survey works enable us to improve our project delivery performance, while ensuring that we meet the technical, time and cost requirements of our customers.

### 7.17.3 We have established relationships with our customers which provide us with stable flow of projects

We maintain strong business relationships with our customers comprising main contractors, property owners and developers as well as telecommunications service providers. We have more than 10 years of business relationship with our top 3 customers in FPE 2024.

Our Group is dedicated in providing quality underground utilities engineering solutions that meet the needs and specifications of our customers. As a result of our track record, our Group receives requests for quotations from main contractors for electricity supply and telecommunications projects. Further, our Group is also appointed as the exclusive engineering service provider for HDD works by Komasi Engineering and Sutera Utama which is limited to non-Bumiputera contracts, which has helped our Group secure a stable flow of projects over the years. For FPE 2024, our Group has 12, 13 and 15 years of business relationship with Komasi Engineering, Sutera Utama and Wee Guan Group respectively.

Our Group is able to participate in tenders and requests for quotations for projects issued by electricity supply and telecommunication utility companies. As at LPD, our Group has received and responded to requests for quotations issued by telecommunication utility companies, from which we have secured telecommunication projects from Maxis Broadband Sdn Bhd. Notwithstanding the above, we also receive and respond to requests for quotations from main contractors, which include Komasi Engineering, Sutera Utama and Wee Guan Group. Thus, these contractors are a sales channel for our Group to secure electricity supply and telecommunications projects in Malaysia. We have long term and mutually beneficial business relationship with these contractors and our Group supports them in the delivery of underground utilities engineering solutions for the electricity supply and telecommunications projects that they have secured. In Singapore, underground utilities engineering solutions are a subset of larger utility projects. Thus, our Group submits quotations to main contractors that have secured such projects. The contractors are a sales channel for our Group to secure electricity supply projects in Singapore.

Our Group also maintains a list of approved subcontractors and suppliers that meet its selection criteria. Our Group leverages on these subcontractors and suppliers to deliver quality and timely delivery of services and products to our customers, thus helping us to consistently procure new business opportunities through goodwill and word-of-mouth, which will eventually lead to better financial performance and market positioning.

## 7. BUSINESS OVERVIEW *(Cont'd)*

### 7.17.4 Our in-house manufactured HDPE pipes are certified to internationally recognised quality standards and we are registered with TNB for the supply of these pipes in power sector projects

Our Group places emphasis on product quality and is committed to quality assurance and consistency of its HDPE pipes. As such, we have developed and implemented QC procedures to ensure that our HDPE pipes meet the relevant industry standards and needs of our customers. Our HDPE pipes are certified compliant to MS 1058: Part 2:2005 and ISO 4427-2:2019 by SIRIM QAS International Sdn Bhd, which also accredits that our HDPE pipes are suited for water supply pipes thereby providing our Group with a further source of end-user industry. Our Group has met the assessment criteria of and is registered with TNB for the supply of materials and services to TNB's power projects. Further, PPI was certified compliant to the SIRIM 52:2022 standards in relation to PE smooth wall pipes for electrical cable installation.

Our Group's QC practices have resulted in consistent quality of HDPE pipes being manufactured. This has contributed to customer satisfaction, which in turn has enabled our Group to maintain business relationships with our customers through recurring orders. Over FYE 2021 to 2023, FPE 2024 and up to LPD, our Group has not received any product defect claims or product rectification requests from our customers in respect of our HDPE pipes.

### 7.17.5 We have a qualified and experienced senior management team with proven track record who are supported by experienced and skilled personnel

Our senior management team possess in-depth knowledge and experience in HDD engineering services and solutions. In particular, our Promoter and Managing Director, Datuk Dr Ting, has approximately 24 years of experience in the industry. Throughout the years, he has played a significant role in developing and implementing the business strategies of our Group, which have contributed to our Group's business growth.

Datuk Dr Ting is supported by the following senior management team:

| Name | Designation | Work experience (years) |
|---|---|---|
| Hin Wai Mun | Executive Director | 18 |
| Chong Tuoo Choi | Executive Director | 28 |
| Vincent Wong Soon Choy | Executive Director/ Chief Financial Officer | 30 |

Hin Wai Mun and Chong Tuoo Choi, each possess approximately 18 and 28 years of experience in the industry and have also contributed significantly to our Group's business growth, where they oversee the day-to-day operations of our underground utilities engineering projects in Malaysia and Singapore respectively, including contract and procurement, project, human resource and administration and health and safety. Vincent Wong Soon Choy brings with him 30 years of experience in the areas of finance, tax and accounts.

We also have a professional team of engineers, safety officers and technical staff that have extensive industry knowledge and experience. As at LPD, 17 of the 206 employees in our Project Department have at least 5 years of experience in the HDD method of laying pipes, which indicates that they have reached the level of competency where they are able to undertake larger and more technically complex HDD projects. At this level of competency, these employees are able to take on supervisory roles in HDD projects, where they are able to manage and monitor the subcontractors engaged by our Group to undertake the physical open cut trenching works, micro trenching works, physical HDD works, cable laying works, cable termination and jointing, milling and paving, electrical works and structural works, traffic management as well as site preparation, maintenance and cleaning.

We believe that our experienced senior management team, supported by our competent employees, will continue to support our business operations and sustain our business growth.

## 7. BUSINESS OVERVIEW *(Cont'd)*

### 7.18 BUSINESS STRATEGIES AND PROSPECTS

#### 7.18.1 We intend to pursue opportunities to expand regionally in Malaysia

Our Group has established our track record as a provider of underground utilities engineering solutions, specialising in the HDD method. Throughout the years, we have established strong and long-lasting relationships with various stakeholders in the electricity supply and telecommunications industry, comprising contractors, utility companies, property developers and owners as well as suppliers.

We believe that we need to leverage on our current capabilities to expand regionally in Peninsular Malaysia. As at LPD, our Group has completed and have on-going underground utilities engineering projects in the states of Johor, Negeri Sembilan, Melaka and Selangor.

Our Group will continue to engage with other main contractors to position ourselves favourably to be invited to submit requests for quotations for underground utilities engineering projects. Our Group's success will be dependent on our ability to secure new projects as well as the ability to build up our internal team and machinery resources for project execution.

We intend to further expand regionally in Peninsular Malaysia, specifically targeting the states of Terengganu, Kelantan and Pahang, by securing telecommunications and electricity supply projects. As at LPD, our Group has secured electricity supply projects with total contract value of RM83.9 million and have commenced works in the east coast region for Terengganu, Kelantan and Pahang. These projects will allow us to create presence and identify other potential business opportunities in the east coast region of Peninsular Malaysia. We will seek to collaborate with certified main contractors that are financially stable and reliable to facilitate our regional expansion.

This plan is part of our Group's continuous efforts, and further collaborations are expected to be realised within 36 months from our Listing. As at LPD, we have not initiated formal discussions with any main contractors on the method of such collaborations, and our Group is open to consider any manner of collaboration.

#### 7.18.2 We intend to acquire more machinery to expand our range of underground utilities engineering solutions and scale of projects

Our Group's operational resources to carry out underground utilities engineering solutions depend largely on the availability of our machinery and equipment. We lease machinery to supplement our existing assets in carrying out project works, including HDD machines, excavators and lorries as we do not own enough of these machinery and equipment. We also engage subcontractors on a project basis to undertake the physical underground utilities engineering works encompassing physical open cut trenching works, micro trenching works, physical HDD works and cable laying works portion of the HDD projects undertaken by our Group, to supplement our operational resources, as this allows our Group to secure and deliver more underground utilities engineering projects.

Our Group intends to purchase HDD machines, excavators and lorries to supplement our existing machinery fleet to cater for our on-going underground utilities engineering projects, our order book and scale up existing operations to secure more projects to facilitate the anticipated growth in our Group's underground utilities engineering operations in Malaysia and Singapore.

## 7. BUSINESS OVERVIEW *(Cont'd)*

To facilitate this initiative, we have allocated approximately RM15.8 million from the proceeds of the Public Issue to fully fund the acquisition of machinery over the next 24 months, comprising:

| Machinery | Purpose | No. of units | Total estimated cost |
|---|---|---|---|
| | | | RM'000 |
| HDD machines | Boring machine for installing underground pipes, conduits and cables | 3 | 1,500 |
| Maxi rig HDD machine | Boring machine for subsea HDD works | 1 | 7,000 |
| Lorries(1) | Transportation of cables and other construction materials | 21 | 5,220 |
| Excavators | Digging of trenches, holes, foundations and general landscaping | 5 | 2,030 |
| | | | **15,750** |

**Note:**

(1) From the 21 lorries to be acquired, 13 lorries are intended to support our underground utilities engineering projects in Malaysia. The remaining 8 lorries are intended to support our underground utilities engineering projects in Singapore.

The acquisition of 21 new lorries will strengthen our fleet of motor vehicles for underground utilities engineering projects. As at LPD, we own 29 lorries of which 26 lorries are being used in Malaysia while the remaining 3 lorries are being used in Singapore. We intend to utilise our existing fleet of 26 lorries in Malaysia for the underground utilities engineering projects that we undertake in other states in Peninsular Malaysia, particularly the east coast region where we have secured electricity supply projects with total contract value of RM83.9 million in the east coast region for Terengganu, Kelantan and Pahang.

Our Group plans to acquire a maxi rig HDD machine that will enable us to venture into the provision of subsea HDD works, thereby expanding our Group's range of underground utilities engineering solutions. Subsea HDD works refer to the HDD technique of drilling a tunnel from an entry point at the shore and through the sea bed to a pre-determined exit point along the coastline for the laying of pipes. In order to develop capabilities and expertise to venture into subsea HDD works, our Group will identify employees in our Project Department for subsea HDD works training programmes, and we will also recruit additional employees with the requisite experience. Our recruitment of such experienced employees will be in line with our ability to secure projects relating to subsea HDD works. Our Group has conducted site visits to other subsea HDD projects to study its implementation method prior to deciding to venture into subsea HDD works. We will continue to conduct such site visits, when such opportunities arise, as part of our on-going efforts to improve our capabilities and expertise. For clarity, our Group will only commence marketing the provision of subsea HDD works to our existing and potential customers once we have accepted delivery of the maxi rig HDD machine, which will be purchased using the IPO proceeds, and upon ensuring that we have a team of trained and experienced employees who will be able to undertake subsea HDD works. We will constantly review market opportunities, acquire the maxi rig HDD machine and assess the readiness of our team to undertake subsea HDD works before we commence marketing the provision of subsea HDD works to our customers.

## 7. BUSINESS OVERVIEW *(Cont'd)*

As we frequently use these machinery, we believe that our investment will place us in a more competitive position to carry out underground utilities engineering projects of different scale and complexities. In addition, we believe that the acquisition of these machinery will allow us to scale up our resources and project capabilities in undertaking projects of similar scale and complexities as our existing and past projects.

Given the frequent usage of such major machinery, purchasing them will render us less susceptible to risks in terms of availability, quality and reliability of such major machinery as compared to leasing. The purchase of additional machinery will increase the availability of such machinery as well as enable us to have better cost control and estimates for bidding construction projects and enhancing our flexibility in managing projects. This in turn allows us to cope with our business development with more efficiency, reliability and technical capability in performing projects as well as enhancing our ability to cater for different needs and requirements of different customers.

### 7.18.3 We intend to further expand our range of underground utilities engineering solutions in Singapore

Our Group's business in Singapore has been growing, driven by the demand for underground utilities engineering solutions by the electricity supply industry to support Singapore's plans to increase the overall population from a range of 6.5 million to 6.9 million persons by 2030 and to optimise land use. Furthermore, the announcements of new township and development of infrastructure projects are anticipated to drive demand for underground utilities engineering solutions. *(Source: IMR Report)*

The future prospects and demand for underground utilities engineering solutions appear promising on the back to the abovementioned drivers. Our Group intends to leverage on the growth prospects of the Singapore market by actively participating in tenders and/or requests for quotations in Singapore for HDD works for electricity distribution projects by leveraging on our project track record, technical expertise and experience of our employees. This plan is part of the Group's continuous efforts, and is expected to be realised within 36 months from our Listing.

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## 8. IMR REPORT

PROVIDENCE STRATEGIC PARTNERS SDN BHD
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3 May 2024

The Board of Directors
**UUE HOLDINGS BERHAD**
No 55 & 57, Jalan Teratai 7
Taman Johor Jaya
81100 Johor Bahru
Johor
Malaysia.

Dear Sirs,

**Outlook of the Power Infrastructure Utilities Market in Malaysia in conjunction with the Listing of UUE HOLDINGS BERHAD on the ACE Market of Bursa Malaysia Securities Berhad**

PROVIDENCE STRATEGIC PARTNERS SDN BHD ("**PROVIDENCE**") has prepared this Outlook of the Power Infrastructure Utilities Market in Malaysia strictly for inclusion in the Prospectus of UUE HOLDINGS BERHAD.

PROVIDENCE has taken prudent measures to ensure reporting accuracy and completeness by adopting an independent and objective view of these industries within the confines of secondary statistics, primary research and evolving industry dynamics.



For and on behalf of PROVIDENCE:

ELIZABETH DHOSS
EXECUTIVE DIRECTOR

***About PROVIDENCE STRATEGIC PARTNERS SDN BHD:***

*PROVIDENCE is an independent research and consulting firm based in Petaling Jaya, Selangor, Malaysia. Since our inception in 2017, PROVIDENCE has been involved in the preparation of independent market research reports for capital market exercises. Our reports aim to provide an independent assessment of industry dynamics, encompassing aspects such as industry performance, demand and supply conditions, competitive landscape and government regulations.*

***About ELIZABETH DHOSS:***

*Elizabeth Dhoss is the Executive Director of PROVIDENCE. She has more than 10 years of experience in market research for capital market exercises. Elizabeth Dhoss holds a Bachelor of Business Administration from the University of Malaya, Malaysia*.

