

**4. INFORMATION ON OUR GROUP (Cont'd)**

Save as disclosed in Sections 4.14.1, 4.14.2 and 4.14.3 and where relevant in this Prospectus, our Directors, confirmed in respect of the properties of our Group that:-

- (a) there are no other restrictions in interests or encumbrances;
- (b) the existing land use is in accordance with the land use conditions;
- (c) the properties above are in compliance with the relevant land use and building regulations;
- (d) the properties above are in compliance with the express conditions attached; and
- (e) all the buildings above have been issued with CF.

**4.14.4 Material Machinery and Equipment**

Our Group owned the following material machinery and equipment:-

	As at LPD			Total NBV (RM'000)
	Fully Depreciated	With NBV	Total	
Material Plant and Equipment	No. of Units			
Air Compressor	5	8	13	230
Backhoe Loader	5	2	7	123
Backpusher	1	-	1	-
Bar Bender	-	1	1	7
Bore Pile Mechanical Rig	2	-	2	-
Bore Pile Vibro Hammer	5	9	14	6,113
Bore Piling Hydraulic Rig	8	10	18	29,203
Bulldozer	1	-	1	-
Compact Sub-Station	1	0	1	-
Concrete Pump	1	14	15	1,471
Concrete Truck	-	2	2	129
Crawler crane	11	15	26	7,232
CSM Cutter Machine	-	1	1	3,486
Desander	1	2	3	336
Dump Truck	6	-	6	-
Electronic Weighbridge System	-	1	1	36
Excavator	6	14	20	2,620
Foam Cutting Machine	-	1	1	136
Forklift	-	1	1	14
Generator Set	17	21	38	710
Hydraulic Breaker	-	5	5	96
Kelly Bar/ Extension for Kelly Bar	3	1	4	69
Lorry	-	2	2	119
Mesh Bending Machine	-	1	1	4
Mobile Crane	8	8	13	3,649
Panel Machine	-	1	1	1,446
Passenger Hoist	-	1	1	285
Plastering Machine	-	2	2	46
Roller	1	-	1	-
Shovel	2	2	4	41
Skylift	3	-	3	-
Spot Welding Machine	-	1	1	6
Tower Crane	-	1	1	508
Tower Light	-	19	19	199
Trailer	-	1	1	74
Welding Set	9	22	31	255
Wire Cutting and Straightening Machine	-	1	1	8
<b>Total</b>				<b>58,650</b>

#### 4. INFORMATION ON OUR GROUP (Cont'd)

As at 31 December 2014, the total cost and NBV of our Group's machinery and equipment are approximately RM119.73 million and RM62.25 million respectively. As at the LPD, the total cost and NBV of our Group's material machinery and equipment are approximately RM114.88 million and RM58.65 million respectively. The above NBV are disclosed based on the major machinery and equipment. In line with our management's plan to expand our bore piling fleet and our prefabricated building system manufacturing facility (as set out in Section 2.7 of this Prospectus), it is our intention to purchase additional construction equipment and machinery and equipment for manufacturing prefabricated building system as part of our business growth.

##### 4.14.5 Production Facilities and Operation Capacities

Measures of output, capacity and utilisation are not relevant for our principal business activities in piling and foundation, and construction of bridges and buildings.

We operate a factory in Nilai, Negeri Sembilan through MM2 Building System to carry out our secondary business activity, which is manufacturing prefabricated building system. For FYE 2014, our output, capacity and utilisation rate for the manufacture of prefabricated building system are as follows:-

Product	Annual Capacity <sup>(1)</sup> (m <sup>2</sup> )	Production Output <sup>(2)</sup> (m <sup>2</sup> )	Approximate Utilisation Rate (%)
Prefabricated Building System <sup>(3)</sup>	450,000	29,238	6%

Notes:-

- (1) Computed based on three (3) shifts per day for 25 working days per month.
- (2) Running on one (1) shift per day for 25 workings days per month.
- (3) Comprises wall, slab and staircase panels.

##### 4.14.6 Material Capital Expenditure and Divestitures

Save as disclosed below, we did not incur any other material capital expenditures and divestitures in the past four (4) FYE 2011 to FYE 2014 and up to the LPD:-

Description	Transaction Value (at Cost) (RM'000)				
	FYE 2011	FYE 2012	FYE 2013	FYE 2014	As at LPD
<b>Capital Expenditure</b>					
Acquisition of machinery and equipment in relation to our business	9,068	33,173	11,330	17,875	3,234
Acquisition of property	-	123	3,788	1,687	287
<b>Divestitures</b>					
Disposal of machinery and equipment in relation to our business	108	565	-	340	40

The capital expenditures listed above were financed through our internally-generated funds and/or bank borrowings.

**4. INFORMATION ON OUR GROUP (Cont'd)**

The detailed breakdown of the capital expenditures and divestitures tabulated in the above table for the past four (4) FYE 2011 to FYE 2014 and up to the LPD are as follows:-

**(a) FYE 2011**

Our acquisition of machinery and equipment for total purchase costs of approximately RM9.07 million for FYE 2011 comprises the following:-

Description of the Machinery and Equipment	Units	RM'000
Bore piling hydraulic rig	2	4,989
Crawler crane	3	1,835
Bore pile vibro hammer	1	1,020
Various types of machinery and equipment	-	1,224
<b>Total</b>		<b>9,068</b>

We did not acquire any property during FYE 2011.