# 1 POWER INFRASTRUCTURE UTILITIES MARKET IN MALAYSIA

Utilities are infrastructure services provided to consumers, and include electricity, piped gas, water and sewerage as well as communications services. Utility projects refer to construction projects where design, construction, installation, repair and maintenance of utility infrastructure are included. Thus, the power infrastructure utilities market relates to the construction of subsurface and above surface pipelines, communication and power lines, water mains and line construction, reservoirs, irrigation systems, sewer systems and sewage disposal plants, electricity substations and power plants.

Overhead utilities (also known as overhead power lines) are overhead wires and supporting infrastructure used in electric power transmission and distribution to transmit electricity. Overhead power lines consist of one or more conductors suspended by towers or poles.

Underground utilities, also known as subsurface utilities, are infrastructures installed beneath the ground surface. Underground utilities include lines used for electricity distribution, traffic lights, street lights, natural gas transportation, telecommunications, water and sewerage pipelines, and broadband internet services. These infrastructures are typically installed and maintained by public utility companies or contractors engaged by public utility companies. Underground utilities construction activities are undertaken for the installation, repair, maintenance and upgrading of such subsurface utilities.

Underground utilities construction can be performed by way of:

- Open trench excavation method - a method of pipeline installation, repair and replacement that requires opening up the surface of the ground to the required depth for installing a pipeline. Upon installation, the excavated route is then backfilled, and the surface is restored. This can be an affordable method for non-pavement covered surfaces.
- Trenchless method - a method for the installation of new, replacement or rehabilitation of existing underground infrastructure with minimal disruption to surface traffic, businesses and other activities. Trenchless methods include:
  - horizontal directional drilling ("**HDD**") involves the use of a directional drilling machine that can be precisely steered to avoid any obstructions for any pipeline crossing to be completed. Through HDD, pipelines can be laid in the underground space without breaking the surface or with minimal excavation works. The HDD technique does not involve a large working space and does not disrupt other works as well as urban traffic systems. HDD can be done at any time of the day, subject to approval from the relevant authorities, and thus requires a shorter duration for completion. Hence, HDD can be cost effective when compared to the conventional open-trench excavation methods;
  - pipe jacking allows for the installation of prefabricated pipelines through the ground from a drive shaft to a reception shaft. The benefits of pipe jacking include minimal traffic disruption and disturbance to public with regards of noise, dirt and vibration. Pipe jacking techniques include microtunneling and manshield; and
  - cable tunnelling refers to the installation of high-voltage electricity cables along tunnel sections that can go as deep as 60 metres beneath the ground level.

The open trench excavation method and trenchless method can be used for the installation of pipelines such as electricity cables, sewerage pipes and water mains.

The electricity supply industry comprises electricity generation, transmission and distribution / retail. Utility companies and independent power producers (IPPs) generate electricity from energy sources to be sold to consumers. Utility companies are companies typically involved in all three phases of electricity supply chain from generation to transmission to distribution. The three main utility companies, namely Tenaga Nasional Berhad, Sabah Electricity Sdn Bhd and Sarawak Energy Berhad, typically engage third party engineering companies to design, construct, install, repair and maintain underground and overhead utility infrastructure. Large industrial customers such as mining operators, steel mills, cement plants, oil refineries, airports and seaports require high volumes of electricity and therefore may erect electricity substations within their premises which draw electricity supply from the National Grid.

Utility companies typically engage third party engineering companies to undertake the design and development of transmission and distribution infrastructure, connecting residential, commercial and industrial consumers to the National Grid. These third-party engineering companies are typically main contractors who subsequently engage subcontractors such as UUE Holdings Berhad to perform the required works. Property developers and large industrial users also engage these third-party engineering companies to erect electricity substations within their premises and/or lay pipelines and cables to draw power from the National Grid to their premises. Thus, these third-party engineering companies play a critical

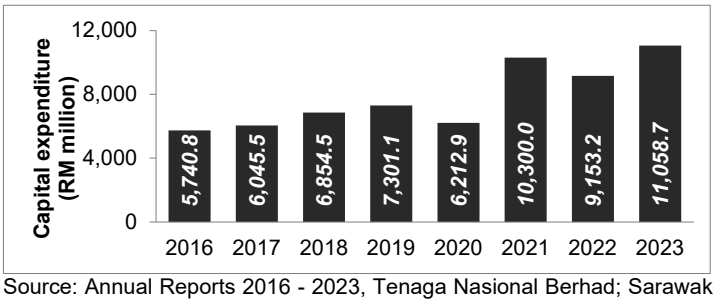
role in developing transmission and distribution infrastructure to ensure the accessibility and connectivity of utilities such as electricity, telecommunications, piped gas, water and sewerage.

UUE Holdings Berhad is principally involved in the provision of underground utilities engineering solutions where we specialise in the HDD method of laying pipes, and the manufacturing of high-density polyethylene ("**HDPE**") pipes.

### 1.1 INDUSTRY SIZE AND GROWTH POTENTIAL

The power infrastructure utilities market in Malaysia, based on the capital expenditure incurred for recurring electricity generation, transmission and distribution, rose from RM5.7 billion in 2016 to RM11.1 billion in 2023 at a compound annual growth rate ("**CAGR**") of 9.8%.

**Capital expenditure for recurring power generation, transmission and distribution in Malaysia**




Source: Annual Reports 2016 - 2023, Tenaga Nasional Berhad; Sarawak Energy Berhad; PROVIDENCE analysis

In 2020, the capital expenditure incurred for electricity transmission and distribution was affected by the COVID-19 pandemic and the subsequent phases of the movement control order ("**MCO**") that stifled economic activity. In 2024, Tenaga Nasional Berhad announced a capital expenditure allocation of RM13.0 billion, from which RM7.7 billion will be for regulated capital expenditure (including energy transition related capital expenditure of RM3.3 billion) while the remaining RM5.3 billion will be allocated for other major projects.[1]

The power infrastructure utilities market comprises the capital expenditure of utility companies for utility systems and related services in relation to the construction of generation facilities, transmission and distribution lines, as well as related structures for power utilities by industry players. All structures that are integral parts of utility systems are included in this market. The work performed by these industry players includes new installations, additions, alterations, maintenance, and repairs.

### 1.2 DEMAND CONDITIONS: KEY GROWTH DRIVERS

**Long term economic growth supports investments in utility infrastructure**

According to the Central Bank of Malaysia, Malaysia's economy continued to grow by 3.7% in 2023, supported by resilient domestic demand and recovery in tourism activities. The Central Bank of Malaysia further projects that Malaysia's economy will grow between 4.0% – 5.0% in 2024, underpinned by continued expansion in domestic demand and improvement in external demand.[2]

Economic growth is a key driver for investments in utilities, as a robust utility infrastructure supports economic activities and attracts foreign and domestic investments. PROVIDENCE anticipates that the private and public sector will still incur capital investments for power infrastructure, as infrastructure and utilities are important drivers for the growth of economy of any region. Electricity, roads, water systems, public utilities, airports, railways, and telecommunications are essential services that drive economic activity by channelling trade and mobility.

**Population growth and urbanisation promotes investments in utility infrastructure**

Based on a projection by the United Nations Department of Economic and Social Affairs ("**DESA**"), it is estimated that Malaysia's population, similar to the rest of the world, will increase exponentially within three decades. According to the World Population Prospects: The 2017 Revision, the nation's population is expected to rise to more than 40.0 million in 2050. The same trend has been projected for the nation's urbanisation rate, which stands at 75.0% in 2017. DESA, in its World Urbanisation Prospect: The 2014 Revision, projected that Malaysia was expected to register an urbanisation rate of between 85.0% to 90.0%

[1] TNB Analyst Briefing Presentation – 2023 – Q4
[2] Economic and Monetary Review 2023, Central Bank of Malaysia

by 2050. In 2022, Malaysia's population stood at 32.7 million. According to the Key Findings of Population and Housing Census of Malaysia 2020 published by the Department of Statistics Malaysia in December 2022, Malaysia's urbanisation rate increased to 75.1% in 2020 from the 70.9% in 2010.[3]

The increase in urbanisation will bring changes and challenges unless it can be supported by robust utility infrastructure for electricity, piped gas, water and sewerage as well as communications services. This will ensure that Kuala Lumpur and other cities will continue to experience growth and remain competitive. Thus, investments in utility infrastructure to support population growth and urbanisation will benefit industry players that offer underground utilities engineering solutions.

**Growing demand for electricity stimulates investments in new and replacement utility infrastructure**

Electricity energy is a crucial element in the development process as well as economic growth of a country. Shortage of electricity supply may negatively affect the development progress of the country, and possibly limit its potential growth.

Malaysia's consumption of electricity increased from 132,199.0 gigawatt hours ("**GWh**") in 2015 to 177,745.9 GWh in 2023. Regionally, Peninsular Malaysia remains as the primary consumer of electricity in Malaysia, consuming close to 80.0% of the electricity sold.

Peninsular Malaysia and Sabah's transmission systems were 26,093.4 kilometres ("**km**") and 3,161.0 km in length respectively comprising 500.0 kilovolt ("**kV**") lines, 275.0 kV lines, 132.0 kV lines and 66.0 kV lines. Separately, Peninsular Malaysia and Sabah's distribution systems, comprising overhead lines and underground cables, were 761,546.4 km and 27,667.7 km in length respectively. Peninsular Malaysia had 485 transmission substations and 98,254 distribution substations, while Sabah had 49 transmission substations and 8,861 distribution substations in 2023.[4] Comparatively, Sarawak transmission system was 2,391 km comprising 500.0 kV lines, 275.0 kV lines and 132.0 kV lines, and its distribution system was 37,174 km comprising overhead lines and underground cables in 2019. In 2020, Sarawak had 43 transmission substations and 14,395 distribution substations.[5]

The consumption of electricity is a key driver for the electricity supply industry, and spurs investments in generation, transmission and distribution infrastructure. Over the longer term, the demand for electricity is expected to recover and exhibit growth at a healthy pace as a result of future economic growth, supporting Government policies, as well as population growth. Thus, this is expected to benefit industry players that are involved in the design, construction, installation, repair and maintenance of utility infrastructure. Further, Tenaga Nasional Berhad has embarked on a Grid of the Future initiative which will enable the grid system to accommodate innovative energy solutions as these emerge while having inbuilt cybersecurity as well as resilience against the impact of climate change.[6] This too presents opportunities for industry players that are involved in the design, construction, installation, repair and maintenance of utility infrastructure.

**Foreign investment and domestic investment growth support investments in utility infrastructure**

Malaysia recorded a total of RM329.5 billion worth of approved investments in the manufacturing, services and primary sectors in 2023 across 5,101 projects. From the total investments approved, foreign investments accounted for RM188.4 billion or 57.2%, with domestic investments accounting for RM141.1 billion or 42.8%.[7]

The services sector accounted for the largest share of the total investments in 2023, amounting to RM168.4 billion (51.1%), followed by the manufacturing sector with RM152.0 billion (46.1%) and the primary sector with RM9.1 billion (2.8%). While foreign investments lead the approved investments in the manufacturing sector, investments from local companies dominated in the services and primary sectors. Malaysia's services sector saw an increase of 9.4% in approved investments from 2022 (2022: RM154.0 billion). During the year, the services sector included the information and communications (RM63.7 billion), real

[3] Department of Statistics Malaysia. Latest available statistics as at 3 May 2024
[4] Annual Report 2023, Tenaga Nasional Berhad
[5] Sourced from Malaysia Energy Statistics Handbook 2021, Energy Commission Malaysia. Latest available statistics as at 3 May 2024
[6] TNB invests RM21b in Grid of the Future programme, The Edge Markets, 21 September 2022
[7] Malaysia Resilient Ascent – Securing Historic RM329.5 billion in Investments, Generating Close to 130,000 Jobs in 2023, Malaysian Investment Development Authority ("**MIDA**"), 29 February 2024

estate (RM61.0 billion), utilities (RM11.1 billion), distributive trade (RM11.1 billion) and support services (RM10.5 billion) which made up 93.5% of total approved investments for the services sector in 2023.[8]

Malaysia aims to attract quality investments, as this will be key in driving a more sustainable economic recovery for Malaysia and to achieve its aspirations of becoming a high-income nation. Foreign investment and domestic investment are important contributors to the country's economic growth and the Government has been proactive in encouraging growth based on productivity, innovation and shared prosperity in order for wages to continue rising. Foreign investment also plays an important role in supporting Malaysia's move to become a high-income technology-based economy. As such, investments in properties and infrastructure also crucial to support the investment prospects of Malaysia for foreign investors. Such investments are expected to be benefit industry players offering underground utilities engineering solutions.

**Growing demand for other utilities stimulates investments in new and replacement utility infrastructure**

**a) Piped gas**

The marketing, sales and distribution of natural gas, as well as development, operations and maintenance of Malaysia's natural gas distribution system within Peninsular Malaysia is under the purview of Gas Malaysia Berhad. Gas Malaysia Berhad further undertakes the supply and sales of liquefied petroleum gas (LPG) in Peninsular Malaysia.

As at 31 December 2022, Gas Malaysia Berhad operated and maintained 2,786 km of gas pipeline across Peninsular Malaysia, supplying natural gas to 1,037 industrial customers, 1,845 commercial customers and 21,430 residential customers. The natural gas distribution system within Peninsular Malaysia was previously 2,139 km in length in 2015, with 795 industrial customers, 862 commercial customers and 12,571 residential customers. Industrial customers accounted for approximately 99.5% of total gas volume sales in 2022. They represent a diverse range of industries that include rubber products, consumer products, oleo-chemicals, glass products, pulp and paper, steel / aluminium / copper, and other industries.[9]

Gas Malaysia Berhad incurred capital expenditure of approximately RM218.9 million in 2023, mainly due to construction projects awarded in relation to the natural gas distribution system network as well as non-natural gas distribution system projects. Projects under the natural gas distribution system network development are specific towards construction of gas pipelines and metering stations while non-natural gas distribution system projects include, among others, the purchase of gas and office equipment, digitalisation efforts as well as motor vehicles. A future financial commitment of approximately RM358.3 million will be spent during the Incentive Based Regulation's second regulatory period (RP2), spanning across 2024. The sum will be utilised for the development of natural gas distribution system network with a planned expansion of 110 km of natural gas distribution system pipelines and non-natural gas distribution system activities.[10]

Capital investments aimed at further developing and expanding the natural gas distribution system network in Peninsular Malaysia will support investments in underground utilities engineering services and solutions for the laying of gas pipelines. Such capital investments will improve the accessibility of industrial customers to natural gas and improve the investment prospects of Malaysia for foreign investors.

**b) Water and sewerage**

The demand for clean treated water is growing ever bigger but climate changes are putting pressure on Malaysia's water resources while its catchment areas are facing a rising incidence of pollution and development activities. In Peninsular Malaysia and Labuan, the production of water increased from 14.4 billion litres per day in 2018 to 15.5 billion litres per day in 2022 at a CAGR of 1.9% in Peninsular Malaysia and Labuan. During this period, metered water consumption rose from 9.6 billion litres per day to 10.3 billion litres per day at a CAGR of 1.8%. Among the states in Malaysia, Selangor is the largest consumer of metered water with its consumption comprising 35.9% of total metered water consumption in 2022.[11]

In Selangor, Air Selangor Sdn Bhd operates 34 water treatment plants located in various parts of the state and seven dams. Air Selangor Sdn Bhd also manages and maintains a total of 29,270 km of pipe network to supply water to areas in the state. Air Selangor Sdn Bhd has committed a capital expenditure of an estimated RM35.4 billion over the next 30 years. From this, an estimated RM13.4 billion is intended to be

[8] Malaysia Resilient Ascent – Securing Historic RM329.5 billion in Investments, Generating Close to 130,000 Jobs in 2023, MIDA, 29 February 2024
[9] Annual Report 2022, Gas Malaysia Berhad. Latest available as at 3 May 2024
[10] Annual Report 2023, Gas Malaysia Berhad
[11] Water and Sewerage Factbook 2022, Peninsular Malaysia and Federal Territory Labuan, National Water Services Commission. Latest available as at 3 May 2024

utilised to improve asset reliability and resilience and several water treatment plants are slated to be built at a cost of RM13.0 billion. These new water treatment plants include the 700 million litres a day ("**MLD**") Rasau Stage 1 which will deliver water to the Klang region and is targeted to be operational by 2024; the 769 MLD Langat 2 Phase 2 catering for the Gombak, Kuala Lumpur, Hulu Langat and Sepang regions which is expected to be completed in 2030; and the Rasau Stage 2 meant for the Petaling region that will treat 700 MLD. With the construction of these water treatment plants, Air Selangor Sdn Bhd is looking to increase its treated water reserve margins to more than 15.0% by 2030.[12]

Malaysia's sewerage system is an underground network of pipes that transport wastewater from domestic, residential, industrial and commercial consumers to wastewater treatment plants. Sewerage systems play a critical role in supporting public health and environmental protection. Sewers are further classified based on the type of wastewater that it carries. For example, storm sewers are designed to carry stormwater from roofs, paved areas, pavements and roads; industrial sewers are designed to carry wastewater generate from the industry; sanitary sewers are designed to carry waste water from cooking, washing and toilet waste; and combined sewers are designed to carry stormwater, industrial wastes, as well as domestic sewage.

Water and sewerage are basic utilities that need to be installed for all new development projects. Further, old water and sewerage pipes also need to be maintained and replaced when necessary. Thus, industry players offering underground utilities engineering services and solutions will benefit from capital expenditure for the design, construction, installation, repair and maintenance of water and sewerage infrastructure.

**c) Communication services**

Connectivity services have been a driver for service provider revenue growth and investments in communication utility infrastructure. Connectivity services have evolved from fixed voice to mobile and recently, mobile broadband.

Malaysia's mobile cellular market had a penetration rate per 100 inhabitants of 148.7% in 2023 (2016: 99.8%). Many users have more than one subscription, taking advantage of competitive voice or data plans offered by the various service providers, or to make best use of network coverage and call quality in different locations. Additionally, subscribers use multiple phones or dual-SIM phones to differentiate between professional and personal use.

Broadband subscriptions grew from 31.0 million in 2016 to reach 49.9 million in 2023. In 2023, mobile broadband subscriptions constituted 134.5% of national broadband penetration rate per 100 inhabitants while fixed broadband was at 50.6%. Fixed broadband subscriptions increased from 2.5 million in 2016 to 4.6 million in 2023. In places where fixed broadband is not available, mobile broadband is an alternative for Internet access. Mobile broadband subscriptions increased to 45.3 million in 2023 from 28.5 million in 2016, supported by 3G and 4G LTE population coverage. The factors driving mobile broadband subscriptions growth include improved network coverage, more attractive pricing plans, and consumer uptake of more connected devices.

The capital expenditure of fixed service providers increased from RM1.8 billion in 2014 to RM4.6 billion in 2019 before dipping to RM1.8 billion in 2020. In 2021, the capital expenditure of fixed service providers increased to RM2.0 billion (2020: RM1.8 billion) and further increased to RM2.8 billion in 2022 (2021: RM2.0 billion). Comparatively, the capital expenditure of mobile service providers increased from RM4.9 billion in 2014 to RM5.2 billion in 2018 before dipping to RM3.0 billion in 2019. In 2020 and 2021, the capital expenditure of mobile service providers remained at a constant RM3.0 billion respectively. In 2022, the capital expenditure of mobile service providers decreased to RM2.6 billion. Investments by mobile services providers are driven by several factors, including improving network coverage; increasing network capacity to accommodate both ongoing growth in subscriber base and data usage; and funding higher speed mobile broadband networks deployments (for both 3G and 4G LTE). Capital expenditure investments in the near term would be used to support the increase in data consumption, the National Digital Network (Jalinan Digital Negara, "**JENDELA**") network requirements as well as the need to maintain service quality

Demand for bandwidth surged in 2020 as a result of the COVID-19 pandemic that resulted in the imposition of the MCO. Adherence to the MCO by remaining indoors at all times saw 23.5% higher internet traffic nationwide during the first week of the MCO, while the second week of the MCO saw a further increase of 8.6% in internet traffic. During this period, Malaysia saw an increase in internet use during the stay-at-home period primarily for streaming, online games and video conferencing calls. The increase in internet demand stemmed from both fixed and mobile broadband. The surge in bandwidth demand was inevitable as more

[12] SPAN approves Air Selangor's RM35.4 bil capex, The Edge Markets, 14 December 2020

Malaysians turned to video conferencing, online classes and e-commerce while working and studying at home.[13]

In February 2021, the Government of Malaysia launched the Malaysia Digital Economy Blueprint (2021 – 2030) which aims to transform Malaysia into a digitally-enabled and technology-driven high income nation, and a regional lead in digital economy. Phase 1 (2021 – 2022) aims to accelerate adoption towards strengthening the digital foundation needed for the rollout of Phases 2 and 3. In Phase 2 (2023 – 2025), the focus shifts to driving digital transformation and inclusion among the *rakyat* and all levels of businesses across the digital economy. Phase 3 (2026 – 2030) aims to chart the pathway for strong, sustainable growth in the decades to come, positioning Malaysia to become a regional market producer for digital products and digital solutions provider.

Digital Nasional Berhad was established in 2021 to deliver several key outcomes in line with the goals of the Malaysia Digital Economy Blueprint, among which include to accelerate deployment of 5G infrastructure and network in Malaysia and realise the potential of 5G in Malaysia to spur economic activity. According to Digital Nasional Berhad, Malaysia will kick off the launch 5G at its national and administrative capitals of Kuala Lumpur, Putrajaya and Cyberjaya by the end of 2021, before eventually expanding nationwide between 2022 and 2024.

On 29 August 2020, the then Prime Minister of Malaysia, Tan Sri Muhyiddin Yassin, announced the JENDELA action plan which forms part of the 12th Malaysia Plan (2021 – 2025). The JENDELA plan, valued at RM21.0 billion, was formulated to steer Malaysia towards achieving better digital connectivity by boosting the efficiency of national infrastructure and optimising spectrum usage. From the RM21.0 billion allocated for JENDELA, 40% is to be funded by the Malaysian Communications and Multimedia Commission's Universal Service Provision (USP) fund while the remaining 60% is to be funded by industry players. The implementation of JENDELA will be carried out in two phases, namely Phase 1 (2020 – 2022) and Phase 2 (2022 – 2025).

The JENDELA initiative has improved the country's broadband infrastructure towards providing ubiquitous availability of services. Hence, fixed broadband has seen more demand, with subscriptions growing 35.3% to 4.6 million in 2023 (2020: 3.4 million). The higher uptake of both mobile and fixed broadband has in turn contributed to the increase in total broadband subscriptions nationwide by 18.2% to 49.9 million in 2023 (2020: 42.2 million).

Greater demand for connectivity services will contribute positively towards spurring investments in utility infrastructure, thereby benefitting industry players that offer underground utilities engineering solutions.

**Malaysia's renewable energy generation targets create opportunities for investments in power infrastructure**

At the 21st Conference of Parties (COP21) in 2015, Malaysia pledged to reduce its carbon emission intensity per GDP by 35.0% in 2030 relative to the 2005 levels, or 45.0% with support from developed countries. This nationally determined contribution was ratified at the 2015 Paris Agreement, and adopted by United Nations member states to counter the damaging impacts of climate change. To support the nationally determined contribution, the Eleventh Malaysia Plan (2016 – 2020) established more pathways for green growth in the country. In 2017, the Green Technology Master Plan (2017 – 2030) created the framework for mainstreaming green technologies into planned developments. It called for green technologies to be embedded in six carbon-intensive sectors, and by doing so, change the trajectory of the nation's growth. One of these sectors is energy.[14]

Meanwhile, in 2018, the ambit of the Ministry of Energy, Green Technology and Water was expanded to include environment and climate change. With clean energy becoming a priority, the Government targets a capacity mix of 31.0% renewable energy by 2025 and 40.0% by 2035. As at the end of 2020, renewable energy accounted for 23.0% of the national power installed capacity, with the remaining 77.0% dominated by fossil fuels.[15]

Renewable energy generation in Peninsular Malaysia covers solid waste, small hydro, biomass, biogas, geothermal and solar. Large hydro plants with the capacity of more than 100.0 megawatts ("**MW**") are not considered as renewable energy. The 31.0% renewable energy target by 2025 focuses on increasing solar energy generation capacity, and along the way creating new business opportunities for big companies, small and medium enterprises (SMEs), microbusinesses and households.

[13] Media statement: Changing Usage Patterns Influence Internet Speed In Malaysia, MCMC, 9 April 2020
[14] Peninsular Malaysia Electricity Supply Industry Outlook 2019, Energy Commission Malaysia
[15] Malaysia Renewable Energy Roadmap, Sustainable Energy Development Authority (SEDA) Malaysia

As of 2020, renewable energy installed capacity stood at 8.5GW, generated by large scale solar farms, net energy metering (NEM) and feed-in-tariff (FiT) developers. There was also a 589.0MW off-grid capacity from co-generation plants and self-generation. Renewable energy capacity must be ramped up to 4.5GW to deliver the 31.0% target by 2025. This plan is being reviewed periodically, subject to changes in demand forecast, generation requirement, completion of committed projects and government policies.[16]

In November 2020, Ministers in the Association of Southeast Asian Nations ("**ASEAN**") region agreed to set a new target of 35.0% renewable energy in installed power capacity by 2025 which will contribute to achieving ASEAN's target of 23.0% of renewable energy in total primary energy supply by 2025.[17]

In May 2023, Malaysia's Cabinet agreed for the renewable energy capacity mix target to be raised to 70% of the nation's total capacity by 2050 under the Renewable Energy Strategic Development Roadmap, from the initial 40% target under the Malaysia Renewable Energy Roadmap. The robustness of grid infrastructure is a key prerequisite for accommodating the anticipated growth in renewable energy. Efforts to increase the renewable energy capacity would require new investments estimated at RM637.0 billion up to year 2050, where this would include investments in renewable energy generation resources as well as the strengthening of the transmission and distribution grid infrastructure. The Government of Malaysia launched the National Energy Transition Roadmap in August 2023 to ensure Malaysia achieves long-term energy security that is environmentally sustainable.

In order to achieve these renewable energy targets, corresponding utility infrastructure such as underground cabling will also be required to support this effort. As such, Malaysia's aspirations to boost the adoption of renewable energy in Malaysia will benefit industry players offering underground utilities engineering solutions.