Our disposal of machinery and equipment for total sales proceeds of approximately RM0.11 million for FYE 2011 comprises the following:-

Description of the Machinery and Equipment	Units	RM'000
Excavators	2	60
Water browsers	2	48
<b>Total</b>		<b>108</b>

**(b) FYE 2012**

Our acquisition of machinery and equipment for total purchase costs of approximately RM33.17 million for FYE 2012 comprises the following:-

Description of the Machinery and Equipment	Units	RM'000
Bore piling hydraulic rig	4	26,516
Panel machine	1	1,993
Excavators	4	1,400
Crawler crane	2	1,240
Bore pile vibro hammer	1	1,020
Various types of machinery and equipment	-	1,004
<b>Total</b>		<b>33,173</b>

The additional acquisition costs of approximately RM24.10 compared to the previous FYE 2011 arose mainly from the additional units of bore piling hydraulic rig which we had purchased based on our requirements to cater for additional related work.

During the FYE 2012, we made progress payments of approximately RM0.11 million for our service apartment at Damai 88, Ampang as disclosed in item 1, Section 4.14.3 of this Prospectus, as well as additional miscellaneous capitalised charges of RM0.01 million for our industrial land at Teluk Panglima Garang as disclosed in item 5, Section 4.14.2 of this Prospectus.

**4. INFORMATION ON OUR GROUP (Cont'd)**

Our disposal of machinery and equipment for total sales proceeds of approximately RM0.57 million for FYE 2012 comprises the following:-

Description of the Machinery and Equipment	Units	RM'000
Boring rig	1	220
Bore pile mechanical rig	1	160
Crawler crane	1	140
Bore pile vibro hammer	2	45
<b>Total</b>		<b>565</b>

**(c) FYE 2013**

Our acquisition of machinery and equipment for total purchase costs of approximately RM11.33 million for FYE 2013 comprises the following:-

Description of the Machinery and Equipment	Units	RM'000
Bore piling hydraulic rig	1	2,150
Crawler crane	4	2,730
Bore pile vibro hammer	2	2,040
Concrete pump	8	1,761
Various types of machinery and equipment	-	2,649
<b>Total</b>		<b>11,330</b>

Our acquisition of machinery and equipment for FYE 2013 decreased by approximately RM21.84 million compared to FYE 2012 mainly because we only purchased one (1) unit of bore piling hydraulic rig in FYE 2013 as compared to four (4) units in the previous FYE 2012.

Our acquisition of property for total purchase costs of approximately RM3.79 million for FYE 2013 comprises the following:-

Description of the Property	RM'000
Purchase consideration for a piece of land at Lot 299, Jalan Segenting, 42500 Teluk Panglima Garang, Selangor Darul Ehsan <i>(as disclosed in item 2, Section 4.14.8 of this Prospectus)</i>	3,312
Progress payments for the two (2) units of service apartments at Damai 88, Ampang <i>(as disclosed in items 1 and 2, Section 4.14.3 of this Prospectus)</i>	471
Miscellaneous costs relating to the acquisition of the above land at Teluk Panglima Garang	5
<b>Total</b>	<b>3,788</b>

There were no disposal of machinery and equipment during the FYE 2013.

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**4. INFORMATION ON OUR GROUP (Cont'd)****(d) FYE 2014**

Our acquisition of machinery and equipment for total purchase costs of approximately RM17.88 million for FYE 2014 comprises the following:-

Description of the Machinery and Equipment	Units	RM'000
Rotary drilling machine	1	7,620
25 tonne truck crane	9	5,792
MFE formwork	2	2,315
Various types of machinery and equipment	-	2,148
<b>Total</b>		<b>17,875</b>

During the FYE 2014, we made total progress payments of approximately RM1.58 million for the two (2) units of the service apartments at Damai 88, Ampang as disclosed in items 1 and 2, Section 4.14.3 of this Prospectus which were acquired in FYE 2012 and FYE 2013. We also carried out survey and other works including town planning services for our land at Lot 299, Teluk Panglima Garang, as disclosed in item 4, Section 14.4.2 of this Prospectus, amounting to RM0.11 million.

Our disposal of machinery and equipment for total sales proceeds of approximately RM0.34 million for FYE 2014 comprises the following:-

Description of the Machinery and Equipment	Units	RM'000
Hydraulic crawler drill	2	165
Compact electrical substation	1	135
Road roller	1	40
<b>Total</b>		<b>340</b>

**(e) As at the LPD**

Our acquisition of machinery and equipment for total purchase costs of approximately RM3.23 million from 1 January 2015 up to the LPD ("**Financial Period**") comprises the following:-

Description of the Machinery and Equipment	Units	RM'000
Bore pile vibro hammer	3	2,850
Various types of machinery and equipment	-	384
<b>Total</b>		<b>3,234</b>

We made total progress payments of approximately RM0.29 million up to the LPD for one (1) unit of the service apartments at Azure Residences, Petaling Jaya as disclosed in item 3 of Section 4.14.3 of this Prospectus, which was acquired in January 2015.