**Government initiatives to strengthen utility infrastructure in Malaysia**

The Government of Malaysia has proposed several initiatives under Budget 2024 to strengthen accessibility to utilities in Malaysia. Among others, these include:

- **Electricity**
  - Beginning 2023, the Government has implemented a targeted subsidy by lifting a part of the subsidy for the highest 10.0% of electricity consumption, but at the same time, maintaining the same subsidy for 90% of consumers. This targeted approach has saved over RM4.6 billion of the projected electricity subsidy of RM20.0 billion. To reiterate, the electricity rate will remain the same for 90% of the *rakyat*, and any increase will only affect 10.0% of consumers with the highest electricity consumption, and not the other 90.0%. This means that while the electricity subsidy will be continued, it will be reduced for the upper class. However, the Government will still bear RM16.0 billion in electricity subsidy for 2023, especially for residential consumers and micro, small, and medium entrepreneurs (MSMEs); and
  - The Government agrees to continue providing electricity bill rebates of up to RM40 per month to hardcore poor households with an allocation of RM55.0 million to further reduce the burden on these households even though the electricity rate and tariff remained the same. Apart from this, the Government also agrees to waive deposit payment of electricity bill in consumers' own names.

  The targeted electricity subsidy enables the Government to ensure high reliability of the national electricity supply system, minimise negative impact on the environment, while at the same time maintaining an affordable tariff rate that residents can afford. By ensuring high reliability of the electricity supply system and affordable tariff rates, the Government endeavours to improve accessibility to electricity for all strata of the population.
- **Rural infrastructure**

  To bridge the gap between regions, the improvement of rural infrastructure will continue to be a top priority:
  - RM1.63 billion is allocated for the construction and upgrading of roads in villages and rural areas including in Bachok, Kelantan; Tambun Tulang, Perlis; and Kuala Lukut to Chuah, Port Dickson, Negeri Sembilan;
  - A total of RM939.0 million is allocated to provide water supply to 5,150 households and electricity supply to 2,200 households; and

[16] Malaysia Energy Information Hub database, Energy Commission Malaysia
[17] Asean ministers set 35% target on renewable energy, The Malaysian Reserve, 20 November 2020

- RM134.0 million is allocated for the installation of 60,000 units of streetlights in villages and the maintenance of over 500,000 units of village streetlights.

The Unity Government pledges to solve the issue of clean water supply, especially in Kelantan, Sabah, and the Federal Territory of Labuan. A total of RM1.1 billion will be allocated, to implement solutions for water supply issues:

- For Kelantan, the construction project of the Machang Water Treatment Plant Phase 1 with a capacity of 250 million litres per day will be implemented to enhance the water supply reserve; and
- To address the water supply issue, especially in Kota Kinabalu, Sabah, the focus will be on restoring and replacing infrastructure and equipment to enhance the capacity of water treatment plants.

- **Digital connectivity**
  - As of September 2023, Digital Nasional Berhad has successfully developed a 5G network with coverage in populated areas at 70.2%. The 5G network is expected to reach approximately 80.0% coverage in populated areas by the end of 2023. The *rakyat* can now enjoy high-quality 5G services offered by all telecommunications companies. To boost 5G adoption, concerted efforts will be intensified through collaboration with telecommunication companies to ensure that more consumers and businesses can benefit from this.

The abovementioned initiatives that aim to reduce the urban and rural development gap, improve digital connectivity and bridge the economic gap will require investments in underground cabling and substations, thereby benefitting industry players offering underground utilities engineering solutions.

### 1.3 COMPETITIVE LANDSCAPE

UUE Holdings Berhad's customers in Malaysia are primarily main contractors involved in electricity supply and telecommunications projects, that require its services to enable the supply of power to specific locations and/or premises. There are distinct barriers to entry, with industry players possessing the relevant licenses and registrations, experienced technical employees who can carry out large scale and complex projects as well as project track record.

Contractors will need to meet certain criteria when submitting their proposals for underground and overhead utilities engineering services and solutions with utility companies. As an illustration, based on tender notices posted on Tenaga Nasional Berhad's website, Tenaga Nasional Berhad requires tenderers to be registered as a Tenaga Nasional Berhad vendor and possess the requisite Construction Industry Development Board (CIDB) license registrations (for which the grade and specialisation will be stipulated in the tender notice), demonstrate experience / project track record and financial strength. In instances where participation in tenders is restricted to Bumiputera registered contractors, such requirement will be indicated in Tenaga Nasional Berhad's tender notices.[18]

The power infrastructure utilities market comprises the capital expenditure for utility systems and related services by industry players that construct generation facilities, transmission and distribution lines, as well as related structures for power utilities. All structures that are integral parts of utility systems are included in this market. The work performed by these industry players includes new installations, additions, alterations, maintenance, and repairs. Thus, the revenue of industry players that are involved in the delivery of underground and overhead utilities engineering services and solutions; and substation engineering services and solutions for power utilities are a subset of the capital expenditure incurred for utility systems and related services.

In 2022, the power infrastructure utilities market in Malaysia, based on the capital expenditure incurred for recurring electricity generation, transmission and distribution, was RM9.2 billion. In the financial year ended ("**FYE**") 28 February 2023, UUE Holdings Berhad recorded a revenue of RM88.7 million, from which revenue from its underground utilities engineering solutions in Malaysia comprised RM60.7 million. UUE Holdings Berhad garnered a market share of 0.7% based on its revenue of RM60.7 million from underground utilities engineering solutions in Malaysia in comparison to the capital expenditure incurred for recurring electricity generation, transmission and distribution in Malaysia of RM9.2 billion.

[18] Source: https://www.tnb.com.my/doing-business-with-tnb/suppliers

## 8. IMR REPORT *(Cont'd)*



**Financial performance of selected industry players**

| Industry player | Business activities * | Type of electricity supply projects primarily undertaken @ | Latest available FYE | Revenue (RM) | Gross profit (RM) | Gross profit margin (%) | Profit before tax (RM) | Profit after tax (RM) | Profit after tax margin (%) |
|---|---|---|---|---|---|---|---|---|---|
| Eiscon Construction Sdn Bhd | (a) | Distribution | 31 July 2022 | 114,440,351 | - 12,828,656 | - 11.2 | - 14,838,337 | - 15,673,060 | - 13.7 |
| Komasi Engineering Sdn Bhd | (a) | Distribution | 31 December 2022 | 57,142,413 | 9,954,283 | 17.4 | 4,673,802 | 3,570,916 | 6.2 |
| UUE Holdings Berhad | (a) | Distribution | 28 February 2023 | 88,662,000 | 26,609,000 | 30.0 | 17,174,000 | 14,117,000 | 15.9 |
| Jati Tinggi Holding Sdn Bhd∞ | (a), (b) and (c) | Transmission and distribution | 30 November 2022 | 234,611,763 | 17,584,610 | 7.5 | 12,302,017 | 10,221,149 | 4.4 |
| MN Holdings Berhad ^ | (a), (b) and (c) | Transmission and distribution | 30 June 2023 | 164,452,657 | 33,766,402 | 20.5 | 13,183,849 | 9,296,826 | 5.7 |
| Pestech Sdn Bhd # | (a), (b) and (c) | Transmission and distribution | 30 June 2022 | 298,476,635 | Not available | Not available | 13,026,170 | 12,109,105 | 4.1 |
| Swis Resources Sdn Bhd | (a), (b) and (c) | Transmission and distribution | 31 December 2022 | 119,471,560 | 19,860,372 | 16.6 | 5,279,023 | 9,882,954 | 8.3 |

Notes:

[a] The selected industry players were identified from publicly available sources, such as the internet, published documents and industry directories based on the following criteria:

i) are involved in the provision of underground and overhead infrastructure utilities engineering solutions;
ii) serve the electricity supply and telecommunications sectors;
iii) operate in Malaysia; and
iv) have achieved a minimum revenue of RM50.0 million in the latest available audited financial statement.

The list of selected industry players identified above is non-exhaustive, as it does not include industry players that do not have public presence, are not listed in industry directories and do not have corporate websites.

* Categories of business activities: (a) provision of underground and overhead infrastructure utilities engineering solutions; (b) provision of substation EPCC services; and (c) trading of equipment for substations

@ Categories of type of electricity supply projects primarily undertaken comprise transmission segment underground and overhead infrastructure utilities engineering solutions and distribution segment underground and overhead infrastructure utilities engineering solutions

∞ Subsidiary of Jati Tinggi Group Berhad, which is listed on the ACE Market of Bursa Malaysia Securities Berhad

^ Listed on the ACE Market of Bursa Malaysia Securities Berhad

# Subsidiary of Pestech International Berhad, which is listed on the Main Market of Bursa Malaysia Securities Berhad

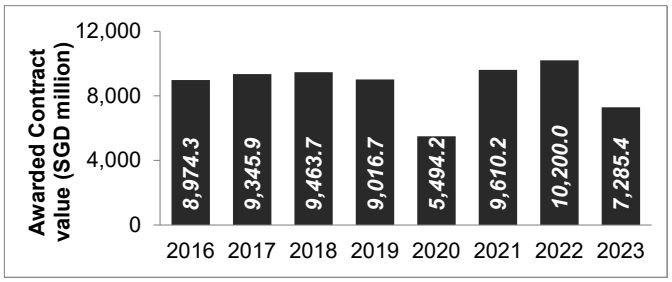
Latest available as at 3 May 2023

Source: Various annual reports, Companies Commission of Malaysia, PROVIDENCE analysis

# 2 POWER INFRASTRUCTURE UTILITIES MARKET IN SINGAPORE

The civil engineering utilities works segment of the civil engineering construction industry (where the scope of work activities include cables installation and pipelines construction) mainly includes power and telecommunication; water and sewerage; gas; and others.

**Value of awarded civil engineering work in Singapore**




Source: Building and Construction Authority Singapore; PROVIDENCE analysis

Civil engineering utilities works segment in Singapore, based on awarded civil engineering work contracts for the public and private sector, rose from SGD9.0 billion in 2016 to SGD10.2 billion in 2022 at a CAGR of 2.2%. In 2019 and 2020, the value of awarded civil engineering work contracts contracted by 4.7% and 39.1% respectively due to the COVID-19 pandemic which led to various movement control orders being imposed to curb the spread of the COVID-19 virus. In 2021, the value of awarded civil engineering work contracts rebounded and demonstrated a growth rate of 74.9% in line with the reopening of various sectors and economic recovery. In 2023, the value of awarded civil engineering work contracts witnessed a year-on-year contraction of 28.6% as increases in raw materials and labour costs led to a slowdown in construction activities.

To ensure that there will be sufficient space for the growing population and infrastructures, the Government of Singapore has put into motion various projects involving underground works in order to clear up the spaces above ground that is occupied by infrastructures such as cables and pipes. The second phase of the Deep Tunnel Sewerage System (DTSS phase 2) and the Underground Transmission Cable Tunnel Project are some of the major underground work projects. Several upcoming underground developments have been planned up till 2030 to further the objective of optimisation of land use, including Thomson-East Coast Line, Deep Tunnel Sewerage System Phase 2, Four-in-One Depot at Changi, North-South Corridor, and Cross Island Line. These underground works projects are expected to progress in line with the expected overall developments of the construction works industry, notably with the development of private, public, commercial and industrial buildings which would require proper infrastructures such as electricity, telecommunication and water to meet the needs of society.

Moving forward, it is anticipated that the civil engineering utilities works will experience a stronger growth, in line with the anticipated growth of the civil engineering segment following the Government of Singapore's plan to increase the overall population to a range of 6.5 million to 6.9 million persons by 2030 and to optimise land use. Furthermore, the announcements of new township and development of infrastructure projects are anticipated to drive demand for civil engineering works further.

UUE Holdings Berhad's customers in Singapore are main contractors involved in electricity supply projects that require its services to enable the supply of power to specific locations and/or premises. The civil engineering utilities works segment in Singapore, based on awarded civil engineering work contracts for the public and private sector, was SGD7.3 billion in 2023. In the FYE 28 February 2023, UUE Holdings Berhad recorded a revenue of SGD5.9 million from the provision of underground utilities engineering solutions in Singapore. UUE Holdings Berhad garnered a market share of 0.1% based on its revenue of SGD5.9 million from underground utilities engineering solutions in Singapore in comparison to the awarded civil engineering work contracts for the public and private sector in Singapore of SGD7.3 billion. Industry players that are involved in the provision of underground utilities engineering solutions in Singapore include:

- Dipcie Contractors Pte Ltd
- FG Engineering & Construction Pte Ltd
- Hynergy Corporation Pte Ltd
- K.G.M. Brothers Contractors Pte Ltd
- Konnection Engineering Pte Ltd (a subsidiary of UUE Holdings Berhad)
- Power Works Pte Ltd
- Powercom Engineering Works Pte Ltd
- Thaitan International Pte Ltd
- U Guan Construction Pte Ltd

The abovementioned industry players were identified from publicly available sources, such as the internet, published documents and industry directories based on the criteria that they are involved in the provision of underground infrastructure utilities engineering solutions; and serve the electricity supply sector; and operate in Singapore.

## 9. RISK FACTORS

**NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER, IN ADDITION TO THE OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE BEFORE INVESTING IN OUR SHARES. IF YOU ARE IN ANY DOUBT AS TO THE INFORMATION CONTAINED IN THIS SECTION, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS.**

### 9.1 RISKS RELATING TO OUR BUSINESS AND OUR OPERATIONS

#### 9.1.1 Our revenue is project-based and our historical financial performance may not be indicative of our future financial performance

We provide underground utilities engineering solutions to our customers on a project basis. In our industry, it is common for projects to be awarded based on competitive bidding/ pricing, and as such, we have to bid/ price competitively. Save for Komasi Engineering and Sutera Utama whom have appointed us as their sole and exclusive provider of HDD engineering services, our other customers are under no obligation to continue to award projects to us and there is no assurance that we are able to continuously and consistently secure new projects, nor will there be any assurance that we can continue to secure projects based on similar commercial terms.

Accordingly, the scale and number of projects and the amount of revenue that we are able to derive therefrom are affected by a series of factors including but not limited to changes in our customers' businesses, economic downturn and availability of funds/ budgetary considerations on the part of project owners. Consequentially, our revenue may vary significantly from period to period, and it may be difficult to forecast our financial performance.

The financial performance of our Group depends on our ability to secure new projects to sustain our order book. Any significant decline in our order book will materially and adversely impact our sustainability, growth potential, and future financial performance. As at LPD, the total unbilled contract value of our on-going projects based on contracts secured was RM223.4 million and our Group expects that the unbilled order book to be recognised over the next 3 financial years. However, there is no assurance that we will be able to maintain our order book at such levels in the future. In addition, our order book may be subject to unexpected project cancellations or scope adjustments which may occur from time to time. There can also be no certainty that projects from our order book will not be delayed or terminated or we may face situation of delays in securing new contracts due to factors outside our control such as deferment in project awarded by project owners or economic downturns. Any delay or cancellation or reduction in the contract value or scope of work of projects secured in our order book may reduce the value of our order book and in turn, affect our future financial performance.

Our quotations and success of our tenders are affected by various factors which include our pricing and tendering strategy, level of competition and our customers' evaluation of standards. Therefore, there is no guarantee that we will be able to secure every contract that we tender for or achieve a similar success in our tenders for every bid that we put in. Depending on the then market condition and competitive landscape, we may have to lower our pricing or adjust our tendering strategy in order to maintain the competitiveness of our quotations and tenders. In the event that our Group fails to secure new projects from our customers with contract values, sizes and/or margins comparable to existing ones, our business and financial performance and results of operations will be materially and adversely affected. Therefore, the historical financial performance and financial condition of our Group may not be indicative of our future financial performance.

## 9. RISK FACTORS *(Cont'd)*

### 9.1.2 We are dependent on our major customers

During FYE 2021 to 2023 and FPE 2024, the revenue contributions from our top 3 major customers are as follows:

| | FYE 2021 | | FYE 2022 | | FYE 2023 | | FPE 2024 | |
|---|---|---|---|---|---|---|---|---|
| **Customers** | **RM'000** | **(1)%** | **RM'000** | **(1)%** | **RM'000** | **(1)%** | **RM'000** | **(1)%** |
| Komasi Engineering | 25,264 | 48.9 | 42,803 | 57.2 | 39,721 | 44.8 | 27,952 | 26.9 |
| Wee Guan Group | 7,238 | 14.0 | 15,362 | 20.5 | 16,921 | 19.1 | 20,772 | 20.0 |
| Sutera Utama | 10,885 | 21.1 | 10,753 | 14.4 | 12,311 | 13.9 | 32,662 | 31.5 |
| **Total** | **43,387** | **84.0** | **68,918** | **92.1** | **68,953** | **77.8** | **81,386** | **78.4** |

**Note:**

(1) Computed based on the total revenue of the respective financial years/ period.

We expect that the abovementioned major customers will continue to contribute significantly to our Group's revenue in the future. We have entered into the Exclusive Engineering Service Provider Agreements with Komasi Engineering and Sutera Utama respectively. These Exclusive Engineering Service Provider Agreements are intended to establish a framework for collaboration for future business opportunities which may arise. As at LPD, the order book attributable to the abovementioned major customers is RM214.1 million, representing 95.8% of our Group's unbilled order book. We work closely with our existing customers to ensure customer satisfaction and participate in business meetings with them or potential customers as part of the efforts to secure new projects from them. We will continue to serve our other customers and strive to pursue business development activities to expand our customer base and reduce dependency on the abovementioned major customers.

We have high concentration of projects (23 (with total contract value of RM314.2 million) of 101 (with total contract value of RM423.7 million) ongoing projects as at LPD) for the electricity supply industry where TNB is the project owner for electricity supply-related projects in Peninsular Malaysia. Thus, we are also dependent on our 2 major customers' ability to continuously secure new projects from TNB.

Therefore, our Group's sustainability, revenue, and financial results will be materially and adversely affected if:

(a) we were to lose 1 or more of our top 3 major customers (or reduce the level of services provided to them) without securing new customers to replace the loss of business;

(b) we were to encounter difficulties in collecting payments from these major customers;

(c) our contracts with the abovementioned major customers are delayed or terminated;

(d) due to the concentration of our major customers' contracts in the electricity supply industry where TNB is the project owner for electricity supply-related projects in Peninsular Malaysia, TNB ceases to award projects to our Group's 2 major customers; and/or

(e) termination of Exclusive Engineering Service Provider Agreements with Komasi Engineering and Sutera Utama.

In particular, our Group's major concentration of credit risk relates to the amounts owing by 2 customers in FYE 2021, 3 customers in FYE 2022, 2 customers in FYE 2023 and 3 customers in FPE 2024 which constituted approximately 64.0%, 80.0%, 55.0% and 68.0% of our Group's gross trade receivables at the end of FYE 2021 to 2023 and FPE 2024 respectively. Therefore, we are exposed to the concentration of credit risk arising from trade receivables due to unanticipated events beyond our control, such as delays in our customers receiving the corresponding payment from project owners or economic downturn.

## 9. RISK FACTORS *(Cont'd)*

Although we have entered into the Exclusive Engineering Service Provider Agreements with Komasi Engineering and Sutera Utama, there can be no assurance that they will continue to secure projects. Separately, while we have not encountered any major disputes with the abovementioned major customers, there can be no assurance that the current working relationship with them will not deteriorate due to potential disputes that could not be resolved and that we would continue to be successful in securing projects from them in future.

### 9.1.3 We are subject to regulatory requirements for our business operations

Our business is subject to various laws, rules and regulations. We have obtained the required certificates of registrations and licenses as set out in Section 6.7 and are in compliance with the relevant governing laws and regulations as set out in Section 6.10, to carry out our operations.

As at LPD, all foreign employees employed by us carry valid working permits or working passes which are renewable periodically. Any changes to the policies on employment of foreign workers in Malaysia or Singapore or changes in bilateral agreements between Malaysia or Singapore and the countries from which our foreign workers are sourced may adversely affect our business operations.

The licences and approvals are subject to compliance with relevant conditions, laws and regulations under which they were issued. In the event of non-compliance, these licences and approvals may be revoked or may not be renewed upon expiry, which will have a material impact on our Group. Similarly, any breach of these conditions, laws and regulations can result in penalties, fines, potential prosecution against us and/or our directors, restrictions on operations and/or remedial liabilities which would have a material impact on our Group.

### 9.1.4 We depend on our Executive Directors for our continued success

Our future prospects are, to a significant extent, attributable to the abilities, skills, experience, competency and continuous effort of our Executive Directors who are also our key senior management. A team of experienced personnel in our business is crucial in guiding and implementing our Group's strategies, maintaining the quality of our Group's services whilst retaining the business confidence of our customers as well as to ensure our business continues to grow. Our Group intends to participate in more large-scaled projects, expand further in Singapore. Please refer to Section 7.18 for further information on our Group's business strategies.

The continued success and future growth of our Group are largely dependent on the contributions and involvement of our Promoter and Managing Director, Datuk Dr Ting who has approximately 24 years of experience in the industry. Throughout the years, he has played a significant role in developing and implementing business strategies of our Group, which have contributed to our Group's business growth. Hin Wai Mun and Chong Tuoo Choi, our Promoters and Executive Directors, whom each possess approximately 18 years and 28 years of experience in the industry and also contributed significantly to our business growth. They are supported by Vincent Wong Soon Choy who is also our Executive Director/ Chief Financial Officer. Please refer to Section 5 for further details on our Executive Directors who are also our key senior management.

The loss of our Executive Directors who are also our key senior management simultaneously or within a short time without timely replacement or discontinuity in knowledge transfer may potentially create an unfavourable impact on our Group's business operations, performance and prospects if there is a lack of succession planning, or inability to retain qualified personnel.

## 9. RISK FACTORS *(Cont'd)*

### 9.1.5 Our operations depend on the availability of an adequate supply of materials at competitive prices

We utilise various materials such as HDPE resin and masterbatches for our HDPE pipe manufacturing activities, as well as cables, pipes and cable joints in carrying out our underground utility projects, and are thus dependent on the continuous supply of such materials. Please refer to Section 7.8 for more details on our purchases.

Our materials are price sensitive, and we face the risk of obtaining sufficient quantities of materials at competitive prices. Our purchases of HDPE resin are subjected to the fluctuation in global market commodity prices. Any price fluctuations in HDPE resin caused by demand and supply and price volatility, which are beyond our control, could result in increased costs and have a material adverse effect on our business and financial performance.

A material increase in construction costs arising from materials costs, labour, and overheads, will adversely affect our profit margin; particularly in situations where our contracts with our customers prevent us from passing on these increased costs to them. As such, our failure to accurately estimate the resources and time required for a project or our failure to complete our contractual obligations within the timeframe and costs committed could have a material adverse effect on our financial performance.

Furthermore, contracts with our customers generally, do not cater for such price fluctuations of construction materials. We are exposed to the risks of price fluctuations and we assume the risk that the actual costs associated with our performance may be greater than anticipated. Our cash flows and profitability will be reduced if the actual costs to complete a contract exceed the original estimates.

In view of the above, our cash flows and profitability are dependent on our ability to accurately estimate the cost associated for our projects, which are dependent on a variety of factors, amongst others, such as, conditions at the project sites, contagious diseases as well as cost of materials and labour. These variations may cause actual GP for a project to differ from the original estimates which may result, in certain contracts having a lower profit margin than anticipated or losses if actual contract cost exceeds its estimates, and thereafter, would reduce our profitability, cash flows, liquidity and impact on our financial performance.

### 9.1.6 We are dependent on the services and quality of our subcontractors' works

We usually engage subcontractors to scale up our project capabilities and to carry out selected parts of our project activities, such as HDD works, open trenching, cable laying works, cable termination and jointing, milling and paving, electrical works and structural works. We schedule, monitor and provide overall supervision of the on-site operational activities carried out by the subcontractors such that they are in compliance with contractual requirements and safety regulations. We are responsible for the quality of our subcontractors' works.

Subcontractors are appointed following the shortlisting of candidates based on the project requirements, assessment of tenders/ quotations submitted by the candidates, as well as our past working experiences and relationship with the candidates. Upon finalisation of negotiation of pricing, scope of works and the bills of quantities, we will issue LOAs or purchase orders to the subcontractors.

## 9. RISK FACTORS *(Cont'd)*

As our subcontractors have no direct contractual relationships with our customers, we are subject to risks associated with non-performance by our subcontractors. If our subcontractors are unable to:

(a) deliver their services in a timely manner;
(b) deliver work of good standards to us;
(c) meet the technical specifications and requirements; and/or
(d) make good of the defects or undertake all rectification works,

our Group's operations may experience delays in project completion, quality issues concerning the works done, or non-performance of the affected projects. Further, we are exposed to defects liability claims as a result of the non-performance of our subcontractors. For clarity, our subcontractors are responsible for the rectification of any defects in relation to the scope of work that we have subcontracted to them, and these subcontractors will bear the cost of rectification works. However, our Group is ultimately responsible to our customers for ensuring that the defects are rectified. In the event our subcontractors are unable to rectify defects for works that we have subcontracted to them, our Group may need to engage other subcontractors to perform rectification works and bear the initial rectification costs before we can charge the rectification costs back to the subcontractors who caused the defects.

There is no assurance that we would be able to monitor the performance of our subcontractors efficiently. Notwithstanding that we may attempt to seek compensation from the relevant subcontractors, we may incur significant time, cost and resources to rectify the defects and resolve the issues concerning the quality of works performed by our subcontractors. This in turn would affect the project delivery schedule and accordingly our Group would need to request for extension of time or be subject to defects liability claims from our customers, or liquidated ascertained damages ("**LAD**") arising from delays in completion of our projects which would have a material impact on our Group. We may be susceptible to risks of our customers claiming against our performance bond, or legal liabilities arising from such defects or substandard works.

To this, we maintain certain insurance coverages against various losses and liabilities as a result of damages and/or related risks where our exposure to such losses and liabilities will be limited to the extent of the sum insured under the respective insurance coverages. For losses and liabilities as a result of defects, our exposure to such losses and liabilities will be limited to the retention sum retained based on the projects.

The subcontracted services accounted for approximately 64.3%, 63.7%, 61.0% and 59.4% of our total purchases for FYE 2021 to 2023 and FPE 2024 respectively. During FYE 2021 to 2023, FPE 2024 and up to LPD, we have not experienced any material complaint(s) from our customers in respect of the services and quality of our subcontractors' works and all the defect rectification works requested have been attended to by our Group or our subcontractors in a timely manner.

### 9.1.7 Unanticipated cost overruns may affect our profitability and our financial performance

Our contracts with customers normally have a fixed and pre-determined value throughout the contract period in accordance with the scope of works that we tendered for. In pricing a tender or quotation, we estimate the project costs based on numerous factors including but not limited to:

(a) scope of works;
(b) material and labour requirements and costs;
(c) project complexity;
(d) time required for completing a project;

## 9. RISK FACTORS *(Cont'd)*

(e) types of machinery required;
(f) historical fees we charged for similar projects; and
(g) prevailing market conditions.