We disposed off one (1) unit of roller for total sales proceeds of approximately RM40,000 during the Financial Period.

**4.14.7 Material Plans to Construct, Expand or Improve Facilities**

As at the LPD, save as disclosed in Sections 2.7 and 4.18 of this Prospectus, we have no immediate plans to construct, expand or improve any of our existing facilities.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.14.8 Acquisitions of Properties During the Two (2) Years Preceding the Date of This Prospectus

Save as disclosed below, there are no other properties as set out in Sections 4.14.2 and 4.14.3 of this Prospectus, which were acquired during the last two (2) years preceding the date of this Prospectus.

No.	Registered Owner/ Beneficial Owner	Address/ Title Identification/ Description	Date of Transaction	Purchase Consideration (RM)
(1)	Solid Promenade Sdn Bhd/ Ikhmas Jaya	9-1, Level 9, Damai 88, No.79, Jalan Damai, off Jalan Ampang, 55100 Kuala Lumpur, Wilayah Persekutuan/  Parcel No. 9-1 within storey No. 9 held under Master Title GRN76768, Lot 20003, Seksyen 88 (formerly known as GRN12914, Lot 83, Seksyen 0088), Bandar and District of Kuala Lumpur, State of Wilayah Persekutuan/  Service Apartment <sup>(i)</sup>	23 July 2013	1,547,915
(2)	Jelas Puri Sdn Bhd/ Ikhmas Jaya	Unit No A-16-2, Floor 16, Block A, Azure Residences @ Paradigm PJ, Jalan SS7/26A, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan  HSD 280412, No. P.T. 5167, Seksyen 40, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor  Service Apartment <sup>(ii)</sup>	29 January 2015	779,950
<b>Total</b>				<b>2,327,865</b>

Notes:-

- (i) Sale and purchase agreement dated 23 July 2013 between Solid Promenade Sdn Bhd as a proprietor, D.J. Design & Suppliers Sdn Bhd as the vendor and Ikhmas Jaya as the purchaser in relation to the acquisition by Ikhmas Jaya of the property subject to the conditions and restrictions in interest to the issue document of title (as disclosed in 13.5(a) of this Prospectus). Ikhmas Jaya has paid a deposit of RM154,791.52 upon execution of the sale and purchase agreement. As at 31 December 2014, Ikhmas Jaya has paid deposit and progress billings amounting to a total of RM1,083,541 as disclosed in item no. (2) in Section 4.14.3 of this Prospectus. No payment has been made since 1 January 2015 up to the LPD and the balance of RM464,374 will be paid in tranches on 23 July 2016 in accordance with the terms of the agreement.
- (ii) Sale and purchase agreement dated 29 January 2015 between Jelas Puri Sdn Bhd as the vendor and Ikhmas Jaya as the purchaser in relation to the acquisition by Ikhmas Jaya of the property subject to the conditions and restrictions in interest to the issue document of title for a total consideration of RM821,000 (as disclosed in 13.5(i) of this Prospectus). Ikhmas Jaya was given a 5% discount by the vendor upon the execution of the sale and purchase agreement resulting in the net total purchase consideration payable by Ikhmas Jaya is RM779,950. From 1 January 2015 up to the LPD, Ikhmas Jaya has paid RM287,350 in accordance with the terms of the agreement.

##### 4.14.9 Regulatory Requirement and Environmental Issue

There is no regulatory requirement and environmental issue which may materially affect our operations and utilisation of assets.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.15 APPROVALS, MAJOR LICENCES AND PERMITS

Details of the approvals obtained by us for our Listing from the SC, ECU and MITI together with the conditions imposed by these authorities and the status of compliance are set out in Section 7.1 of this Prospectus. Other approvals, major licences and permits obtained by our Group for the operation of business, other than those pertaining to general business registration requirements are as follows:-

##### (a) Ikhmas Jaya

No.	Description of Approval/ Licence/ Permit/ Registration	Authority	Licence/ Reference No.	Date of Issuance/ Renewal	Validity Period	Major Conditions Imposed	Status of Compliance
1.	SPKK Grade G7 government contracts for:- (a) Category B (Building construction); (b) Category CE (Civil engineering construction); and (c) Category ME (Mechanical and electrical).	CIDB	A073478/ 1961210-SL019057	06.11.2014	From 06.11.2014 to 16.08.2016	<p><b>1. General Conditions</b></p> <p>(a) This certificate is issued based on the information provided by the applicant/ company.</p> <p>(b) This certificate shall not be used as acknowledgment for initiating or undertaking to execute construction work. This certificate shall be used to participate in government procurement or any work with government agencies only.</p> <p>(c) This certificate will be revoked automatically if the certificate of registration as a contractor has expired or is cancelled/ revoked/ suspended in accordance with Regulation 15 of the Registration of Contractors (Construction Industry) 1995.</p> <p>(d) This certificate must be submitted together with the certificate of registration as contractor during the tender for government procurement work or any work with government agencies.</p> <p>(e) This acknowledgement of registration certificate shall be renewed together with the certificate of registration issued by CIDB as contractor.</p> <p>(f) This certificate which is not renewed within six (6) months from the date of expiry of the certificate of registration as contractor will be removed from the register of CIDB. Any application made thereafter is deemed to be a new application and the terms and conditions for the issuance of SPKK for the new application shall be complied with.</p>	Noted Noted Noted Noted Noted Noted