Incorrect estimations of our project costs may result in cost overruns and hence will affect our profitability and financial performance. If the actual costs to complete the projects significantly deviate from the estimated costs when the tenders or quotations were submitted, we will be bound by the contract to undertake the project at a substantial loss and hence our business operations as well as financial performance and profitability may be adversely affected.

We may not be able to complete the project on time or we may be subject to cost overruns due to certain events that are not within our control, such as timing required to obtain the necessary work permits from local authorities, adverse weather conditions and outbreak of diseases.

### 9.1.8 We are subject to the risk of defect liability claims from our customers

We extend a defect liability period of up to 12 months from the date of the completion certificate. Specific to the projects that we undertake for power grid projects in Singapore, we provide a defect liability period which corresponds to the defect liability period imposed on our Group by our main contractors. Our subcontractors in Malaysia similarly extend defect liability periods to our Group of up to 12 months. During the defect liability period, we are liable for any repair work, reconstruction or rectification of any defects which may surface or be identified at our own cost. For clarity, our Group had only engaged 2 subcontractor in Singapore during FYE 2021 to 2023, FPE 2024 and up to LPD, and these subcontractors in Singapore does not extend any defect liability periods to our Group.

In situations where we are affected by defect liability claims, we may experience an increase in project costs if:

(a) no corresponding claim can be asserted against a subcontractor/ supplier;

(b) amount of the claim cannot be recovered in full or at all from the subcontractor/ supplier or the retention sum retained from the subcontractor is insufficient, we may be required to bear some or all the cost of such claim; and/or

(c) we are unable to enforce or experience delay in enforcing legal recourse against our subcontractors/ suppliers to indemnify or compensate us (such as the subcontractor's insolvency).

As a result of this, our business, reputation and financial performance may be materially and adversely affected.

During FYE 2021 to 2023, FPE 2024 and up to LPD, we have not experienced any defect liability claim which has materially affected our business operations and financial performance. Furthermore, as at LPD, there is no material claim for any compensation and retention sum asserted by our customers against us in relation to any defect works performed by us or our subcontractors, as well as the quality of construction materials supplied by our suppliers.

Nonetheless, there can be no assurance that in the future we will not be subject to material defect liability claims, which may have an adverse impact on our business operations, profitability, reputation and financial performance.

## 9. RISK FACTORS *(Cont'd)*

### 9.1.9 The insurance coverage for our Group's projects may not be sufficient to cover all losses and/or liabilities arising from potential claims

For projects in which our Group is engaged as a subcontractor, our customers (i.e. the main contractors) are generally responsible for procuring the requisite insurance policies, which will cover losses and/or liabilities arising from potential claims for works performed by our Group.

For projects in which our Group is engaged as a main contractor, we are required by our customers to procure and maintain insurance policies relevant for the projects, in the interest of our customers, such as the following:

(a) Erection All Risks Insurance

This policy covers material damage in connection with the erection work, and cover loss of or damage to the existing property or property belonging to or held in care, custody or control by the main contractor or subcontractor caused by or arising out of the construction or erection of the items insured under the policy. Additionally, it covers third party liability damages which includes bodily injury and physical damage to the substance of property.

(b) Contractor All Risks Insurance

This policy covers material damage from contract works (including all materials to be incorporated therein), the loss of or damage to the principal's existing property within the worksite, and third party liability damages which includes bodily injury and property damage.

(c) Workmen's Compensation Insurance

This policy provides that if at any time during the period of insurance any employee in the company's immediate service shall sustain personal injury by accident or disease arising out of and in the course of his employment by the company in its work as contractor and if the company shall be liable to pay the compensation for such injury either under the law relating to workmen compensation or common law, the insurance provider will indemnify the company against all sums for which the company shall be so liable and will in addition be responsible for all costs and expenses incurred with its consent in defending any claim for such compensation.

We are aware of the adverse consequences arising from inadequate insurance coverage that could potentially affect our business, operations and financial performance. We have also purchased business insurance policies, to protect our business and office furniture and equipment against unexpected losses or damage due to break-ins or loss of monies and policies to insure our vehicles.

Although we have procured and maintained the relevant insurance policies for our projects, we may receive claims from our customers, subcontractors or other parties in respect of various matters concerning our underground utilities engineering solutions projects from time to time. There is no assurance that our current insurance policies will sufficiently protect us against all potential liabilities arising from any claims or losses.

Further, our insurance coverages are subject to exclusions and limitations of liability both in amount and with respect to the insured events. The outcome of any claim is subject to the relevant parties' negotiation and the result of claims may be unfavourable to us. If we are held liable for uninsured losses or the amounts of claims for insured losses exceed the limit of our insurance coverage, our business and financial performance will be impacted.

For FYE 2021 to 2023, FPE 2024 and up to LPD, we have not encountered any events that resulted in any insurance claims that materially affected our business and financial condition.

## 9. RISK FACTORS *(Cont'd)*

### 9.1.10 Our business and financial performance may be affected in the event of delay or inability to complete projects on a timely basis

Our projects are subject to timelines for us to adhere to. In the event where there are any delays in the timeline of a project, it would usually result in project cost overruns, which attract negative publicity and legal uncertainties such as potential LAD claims from our customers.

Our revenue is recognised based on percentage of project completion or upon completion of work orders and billing is based on actual work performed and certified by our customers. Thus, any delays or postponement in projects may influence our resource allocation for the execution of subsequent projects and delay our revenue recognition. Any form of delay in completing the projects will therefore affect our billings, revenue, operational cash flow and financial performance. We may be required to pay our suppliers and subcontractors regardless of such delays if the works have been performed, and as such, it would affect our cash flow.

The timely completion of projects undertaken by our Group is dependent on external factors inherent in the electricity supply industry and telecommunications market including, amongst others, the timely receipt of requisite licenses, permits or approvals from regulatory authorities, performance of any subcontractors appointed, expected soil conditions, safety and site conditions, shortage of materials, equipment and/or labour, adverse weather conditions, economic downturn and changes to government policies. Any adverse developments in respect of these factors can lead to interruptions or delays in completing a project, which may result in our customers imposing LAD claims on us as stipulated in our contracts and our reputation, financial performance and operational cash flows would be materially affected.

There was no LAD incurred by our Group during FYE 2021 to 2023, FPE 2024 and up to LPD.

### 9.1.11 Our contracts may be subject to early termination

In line with industry practice, our contracts with customers ordinarily contain clauses which could give rise to a right of early termination by our customer or us, in the event of, amongst others, suspension of works, our persistent failure to comply with the terms and conditions contained in the contracts, failure for payment of our works as per the payment schedule, and in situations of insolvency faced by our customers or us.

In the event we experience any early termination of our contracts, the loss of revenue and/or costs incurred arising from such termination may have an adverse impact on the financial condition and prospects of our Group. If our Group is at fault, we may also be susceptible to the risks of legal claims, liabilities and compensation to our customers. This could have a negative impact on our financial condition and reputation.

As at LPD, our Company has not experienced any termination of our contracts.

## 9. RISK FACTORS *(Cont'd)*

### 9.2 RISKS RELATING TO OUR INDUSTRY

#### 9.2.1 There are inherent risks in the electricity supply and telecommunications industry

As our business is mainly in the provision of underground utilities engineering solutions whereby, we, amongst others, procure, supply, deliver, install, lay, construct, relocate, test and commission as well as inspect, repair and maintain underground and overhead utilities or product pipelines and therefore we are subject to inherent risks within the electricity supply and telecommunications industries. Such inherent risks include, amongst others, dependency on public and private investments on utilities infrastructure which in turn are affected by the economic conditions, foreign direct investments, construction industry and government initiative and spending. Some of the changes, which include changes to economic conditions, government initiative and spending or situations may reduce new underground utilities engineering projects and that available in the market. In such situations, we will face more intense competition in tenders among the industry players and we may need to be more aggressive in our pricing strategy. This will adversely affect our business, financial performance, prospects and liquidity.

#### 9.2.2 We face competition from industry players

We face competition from competitors which may be capable of offering similar services and compete with us in terms of pricing, technology, range and quality of services and timeliness of project delivery. Some of our competitors may have longer operating track record and financial resources or equipped with better machineries, resources and technical expertise allowing them to offer a more comprehensive range of services or specialised services in comparison to us. In the event our competitors are able to offer the services at a more competitive price than ours, we may be forced to match their pricing to secure the projects, which may affect our profit margins. In addition, if we fail to match or be better than our competitors in terms of the range of comprehensive solutions and technology offered, our clients may choose our competitors. Additionally, consolidation of small market players within the infrastructure utilities industry would also result in a competitive environment.

There is no assurance that we can or will remain competitive among our existing or new competitors in light of the competitive business environment. As such, the competition we face and failure to remain competent or to build on our competitive advantages and key strengths going forward may adversely affect our business operations and financial performance.

#### 9.2.3 We are subject to economic, political and/or regulatory risks in Malaysia and Singapore

Our principal market is Malaysia, which contributed to 83.6%, 76.5%, 74.2% and 75.3% of the revenue generated by our Group for FYE 2021 to 2023 and FPE 2024 respectively. Singapore contributed to the remaining 16.4%, 23.5%, 25.8% and 24.7% of the revenue generated by our Group for FYE 2021 to 2023 and FPE 2024 respectively.

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

## 9. RISK FACTORS *(Cont'd)*

Any adverse developments in one or more of the abovementioned conditions may cause disruptions in the delivery and completion schedules of our infrastructure utilities engineering solutions projects, which may consequently cause a decline in our revenue; or may cause a decline in demand for our Group's solutions. As such, there is no assurance that any adverse political, regulatory or economic developments, would not materially affect our business, financial performance and prospects of our Group.

### 9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

#### 9.3.1 There is no prior market for our Shares

Prior to our IPO, there has been no public market for our Shares. Accordingly, there can be no assurance that an active market for our Shares will develop upon our Listing or, if developed, that such market will be sustained.

Furthermore, notwithstanding that our IPO Price was determined after taking into consideration a number of factors including but not limited to our historical earnings, prospects and future plans and our financial and operating history, we cannot assure you that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market upon or subsequent to our Listing and that the market price of our Shares will not decline below the IPO Price or that an active market for our Shares will develop and continue upon or subsequent to our Listing.

#### 9.3.2 Our Share price and trading volume may be volatile

The market price of our Shares may be highly volatile and could be subject to wide fluctuations in response to, among others, the following factors, some of which are beyond our control:

(a) variation in our operating results;

(b) success or failure of our management in implementing business and growth strategies;

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

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

(e) changes in market valuations and share prices of companies with similar businesses to our Company that may be listed in Malaysia or anywhere else in the world;

(f) additions or departures of key management;

(g) fluctuations in stock market prices and volume;

(h) involvement in litigation; or

(i) changes in government policy, legislation or regulation.

## 9. RISK FACTORS *(Cont'd)*

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and global stock exchanges, 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 on Bursa Securities, thus adding risks to the market price of our Shares.

### 9.3.3 Our Listing is exposed to risk of that it may be aborted or delayed

Our Listing may be aborted or delayed due to possible occurrences of certain events, which include the following:

(a) the selected investors fail to subscribe for their portion of our IPO Shares;

(b) our Underwriter exercising its rights under the Underwriting Agreement to discharge itself of its obligations under such agreement;

(c) we are unable to meet the minimum public shareholding spread requirement under the Listing Requirements of having at least 25.0% of the total number of our Shares for which our Listing is sought being in the hands of a minimum number of 200 public shareholders holding not less than 100 Shares each at the point of our Listing; and/or

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

Although we endeavour to comply with the various regulatory requirements, in any event these events as mentioned above occur, the investors will not receive any Shares and we will return in full without interest, all monies paid in respect of the application within 14 days, failing which the provisions of Section 243(2) and 243(6) of the CMSA shall apply. Our Company shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC upon expiration of that period until the full refund is made.

If our Listing is aborted/ terminated and our Shares have been allotted to the investors, all monies paid in respect of all applications for our IPO Shares will be refunded to the investors only by way of cancellation of share capital as provided under Sections 116 and 117 of the Act and its related rules.

Such cancellation requires the approval of the shareholders by special resolution in a general meeting, the consent of our creditors (if required), with the sanction of the High Court of Malaysia or with notice to be sent to the Director General of the Inland Revenue Board and ROC within 7 days of the date of the special resolution and meeting the solvency requirements under Section 117(3) of the Act. There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

Nonetheless, our Board will endeavour to comply with the various regulatory requirements, including, inter alia, public shareholding spread requirements for our Listing. However, there can be no assurance that the abovementioned factors/ events will not cause a delay in or non-implementation of our Listing.

## 9. RISK FACTORS *(Cont'd)*

### 9.4 OTHER RISKS

#### 9.4.1 Our Promoters and/or Specified Shareholders will be able to exert significant influence over our Company and the interest of our Promoters who control our Company may not be aligned with the interest of our other shareholders

Our Promoters and/or Specified Shareholders will collectively hold at least 73.3% of our enlarged number of issued Shares upon Listing. As a result, they will be able to 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 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 Promoters with those of our other shareholders.