## 4. INFORMATION ON OUR GROUP (Cont'd)

No.	Description of Approval/Licence/Permit/Registration	Authority	Licence/Reference No.	Date of Issuance/Renewal	Validity Period	Major Conditions Imposed	Status of Compliance
1.						<p><b>2. Responsibilities of the Company/ Holder of the Certificate</b></p> <p>(a) The company/ holder of the certificate shall not lend, lease, transfer, permit or cause the certificate to be used by someone who has not been named to use this certificate for the purpose of procuring government work.</p> <p>(b) Only officers of the company who are named in this certificate are authorised to sign the company contract documents and take or authorise the employees to take document tendered.</p> <p>(c) The company/ holder of the certificate shall ensure all terms and conditions to obtain this certificate are complied with at all times during the period of validity of this certificate.</p> <p>(d) The company/ holder of the certificate shall inform CIDB of any change in information within twenty-one (21) days from the date of occurrence of the said change.</p> <p>(e) The company/ holder of the certificate shall comply with all instructions and resolutions of the government via treasury instructions, treasury circular letters and circulars issued by Jabatan Teknikal (Jabatan Kerja Raya/ Jabatan Pengairan &amp; Saliran) from time to time.</p> <p>(f) The company/ holder of the certificate shall comply with all instructions and resolutions issued by CIDB from time to time.</p> <p><b>3. Disciplinary Actions</b></p> <p>(a) The company/ holder of the certificate shall be subject to such disciplinary actions set out in Regulation 15 of the Registration of Contractors (Construction Industry) Regulations 1995 in the event of failure to comply with item 2 above.</p> <p>(b) CIDB has the right to take disciplinary action and impose any punishment on the registered contractor.</p>	<p>Complied</p> <p>Complied</p> <p>Noted</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Noted</p> <p>Noted</p>



**4. INFORMATION ON OUR GROUP (Cont'd)**

No.	Description of Approval/ Licence/ Permit/ Registration	Authority	Licence/ Reference No.	Date of Issuance/ Renewal	Validity Period	Major Conditions Imposed	Status of Compliance
1.						<p>(c) The company/ holder of the certificate who has been blacklisted, suspended, revoked or where this certificate has been withdrawn due to disciplinary proceedings shall not participate in any tender or government procurement work.</p> <p>(d) The company/ holder of the certificate whose certificate has been revoked or withdrawn will be removed from the register of CIDB. Such company who wishes to obtain a SPKK shall comply with the terms and conditions for the issuance of SPKK for new applications. A blacklisted key management personnel is prohibited from obtaining SPKK for a period of three (3) years.</p> <p>(e) The company/ holder of the certificate who has been blacklisted and suspended shall participate in tender or government procurement work only after the expiry of the blacklisting or suspension period.</p> <p><b>4. Financial Limits (Work Cost)</b></p> <p>(a) SPKK registered contractor shall only participate in tender allowed under the registration grade it is registered under.</p>	<p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Complied</p>

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## 4. INFORMATION ON OUR GROUP (Cont'd)

No.	Description of Approval/ Licence/ Permit/ Registration	Authority	Licence/ Reference No.	Date of Issuance/ Renewal	Validity Period	Major Conditions Imposed	Status of Compliance
2.	<p>Certificate of Registration pursuant to Part VI of Akta Lembaga Pembangunan Industri Pembinaan Malaysia 1984 in respect of:-</p> <p>(a) Grade G7 Category B:-</p> <p>(1) B02: Industrialised Building System – system using steel frames</p> <p>(2) B04: General building works</p> <p>(3) B05: Piling works</p> <p>(4) B06: Concrete repair works</p> <p>(5) B08: Installation of waterproofing materials</p> <p>(6) B09: Landscaping</p> <p>(7) B12: Aluminium/ Steel and glass works</p> <p>(8) B13: Tile installation and plaster works</p> <p>(9) B24: Building maintenance works</p> <p>(b) Grade G7, Category CE:-</p> <p>(1) CE01: Road and pavement construction</p> <p>(2) CE02: Bridge construction</p> <p>(3) CE03: Marine structures</p> <p>(4) CE04: Dams</p> <p>(5) CE05: Tunnel and foundation</p> <p>(6) CE06: Irrigation and flood control</p> <p>(7) CE07: Railway tracks</p> <p>(8) CE08: Slope conservation system</p> <p>(9) CE10: Piling works</p> <p>(10) CE11: Concrete repair works</p> <p>(11) CE12: Soil investigation works</p> <p>(12) CE13: Installation of signage</p>	CIDB	084658A/ 1961210-SL019057	14.03.2014	From 14.03.2014 to 16.08.2016	<p><b>1. General Conditions</b></p> <p>(a) This certificate is non-transferable.</p> <p>(b) CIDB reserves the right to review the registration grade of the registered contractor from time to time.</p> <p><b>2. Responsibilities and Obligations of the Contractor</b></p> <p>(a) The contractor shall comply with the provisions of the 'Lembaga Pembangunan Industri Pembinaan Malaysia' Act 1984, the regulations made thereunder and any term, condition or restriction imposed by CIDB from time to time.</p> <p>(b) The contractor shall not participate in any tender or execute any construction works after the expiration of this certificate unless it is renewed.</p> <p>(c) The contractor shall not undertake any construction projects which exceeds the value of construction works specified under the registration grade and shall not execute any type of construction work outside of its registered category(ies).</p> <p>(d) The contractor shall submit information regarding any new construction works or contract(s) within one (1) month of the award.</p> <p>(e) The contractor shall submit any information required by CIDB from time to time.</p> <p>(f) The contractor shall display the certificate of registration issued by CIDB or a certified true copy of the same by CIDB at the place of business.</p> <p>(g) The contractor shall display its registration number on the signboard at each construction site.</p>	Noted Noted Complied Complied Complied Complied Complied Complied

**4. INFORMATION ON OUR GROUP (Cont'd)**

No.	Description of Approval/Licence/Permit/Registration	Authority	Licence/Reference No.	Date of Issuance/Renewal	Validity Period	Major Conditions Imposed	Status of Compliance
2.	(Cont'd) (13)CE14: Landscaping (14)CE19: Sewerage system (15)CE20: Water supply system (16)CE21: General civil engineering works (17)CE23: 'Pre-stressing' and 'Post-tensioning' works (18)CE24: Civil engineering structures (19)CE30: Soil stabilisation and underground drainage works (20)CE31: Civil engineering telecommunication works (21)CE34: Installation works for pre-cast concrete (22)CE36: Soil works (23)CE42: Road paint works and signage (24)CE43: Road barriers and other roadworks  (c) Grade G7, Category ME:- (1) E10: Specific control panels (2) M01: Air-conditioning and ventilation system (3) M15: Various mechanical equipment					<p>(h) The contractor shall apply for a renewal of registration within sixty (60) days before the expiry date specified in this certificate. Any application received by CIDB later than thirty (30) days before the expiry of the certificate of registration shall incur a penalty fee of RM200 for late renewal.</p> <p>(i) The contractor shall comply with all requirements and stipulations in the Contractor's Code of Ethics.</p> <p><b>3. Disciplinary Actions</b></p> <p>The contractor's registration shall be cancelled, suspended or revoked if:-</p> <p>(a) The contractor fails to comply with the requirement of any other written law;</p> <p>(b) The contractor has been adjudicated a bankrupt;</p> <p>(c) A winding-up petition in relation to the contractor has been presented;</p> <p>(d) The contractor contravenes or fails to comply with any provision of the 'Lembaga Pembangunan Industri Pembinaan Malaysia' Act 1994;</p> <p>(e) The contractor has obtained the certificate by making or causing to be made any false or fraudulent declaration, certification or representation either in writing or otherwise;</p> <p>(f) The contractor has abandoned any construction works undertaken without any good reason;</p> <p>(g) The contractor is found negligent by the court or by any board of enquiry established under any written law in connection with any construction works undertaken; or</p> <p>(h) The contractor contravenes or fails to fulfil any of the contractor's responsibilities and obligations as specified in paragraph 2.</p>	<p>Complied</p> <p>Complied</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p>

## 4. INFORMATION ON OUR GROUP (Cont'd)

No.	Description of Approval/ Licence/ Permit/ Registration	Authority	Licence/ Reference No.	Date of Issuance/ Renewal	Validity Period	Major Conditions Imposed	Status of Compliance
3.	<p>Certificate of Registration evidencing the registration with MAH to provide services including:-</p> <p>(1) Works for patented roofing</p> <p>(2) Works for plastering the road surfaces/ bituminous tarmac</p> <p>(3) Reinforced concrete frame for buildings not exceeding 4 storeys and reinforced concrete frame above the storey</p> <p>(4) Prefabricated wooden buildings</p> <p>(5) Piling works- post- tensioned or pre-stressed concrete</p> <p>(6) Piling works- steel</p> <p>(7) Piling works- wood</p> <p>(8) Piling works- patented system</p> <p>(9) Works for asphalt coating</p> <p>(10) High pressure plastering works</p> <p>(11) Grouting</p> <p>(12) Testing works which do not affect any part of the concrete</p> <p>(13) Works for signage installation</p> <p>(14) Terminal building, satellite &amp; cargo</p> <p>(15) Air traffic control tower</p> <p>(16) Construction of airplane runway/ aircraft parking stand</p> <p>(17) Works for rocks breaking and metal goods supply</p> <p>(18) Works on land research</p> <p>(19) Reinforced concrete or pre-cast reinforced concrete for frames, drop curbs, sewers and drainage</p> <p>(20) Construction of pre-stressed or post- tensioned concrete</p> <p>(21) Prefabricated concrete buildings</p> <p>(22) Steel framed building</p> <p>(23) Parquet flooring and wooden blocks, finishing</p>	MAH	18756; Registration Class: Z005	29.05.2014	From 18.10.2011 to 29.05.2016	<p>1. General Conditions</p> <p>(a) This approval is given by MAH based on the information provided by the company. Therefore the information provided must be complete and accurate.</p> <p>(b) All information required by the MAH should be submitted along with the registration form.</p> <p>(c) MAH reserves the right to refuse, cancel or suspend any of the conditions set by the MAH.</p> <p>(d) This Certificate of Registration is also applicable to all of the company's subsidiaries.</p> <p>2. Rejection/ Suspension/ Revocation of Registration</p> <p>Registration of the company shall be rejected, suspended or revoked if:-</p> <p>(a) the company/ its owners/ partners/ directors are involved in any illegal activities/ crime and/or are convicted/ found guilty by the courts of Malaysia or outside Malaysia;</p> <p>(b) the company withdraws its offer before the tender is considered or reject the offer after an offer has been made;</p> <p>(c) the company fails to implement the contracts signed with MAH including such contracts entered into by its subsidiaries;</p> <p>(d) this approval letter has been amended or tampered with for fraudulent or other reasons;</p> <p>(e) this registration certificate is misused by any individual or other companies; and</p> <p>(f) the company is found to have colluded with another company in respect of the cost of the tender/ quotation issued by MAH and/or its subsidiaries.</p>	Complied  Complied  Noted  Noted    Noted  Noted  Noted  Noted  Noted