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## 10. RELATED PARTY TRANSACTIONS

### 10.1 RELATED PARTY TRANSACTIONS

Save for the Acquisitions and as disclosed below, there were no transactions, existing and/or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them which are material to our Group during FYE 2021 to 2023, FPE 2024 and up to LPD:

| | | | | | Transaction value | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Related party** | **Transacting company in our Group** | **Interested person** | **Nature of relationship** | **Nature of transaction** | **FYE 2021** **RM'000** | **FYE 2022** **RM'000** | **FYE 2023** **RM'000** | **FPE 2024** **RM'000** | **(1)1 January 2024 up to LPD** **RM'000** |
| Xenith IG Malaysia Sdn Bhd (formerly known as Speedlink Communications Sdn Bhd) | Kum Fatt | Datuk Dr Ting and Datuk Ting Meng Pheng | Datuk Dr Ting is our Managing Director, Promoter and substantial shareholder<br><br>Datuk Ting Meng Pheng is sister of Datuk Dr Ting. Datuk Ting Meng Pheng is our substantial shareholder and a non-executive director of Kum Fatt<br><br>Datuk Dr Ting and Datuk Ting Meng Pheng were the directors and shareholders of Xenith IG Malaysia Sdn Bhd(2a)<br><br>Datuk Ting Meng Pheng was the Chief Financial Officer of Xenith IG Malaysia Sdn Bhd(2a) | Provision of engineering works for construction of fibre optic infrastructure by Kum Fatt to Xenith IG Malaysia Sdn Bhd(2b) | 50<br><br>(0.1% of our Group's revenue) | - | 113<br><br>(0.1% of our Group's revenue) | 8<br><br>(<0.1% of our Group's revenue) | (2a)N/A |

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

| Related party | Transacting company in our Group | Interested person | Nature of relationship | Nature of transaction | Transaction value | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | FYE 2021 RM'000 | FYE 2022 RM'000 | FYE 2023 RM'000 | FPE 2024 RM'000 | [(1)]1 January 2024 up to LPD RM'000 |
| TSE Jaya Sdn Bhd | Kum Fatt | Hin Wai Mun | Hin Wai Mun is our Executive Director, Promoter and substantial shareholder<br><br>Hin Wai Mun was the director and shareholder of TSE Jaya Sdn Bhd | Provision of subcontractor works for HDD works by TSE Jaya Sdn Bhd to Kum Fatt | 1,132<br><br>(5.5% of our Group's subcontractor costs) | 908<br><br>(3.4% of our Group's subcontractor costs) | [(3b)]N/A | [(3b)]N/A | [(3b)]N/A |
| | | | | Provision of subcontractor works for HDD works by Kum Fatt to TSE Jaya Sdn Bhd[(3a)] | 86<br><br>(0.2% of our Group's revenue) | - | [(3b)]N/A | [(3b)]N/A | [(3b)]N/A |
| TSE Jaya Sdn Bhd | PPI | Hin Wai Mun | Hin Wai Mun is our Executive Director, Promoter and substantial shareholder<br><br>Hin Wai Mun was the director and shareholder of TSE Jaya Sdn Bhd | Supply of HDPE pipes by PPI to TSE Jaya Sdn Bhd | 179<br><br>(0.3% of our Group's revenue) | 71<br><br>(0.1% of our Group's revenue) | [(3b)]N/A | [(3b)]N/A | [(3b)]N/A |
| Ecobore Sdn Bhd | Kum Fatt | Datuk Dr Ting and Hin Wai Mun | Datuk Dr Ting is our Managing Director, Promoter and substantial shareholder<br><br>Hin Wai Mun and Chong Tuoo Choi are our Executive Directors, Promoters and substantial shareholders<br><br>Datuk Dr Ting, Hin Wai Mun and Chong Tuoo Choi were the directors and shareholders of Ecobore Sdn Bhd | Provision of subcontractor works for HDD works by Ecobore Sdn Bhd to Kum Fatt | 249<br><br>(1.2% of our Group's subcontractor costs) | [(4)]N/A | [(4)]N/A | [(4)]N/A | [(4)]N/A |

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

| Related party | Transacting company in our Group | Interested person | Nature of relationship | Nature of transaction | Transaction value | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | FYE 2021 | FYE 2022 | FYE 2023 | FPE 2024 | [(1)]1 January 2024 up to LPD |
| | | | | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Bestari Selatan | Kum Fatt | Datuk Dr Ting, Hin Wai Mun, and Datuk Ting Meng Pheng | Datuk Dr Ting is our Managing Director, Promoter and substantial shareholder<br><br>Hin Wai Mun is our Executive Director, Promoter and substantial shareholder<br><br>Datuk Ting Meng Pheng is sister of Datuk Dr Ting. Datuk Ting Meng Pheng is our substantial shareholder and a director Kum Fatt<br><br>Datuk Dr Ting and Hin Wai Mun are the directors of Bestari Selatan<br><br>Datuk Dr Ting, Hin Wai Mun and Datuk Ting Meng Pheng are the shareholders of Bestari Selatan | Rental expenses paid to Bestari Selatan for the tenancy of our Group's office and training centre[(5)] | 15<br><br>(0.3% of our Group's administrative expenses) | 93<br><br>(1.4% of our Group's administrative expenses) | 108<br><br>(1.1% of our Group's administrative expenses) | 90<br><br>(0.8% of our Group's administrative expenses) | 36 |
| | | | | Disposal of shop offices by Kum Fatt to Bestari Selatan[(6)] | - | - | 6,500<br><br>(13.4% of our Group's NA) | - | - |
| | | | | Rental expenses paid to Bestari Selatan for the tenancy of our Group's training centre, storage, office and dormitory[(7)] | - | - | 46<br><br>(0.5% of our Group's administrative expenses) | 154<br><br>(1.4% of our Group's administrative expenses) | 62 |

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

**Notes:**

(1) The percentage of the related party transaction is not calculated as the financial statements up to LPD is not prepared.

(2) (a) On 4 September 2023, both Datuk Dr Ting and Datuk Ting Meng Pheng have ceased to be shareholders and directors of Xenith IG Malaysia Sdn Bhd pursuant to the disposal of Xenith IG Malaysia Sdn Bhd to a non-related party. On the even date, Datuk Ting Meng Pheng also ceased as a Chief Financial Officer of Xenith IG Malaysia Sdn Bhd.

(b) The business arrangement between Kum Fatt and Xenith IG Malaysia Sdn Bhd is still continuing as at LPD. Such business arrangement is expected to cease in June 2024 upon completion of its contract.

(3) (a) Kum Fatt was engaged by TSE Jaya Sdn Bhd as subcontractor for the supply and installation of 1 way 200mm HDPE PN10 pipe by using HDD method at Wangsa Idaman. This was a one-off transaction.

(b) Not applicable as Hin Wai Mun has ceased to be a director of TSE Jaya Sdn Bhd on 12 November 2021 and fully disposed his entire equity interest in TSE Jaya Sdn Bhd on 19 August 2021.

(4) Not applicable as Datuk Dr Ting and Hin Wai Mun ceased to be directors of Ecobore Sdn Bhd on 21 April 2020 and fully disposed of their entire equity interests in Ecobore Sdn Bhd on 11 May 2020. Chong Tuoo Choi ceased to be a director of Ecobore Sdn Bhd on 16 February 2021 and fully disposed of his entire equity interest in Ecobore Sdn Bhd on 23 March 2021. The details of their disposal and their respective shareholdings in Ecobore Sdn Bhd prior to the disposal are as follows:

| Name | Number of shares held and disposed | Transferee | Consideration (RM) |
|---|---|---|---|
| Datuk Dr Ting | 175,000 ordinary shares (35.0%)[a] | Mohamed Rizal Bin Mohamed Yakub | 175,000 |
| Hin Wai Mun | 75,000 ordinary shares (15.0%)[a] | Mohamed Rizal Bin Mohamed Yakub | 75,000 |
| Chong Tuoo Choi | 225,000 ordinary shares (25.0%)[b] | Mohamed Rizal Bin Mohamed Yakub | 225,000 |

**Notes:**

(a) Based on total issued shares of 500,000 ordinary shares at the point of the disposal.

(b) Based on total issued shares of 900,000 ordinary shares at the point of the disposal.

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

(5) Kum Fatt has rented the following properties from Bestari Selatan bearing the following postal address:

| Address | Existing use | Tenure | Rental per annum | Termination clause |
|---|---|---|---|---|
| | | | RM'000 | |
| 57, Jalan Teratai 7, Taman Johor Jaya, 81100 Johor Bahru, Johor | Management office | 1 January 2024 to 31 December 2026 (with an option to renew for a further term of 3 years commencing from 1 January 2027 to 31 December 2029) | 36 | Event of Default and Termination by Kum Fatt<br>(a) If Kum Fatt terminates the tenancy at any time before the expiration of the term, Bestari Selatan is entitled to forfeit the rental deposit paid under the tenancy agreement and without prejudice to any right of action Bestari Selatan may have against Kum Fatt in respect of the unpaid rent or any antecedent breach; or<br><br>(b) If Kum Fatt fails to pay rent or any part of the payment under the tenancy agreement for 14 days or fails to comply with the terms or covenant under the tenancy agreement or shall be wound-up or enter into any arrangement or composition with creditors or suffer any distress or execution to be levied on its goods, Bestari Selatan shall have the right to terminate the tenancy agreement and forfeit the deposit but without prejudice to the rights of actions of Bestari Selatan in respect of any breach of Kum Fatt's covenants and agreement<br><br>Event of Default and Termination by Bestari Selatan<br>If the agreement is terminated due to the default of Bestari Selatan, the rental deposit shall be refunded to Kum Fatt and Bestari Selatan shall reimburse all the cost of renovation of the premises to Kum Fatt |

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

| Address | Existing use | Tenure | Rental per annum | Termination clause |
|---|---|---|---|---|
| | | | RM'000 | |
| 55, Jalan Teratai 7, Taman Johor Jaya, 81100 Johor Bahru, Johor | Management office | 1 December 2023 to 30 November 2026 (with an option to renew for a further term of 3 years commencing from 1 December 2026 to 30 November 2029) | 36 | Same as above |
| 69, Jalan Teratai 7, Taman Johor Jaya, 81100 Johor Bahru, Johor | Training centres for electrical engineering | 1 August 2021 to 31 July 2024 (with an option to renew for a further term of 3 years commencing from 1 August 2024 to 31 July 2027 and second renewal term of 3 years commencing from 1 August 2027 to 31 July 2030) | 36 | Same as above |

In respect of the tenure for renewal, Bestari Selatan has imposed that such renewal for each term shall be subject to revision of the monthly rental based on prevailing market price but shall not exceed 10% of the current monthly rental to be mutually agreed between the parties.

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

(6) Kum Fatt had entered into 5 sale and purchase agreements all dated 13 June 2022 with Bestari Selatan for the disposals of properties bearing the following postal address:

| Address | Disposal consideration |
|---|---|
| | RM'000 |
| HS(D) 179469 PTD 99919 in the Mukim of Plentong, District of Johor Bahru, State of Johor measuring approximately 195.1829 sq m in area together with 3-storey shop office erected thereon and known as 47, 47-01, 47-02, Jalan Permas 4, Bandar Baru Permas Jaya, 81750 Masai, Johor | 1,350 |
| Geran 178037 Lot 57101 in the Mukim of Plentong, District of Johor Bahru, State of Johor measuring approximately 251 sq m in area together with double storey shop House erected thereon and known as 1, Jalan Molek 2/1, Taman Molek, 81100 Johor Bahru, Johor | 2,000 |
| HS(D) 179467 PTD 99917 in the Mukim of Plentong, District of Johor Bahru, State of Johor measuring approximately 153.285 sq m in area together with 3-storey shop office erected thereon and known as 47B, 47B-01 & 47B-02, Jalan Permas 4, Bandar Baru Permas Jaya, 81750 Masai, Johor | 1,050 |
| HS(D) 179466 PTD 99916 in the Mukim of Plentong, District of Johor Bahru, State of Johor measuring approximately 153.285 sq m in area together with 3-storey shop office erected thereon and known as 47C, 47C-01 & 47C-02, Jalan Permas 4, Bandar Baru Permas Jaya, 81750 Masai, Johor | 1,050 |
| HS(D) 179468 PTD 99918 in the Mukim of Plentong, District of Johor Bahru, State of Johor measuring approximately 153.285 sq m in area together with 3-storey shop office erected thereon and known as 47A, 47A-01 & 47A-02, Jalan Permas 4, Bandar Baru Permas Jaya, 81750 Masai, Johor | 1,050 |
| **Total** | **6,500** |

Prior to the disposals, all 5 properties were rented out to third parties. All 5 of the sale and purchase agreements dated 13 June 2022 entered into between Bestari Selatan and Kum Fatt had been completed on 2 December 2022. In FYE 2023, our Group recorded a gain of RM0.3 million in respect of the disposal of the said properties. The subject properties were appraised by a property valuer, namely KGV International Property Consultants (Johor) Sdn Bhd, with the date of valuation being 1 June 2022. The disposal considerations for the subject properties were based on market value as at 1 June 2022, of which the valuation of the subject properties has been carried out using the comparison approach. The subject properties were disposed at market value pursuant to the valuation report prepared by the said property valuer, without any premium or discount thereon.