4. INFORMATION ON OUR GROUP (Cont'd)

No.	Description of Approval/ Licence/ Permit/ Registration	Authority	Licence/ Reference No.	Date of Issuance/ Renewal	Validity Period	Major Conditions Imposed	Status of Compliance
3.	(Cont'd) (24) Works for sanitary system maintenance, repainting and general repair of building (25) Interior decoration, planning and decoration of buildings including ceiling panels, partitions, "built in fittings" and works for the elevated floor (26) Steel works (27) Prefabricated and patented steel works (28) Underground drainage (29) Installation of water pipe (30) Installation of oil and gas pipe (31) Works for water drilling (32) Works for provision of soil (33) Works for transportation (34) Works for clearing and preparation of land (35) Works for planting and maintenance of trees (36) Works for replanting and maintenance of trees (37) Works for forest restoration (38) Landscaping (39) Works for planting of the aqueous seed (40) Forest road (41) Works for general agriculture (42) Installation of piping and fire tools (43) Installation of pumping device (44) Installation of the machines for the sewage treatment plant (45) Installation of water treatment plant equipment (46) Civil engineering (47) Water work structure (48) Water retaining structure					<p><b>3. Renewal</b> An application for renewal of registration shall be made and submitted to MAH three (3) months before the date of expiry of the certificate of registration.</p> <p><b>4. Payment</b> (a) Certificate of registration – RM200* (b) Renewal of registration – RM100* * Valid for a period two (2) years</p> <p><b>5. Participation in Tender/ Quotation</b> (a) This certificate of registration must be presented when collecting tender documents from MAH and its subsidiaries. (b) A copy of this certificate of registration shall be attached with tender documents when participating in any tender offers.</p> <p><b>6. Rights of MAH</b> (a) MAH is entitled to obtain all certificates of any company whose registration has been suspended/ revoked.</p>	Noted  Complied Noted  Complied  Complied  Noted

4. INFORMATION ON OUR GROUP (Cont'd)

No.	Description of Approval/ Licence/ Permit/ Registration (Cont'd)	Authority	Licence/ Reference No.	Date of Issuance/ Renewal	Validity Period	Major Conditions Imposed	Status of Compliance
4.	<p>(49) Earthworks</p> <p>(50) Sewerage system</p> <p>(51) Tunneling and Diaphragm Wall and additional mooring on land</p> <p>(52) Works on irrigation, drainage for flood areas, hydraulic structures, power conduits and power plant</p> <p>(53) Planting connector boxes and or manholes for telephone network cables</p> <p>(54) Earthworks</p> <p>(55) Construction works including reinforced concrete frame structure</p> <p>(56) Works for building signal path/ tarmac and painting road/ tarmac</p> <p>(57) Works for building guard rails, barriers and mile markers</p> <p>(58) Piling work - concrete in situ</p> <p>(59) Piling work – precast reinforced concrete</p>	National Water Service Commission	<p>IPA Type A/ B/ C/ D/ E* Permit;</p> <p>Permit No. SPAN/ EKS/ (PT)/ 800-2C/1/02/260;</p> <p>Certificate No. 42903</p>	06.06.2014	From 10.06.2015 to 09.06.2016	<p>1. General Conditions</p> <p>(a) The permit holder shall carry out the work within the state or states, as may be specified in the permit only.</p> <p>(b) The permit holder shall inform the National Water Service Commission of any change in the particulars of the permit holder.</p> <p>(c) The permit holder shall provide information in a format and at such intervals as may be required by the National Water Service Commission.</p> <p>(d) Employees and service providers of the permit holder shall be allowed to carry out work authorised under the permit for the permit holder, provided that the permit holder shall at all times be liable for any acts or omissions of all employees and the service provider.</p>	<p>Complied</p> <p>Noted</p> <p>Noted</p> <p>Noted</p>