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

(7) Kum Fatt has rented the following properties from Bestari Selatan bearing the following postal address:

| Address | Existing use | Tenure | Rental per annum | Termination clause |
|---|---|---|---|---|
| | | | RM'000 | |
| 1, Jalan Istimewa 4, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor | Warehouse, office and training centre | 1 December 2022 to 30 November 2024 (with an option to renew for a further term of 1 year commencing from the date of expiry of tenancy) | 113 | Same termination clause as provided under Note (5) above |
| 3, Jalan Istimewa 4, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor | Dormitory | 1 December 2022 to 30 November 2024 (with an option to renew for a further term of 1 year commencing from the date of expiry of tenancy) | 73 | Same termination clause as provided under Note (5) above |

Our Board (save for the interested Directors in the respective transactions) is of the view that all our related party transactions above were carried out on an arm's length basis and on normal commercial terms which were not more favourable to the related parties than those generally available to the public and were not detrimental to our Group. This was determined based on the following:

(a) Provision of engineering works and subcontracting works by our Group were based on the prevailing market rates, comparable quotations and/or invoices obtained from unrelated third parties by our Group;

(b) Provision of subcontracting works to our Group were based on the prevailing market rates, comparable quotations and/or invoices obtained from unrelated third parties by our Group;

(c) Supply of HDPE pipes were based on comparable selling prices to our Group's third-party customers;

(d) Rental expenses incurred based on the prevailing rental rates of comparable properties at the relevant time; and

(e) Disposal price of the properties is based on the prevailing market prices of comparable properties at the relevant time based on valuation reports prepared by KGV International Property Consultants (Johor) Sdn Bhd, a property valuer which appraised the subject properties.

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

Moving forward, in order to ensure that related party transactions are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

**(a) Recurrent related party transactions**

(i) at least 2 other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine if the price and terms offered by related parties are fair and reasonable and comparable to those offered by other third parties for the same or substantially similar type of products/services and/or quantities; or

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

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

**(b) Other related party transactions**

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

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

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

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

For related party transactions that require shareholders' approval, the Directors, major shareholders and/or persons connected with such Director or major shareholder, which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transactions, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Directors and/or major shareholders will also undertake that he shall ensure that the persons connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting. The relevant directors who are deemed interested or conflicted in such transactions shall also abstain from our Board deliberations and voting on the Board resolutions relating to these transactions.

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

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. If a member of our Audit and Risk Management Committee has an interest in any related party transaction, he is to abstain from participating in the review and approval process in relation to that transaction. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

### 10.2 OTHER TRANSACTIONS

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

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party for FYE 2021 to 2023, FPE 2024 and up to LPD.

#### 10.2.2 Outstanding loans (including guarantees of any kind)

**(a) Outstanding loans and/or balances**

As at LPD, there are no outstanding loans made by our Group to/for the benefit of a related party or granted by the related parties for the benefit of our Group.

**(b) Guarantees**

Our Promoters, substantial shareholders and Executive Directors, namely Datuk Dr Ting, Hin Wai Mun, Chong Tuoo Choi, Datuk Ting Meng Pheng (sister of Datuk Dr Ting and non-executive director of Kum Fatt) as well as Dato' Tan Sui Hou (non-executive director of Kum Fatt) have jointly and severally provided personal guarantees for the banking and leasing facilities extended by the following financial institutions ("**Financiers**"):

| Financiers | Borrowers | Type of facilities | Outstanding balance as at LPD | Facility limit | Guarantor(s) |
|---|---|---|---|---|---|
| | | | RM'000 | RM'000 | |
| Alliance Bank Malaysia Berhad | Kum Fatt | 1 trade facility<br>- To finance the purchase of construction materials and payment of subcontractors' fees<br><br>1 overdraft facility<br>- To finance Kum Fatt's working capital | 3,219 | 5,000 | • Datuk Dr Ting<br>• Hin Wai Mun<br>• Datuk Ting Meng Pheng |
| | PPI | 1 term loan<br>- To part finance the purchase of plant and machinery | 273 | 310 | • Datuk Dr Ting<br>• Hin Wai Mun |

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

| Financiers | Borrowers | Type of facilities | Outstanding balance as at LPD | Facility limit | Guarantor(s) |
|---|---|---|---|---|---|
| | | | RM'000 | RM'000 | |
| Alliance Islamic Bank Malaysia Berhad | PPI | 1 term financing-i facility<br>- To finance PPI's working capital | 564 | 1,000 | • Datuk Dr Ting<br>• Hin Wai Mun |
| BMW Credit (Malaysia) Sdn Bhd | PPI | 2 hire purchase facilities<br>- To finance the purchase of plant and machinery as well as QC testing equipment | 175 | 244 | • Datuk Dr Ting<br>• Hin Wai Mun |
| Hong Leong Bank Berhad | Kum Fatt | 1 trade facility<br>- To finance the purchase of construction materials and payment of subcontractors' fees<br><br>3 overdraft facilities<br>- To finance Kum Fatt's working capital<br><br>2 term loans<br>- To finance the purchase of factory building<br>- To finance Kum Fatt's working capital | 4,555 | 7,627 | • Datuk Dr Ting<br>• Hin Wai Mun<br>• Datuk Ting Meng Pheng |
| | Kum Fatt | 12 hire purchase facilities<br>- For hire purchase of motor vehicles | 1,108 | 2,316 | • Datuk Dr Ting<br>• Hin Wai Mun |
| | Konnection | 3 hire purchase facilities<br>- For hire purchase of motor vehicles | (1)195 | (1)376 | • Chong Tuoo Choi |
| Hong Leong Islamic Bank Berhad | PPI | 1 trade financing-i facility<br>- To finance the purchase of raw materials<br><br>1 cash line-i facility<br>- To finance PPI's working capital | 1,405 | 2,500 | • Datuk Dr Ting<br>• Hin Wai Mun |

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

| Financiers | Borrowers | Type of facilities | Outstanding balance as at LPD | Facility limit | Guarantor(s) |
|---|---|---|---|---|---|
| | | | RM'000 | RM'000 | |
| HSBC Amanah Malaysia Berhad | Kum Fatt | 2 trade financing-i facilities<br>- To finance the purchase of construction materials and payment of subcontractors' fees<br><br>1 cash line-i facility<br>- To finance Kum Fatt's working capital | 4,662 | 9,000 | • Datuk Dr Ting<br>• Hin Wai Mun<br>• Datuk Ting Meng Pheng |
| | PPI | 1 trade financing-i facility<br>- To finance the purchase of raw materials<br><br>1 cash line-i facility<br>- To finance PPI's working capital | 1,356 | 3,000 | • Datuk Dr Ting<br>• Hin Wai Mun |
| Maybank Singapore Limited | Konnection | 4 hire purchase facilities<br>- For hire purchase of motor vehicles | (1)353 | (1)607 | • Datuk Dr Ting<br>• Chong Tuoo Choi |
| MBSB Bank Berhad | Kum Fatt | 6 hire purchase-i facilities<br>- To finance the purchase of plant and machinery | 664 | 1,506 | • Datuk Dr Ting<br>• Hin Wai Mun<br>• Datuk Ting Meng Pheng |
| | PPI | 1 cash line-i facility<br>- To finance PPI's working capital<br><br>2 hire purchase-i facilities<br>- For hire purchase of plant and machinery | 281 | 860 | • Datuk Dr Ting<br>• Hin Wai Mun |
| Orix Credit Malaysia Sdn Bhd | Kum Fatt | 3 hire purchase facilities<br>- For hire purchase of plant and machinery | 379 | 800 | • Datuk Dr Ting<br>• Hin Wai Mun |
| Small Medium Enterprise Development Bank Malaysia Berhad | Kum Fatt | 2 commodity Murabahah term financing-i facilities<br>- To part finance the purchase of plant and machinery | 835 | 966 | • Datuk Dr Ting<br>• Hin Wai Mun<br>• Datuk Ting Meng Pheng<br>• Dato' Tan Sui Hou |
| | PPI | 1 commodity Murabahah term financing-i facility<br>- To finance PPI's working capital | 291 | 500 | • Datuk Dr Ting<br>• Hin Wai Mun |

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

| Financiers | Borrowers | Type of facilities | Outstanding balance as at LPD | Facility limit | Guarantor(s) |
|---|---|---|---|---|---|
| | | | RM'000 | RM'000 | |
| United Overseas Bank (Malaysia) Bhd | Kum Fatt | 2 trade facilities<br>- To finance the purchase of construction materials and payment of subcontractors' fees<br>- For issuance of performance bonds to parties acceptable to the bank<br>- To guarantee payments to parties acceptable to the bank<br><br>1 term loan<br>- To finance the keyman insurance premium | 1,579 | 6,351 | • Datuk Dr Ting<br>• Hin Wai Mun<br>• Datuk Ting Meng Pheng |
| | PPI | 1 trade facility<br>- To finance the purchase of raw materials<br><br>1 overdraft facility<br>- To finance PPI's working capital<br><br>1 term loan<br>- To finance the keyman insurance premium | 581 | 2,315 | • Datuk Dr Ting<br>• Hin Wai Mun |
| United Overseas Bank Limited | Konnection | 2 hire purchase facilities<br>- To finance the purchase of motor vehicles | (1)345 | (1)488 | • Chong Tuoo Choi |
| | Konnection | 1 overdraft facility<br>- To finance Konnection's working capital | - | (1)1,751 | • Datuk Dr Ting<br>• Chong Tuoo Choi |
| | Konnection | 3 hire purchase facilities<br>- To finance the purchase of plant and machinery | (1)1,185 | (1)1,355 | • Datuk Dr Ting<br>• Chong Tuoo Choi |
| OCBC Al-Amin Bank Berhad | Kum Fatt | 1 trade finance-i facility<br>- To finance the purchase of construction materials and payment of subcontractors' fees | 4,068 | 5,000 | • Datuk Dr Ting<br>• Hin Wai Mun<br>• Datuk Ting Meng Pheng |

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

| Financiers | Borrowers | Type of facilities | Outstanding balance as at LPD | Facility limit | Guarantor(s) |
|---|---|---|---|---|---|
| | | | **RM'000** | **RM'000** | |
| OCBC Bank (Malaysia) Berhad | Kum Fatt | 1 term loan<br>- To finance the keyman insurance premium | 389 | 500 | • Datuk Dr Ting<br>• Hin Wai Mun<br>• Datuk Ting Meng Pheng |
| | | 4 hire purchase facilities<br>- To finance the purchase of motor vehicles and plant and machinery | 871 | 928 | • Datuk Dr Ting<br>• Hin Wai Mun<br>• Datuk Ting Meng Pheng |
| Maybank Islamic Berhad | PPI | 1 trade line-i facility<br>- To finance the purchase of raw materials | - | 2,000 | • Datuk Dr Ting<br>• Hin Wai Mun |
| | | | **29,333** | **57,300** | |

**Note:**

(1) Based on the closing rate of SGD1.00 = RM3.5028 as at LPD as extracted from BNM's website.

In conjunction with our Listing, we have applied to the Financiers to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the Financiers. Until such release and/or discharge are obtained from the respective Financiers, our Promoters and non-executive directors of Kum Fatt will continue to guarantee and the personal guarantees will remain intact as security for the banking facilities extended to our Group.

As at LPD, we have received conditional approvals from the Financiers to discharge the above guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the financial institutions subject to the fulfilment of, amongst others, the following:

(a) upon successful listing or Bursa Securities approval on the Listing of our Company on the ACE Market; and

(b) receipt of the corporate guarantee by our Company.

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

As at LPD, there is no financial assistance provided by us for the benefit of any related party.

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

### 10.2.3 Transactions entered into with M&A Securities

Save as disclosed below, we have not entered into any transactions with M&A Securities who is the Adviser, Sponsor, Underwriter and Placement Agent for our Listing:

(a) Agreement dated 10 March 2022 between our Company and M&A Securities for the appointment of M&A Securities as Adviser, Sponsor, Underwriter and Placement Agent for our Listing; and

(b) Underwriting Agreement dated 3 May 2024 entered into between our Company and M&A Securities for the underwriting of 71,006,000 Issue Shares.

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## 11. CONFLICT OF INTEREST

### 11.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND SUPPLIERS

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

(a) which is carrying on a similar trade as our Group; or

(b) which is a customer or supplier of our Group.

It is our Director's fiduciary duty to avoid conflict, and they are required to attend courses which provide them guidelines on their fiduciary duties. In order to mitigate any possible conflict of interest situation in the future, our Directors will declare to our Nominating Committee and our Board their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group. Our Nominating Committee will then first evaluate if such Director's involvement gives rise to an actual or potential conflict of interest with our Group's business after the disclosure provided by such Director. After a determination has been made on whether there is an actual or potential conflict of interest of a Director, our Nominating Committee will then:

(a) immediately inform our Audit and Risk Management Committee and Board of the conflict of interest situation;

(b) after deliberation with our Audit and Risk Management Committee, to make recommendations to our Board to direct the conflicted Director to:

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

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

In relation to (b)(ii) above, the conflicted Director and persons connected to him (if applicable) shall be absent from any Board discussion relating to the recommendation of our Nominating Committee and the conflicted Director and persons connected to him (if applicable) shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairman of our Board, be present at our Board meeting to answer any questions.

In circumstances where a Director is determined to have a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary responsibility to our Group, our Nominating Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

Where there are related party transactions between our Group with our Directors (or person connected to them) or companies in which our Directors (or person connected to them) have an interest, our Audit and Risk Management Committee will, amongst others, supervise and monitor such related party transaction and the terms thereof and report to our Board for further action. Please refer to Section 10.1 for the procedures to be taken to ensure that related party transactions (if any) are undertaken on arm's length basis.

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

### 11.2 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS

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

(b) Olivia Lim & Co has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Solicitors for our Listing;

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

(d) Providence has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as IMR for our Listing.

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