4. INFORMATION ON OUR GROUP (Cont'd)

No.	Description of Approval/ Licence/ Permit/ Registration	Authority	Licence/ Reference No.	Date of Certificate/ Issuance/ Renewal	Validity Period	Major Conditions Imposed	Status of Compliance
4.						<p>(e) The permit holder shall at all times retain the certificate of registration as required as a registered contractor which is issued by the National Water Service Commission, if necessary.</p> <p>(f) The permit holder shall at all times own and retain the qualification to hold the permit, as may be required and determined by the National Water Service Commission from time to time.</p> <p>(g) The permit holder shall at all times deal with the customers fairly and reasonably, and where applicable, in compliant with the customer's standard.</p> <p>(h) The permit holder shall at all times protect the safety of the public and employees and shall at all times comply with the necessary procedures and work rules, health and safety regulations as may be imposed by the relevant authorities.</p> <p>(i) The permit holders, employees and service providers shall at all times comply with the applicable safety and health regulations imposed by the relevant authorities.</p> <p>(j) The permit holder shall observe and comply with the conditions of the permit and the provisions of the Water Services Industry Act 2006 and any subsidiary legislation made or other instruments issued under the Water Services Industry Act 2006.</p> <p>(k) The permit holder shall comply with other conditions as may be imposed by the National Water Service Commission from time to time.</p> <p><b>2. Specific Conditions</b></p> <p>(a) The permit holder must ensure that they always have qualified workers to carry out the operations.</p>	<p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p>

## 4. INFORMATION ON OUR GROUP (Cont'd)

No.	Description of Approval/ Permit/Registration	Authority	Licence/ Reference No.	Date of Issuance/ Renewal	Validity Period	Major Conditions Imposed	Status of Compliance
4.						<p><b>2. Specific Conditions (cont'd)</b></p> <p>(b) The permit holder shall ensure that the work to be subcontracted, be given to the contractors who are the holders of a valid permit of the National Water Service Commission.</p> <p>(c) The permit holder shall have an employee who holds a permit under IPA type A or use the services of a plumber holding IPA Type A to carry out related work.</p>	<p>Noted</p> <p>Noted</p>
5.	IPA Type C1 (Water Supply) Permit	National Water Service Commission	IPA Type A/ B/ C/ D/ E* Permit; Permit No. SPAN/ EKS/(PT)/ 800-2C/1/02/260; Certification No. 52127	30.09.2014	From 12.10.2014 to 11.10.2015	<p><b>1. General Conditions</b></p> <p>(a) The permit holder shall carry out the work within the state or states, as may be specified in the permit only.</p> <p>(b) The permit holder shall inform the National Water Service Commission of any change in the particulars of the permit holder.</p> <p>(c) The permit holder shall provide information in a format and at such intervals as may be required by the National Water Service Commission.</p> <p>(d) Employees and service providers of the permit holder shall be allowed to carry out work authorised under the permit for the permit holder, provided that the permit holder shall at all times be liable for any acts or omissions of all employees and the service provider.</p> <p>(e) The permit holder shall at all times retain the certificate of registration as required as a registered contractor which is issued by the National Water Service Commission, if necessary.</p> <p>(f) The permit holder shall at all times own and retain the qualification to hold the permit, as may be required and determined by the National Water Service Commission from time to time.</p>	<p>Complied</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p>



4. INFORMATION ON OUR GROUP (Cont'd)

No.	Description of Approval/ Licence/ Permit/ Registration	Authority	Licence/ Reference No.	Date of Issuance/ Renewal	Validity Period	Major Conditions Imposed	Status of Compliance
5.						<p>(g) The permit holder shall at all times deal with the customers fairly and reasonably, and where applicable, in compliant with the customer's standard.</p> <p>(h) The permit holder shall at all times protect the safety of the public and employees and shall at all times comply with the necessary procedures and work rules, health and safety regulations as may be imposed by the relevant authorities.</p> <p>(i) The permit holders, employees and service providers shall at all times comply with the applicable safety and health regulations imposed by the relevant authorities.</p> <p>(j) The permit holder shall observe and comply with the conditions of the permit and the provisions of the Water Services Industry Act 2006 and any subsidiary legislation made or other instruments issued under the Water Services Industry Act 2006.</p> <p>(k) The permit holder shall comply with other conditions as may be imposed by the National Water Service Commission from time to time.</p> <p><b>2. Specific Conditions</b></p> <p>(a) The permit holder must ensure that they always have qualified workers to carry out the operations.</p> <p>(b) The permit holder shall ensure that the work to be subcontracted, be given to the contractors who are the holders of a valid permit of the National Water Service Commission.</p> <p>(c) The permit holder shall have an employee who holds a permit under IPA type A or use the services of a plumber holding IPA Type A to carry out related work.</p>	<p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p>

## 4. INFORMATION ON OUR GROUP (Cont'd)

No.	Description of Approval/ Licence/ Permit/ Registration	Authority	Licence/ Reference No.	Date of Issuance/ Renewal	Validity Period	Major Conditions Imposed	Status of Compliance
6.	Quality System Certificate certifying the compliance of the Quality Management System of Ikhras Jaya with ISO 9001: 2008 for the provision of civil engineering project management, designing and building construction services including construction of bridges, dams and reservoirs, pipe laying, water treatment plants, flood mitigation works, sewage treatment plants, oil and gas works, and foundation works	KGS Certification Sdn Bhd	110114	18.07.2014	Up to 25.11.2017	Nil	Not applicable
7.	Lesen Tred Perniagaandan Perindustrian (Business/ trade licence)	Majlis Bandaraya Petaling Jaya	L950000160542	14.11.2014	From 14.11.2014 to 31.12.2015	<p><b>1. Restrictions</b></p> <p>(a) This licence is valid from the date of payment until the expiration date printed on the license.</p> <p>(b) This license shall be displayed at all times on the premises and submitted if required to do so by the licensing authority or any officer authorised by Majlis Bandaraya Petaling Jaya.</p> <p>(c) The holder of this licence shall ensure that this licence shall not be misused and shall not be used other than for the original purpose of this licence.</p> <p>(d) Every licence application requires a simultaneous application for an advertising licence.</p> <p>(e) The advertising licence number must be written on the bottom left of the billboard/ advertisement and the ownership of the company at the bottom right hand corner of the advertisement.</p> <p>(f) The licensing officer may revoke this licence at any time in the event of any breach of the conditions or restrictions of this licence.</p> <p>(g) The employment of illegal foreign workers is not allowed</p>	<p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Complied</p> <p>Noted</p> <p>Noted</p> <p>Noted</p>

## 4. INFORMATION ON OUR GROUP (Cont'd)

No.	Description of Approval/ Licence/ Permit/ Registration	Authority	Licence/ Reference No.	Date of Issuance/ Renewal	Validity Period	Major Conditions Imposed	Status of Compliance
7.						<p>(h) Leaving any goods/ obstructions within or behind the premises is not allowed</p> <p>(i) Nuisance or public disturbance is prohibited</p> <p>(j) For licence applications which require the use of the car park, the owner of the premises shall rent out the parking spaces in front of the premises for a period of one year</p> <p>(k) The premises shall always be kept clean and adequate trash bins shall be made available as required by the Licensing Authority</p> <p>(l) Repair services/ workshops are only allowed in industrial areas</p> <p>(m) Pet shops are not allowed to be adjoined to clinics/ restaurants</p> <p>(n) Plan approval from the Department of Planning and Development, and structure permit approval from the Majlis Bandaraya Petaling Jaya Building Control Department shall be obtained for building renovations, building additions or change in status of the use of building land</p> <p>(o) Letter of approval from the Department of Social Welfare/ Department of Education for education activities</p> <p>(p) Letter of approval from the Ministry of Home Affairs under the Control of Printing 1974 for printing business.</p> <p>(q) Approval from the District Office for activities of selling/ storing/ distributing alcohol.</p> <p>(r) Letter of approval from FINAS for the selling/ distribution of CD, VCD and DVD</p> <p>(s) Certificate of professional qualification for teaching music.</p>	Noted Noted Noted Noted Noted Noted Noted Noted Noted Noted Noted Noted

**4. INFORMATION ON OUR GROUP (Cont'd)**

No.	Description of Approval/ Permit/ Registration	Authority	Licence/ Reference No.	Date of Certificate Issuance	Validity Period	Major Conditions Imposed	Status of Compliance
7.						<p>(t) Letter of approval from the Department of Environment for the processing/ storage/ distribution of hazardous chemicals.</p> <p>(u) Letter of approval from the National Pharmaceutical Control Bureau for health goods/ pharmacy</p> <p>(v) Holder of a license shall comply with all applicable laws implemented by Majlis Bandaraya Petaling Jaya.</p> <p>(w) the Council must be notified in writing for any additional activities prior to such activities being undertaken</p> <p>(x) Holder of a license shall comply with such other restrictions and requirements set forth by Majlis Bandaraya Petaling Jaya from time to time</p> <p>(y) A holder of the licence to carry out business activities at shopping centres is required to install closed circuit cameras</p> <p>(z) A holder of the licence to carry out business in industrial areas is required to submit a letter of appointment of cleaning consultants to the council</p> <p>(aa) Only adhesives approved by the Council may be installed in licensed premises</p> <p><b>2. General Conditions</b></p> <p>(a) Applications for licence renewal may be submitted from October to the end of the year</p> <p>(b) Prior approval of the Council must be obtained for any building modifications</p> <p>(c) Toilets should be kept clean and be supplied with sufficient water and soap at all times</p> <p>(d) There shall be good lighting and ventilation at all times</p>	<p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p>

## 4. INFORMATION ON OUR GROUP (Cont'd)

No.	Description of Approval/ Licence/ Permit/ Registration	Authority	Licence/ Reference No.	Date of Certificate/ Issuance	Validity Period	Major Conditions Imposed	Status of Compliance
7.						(e) Waste shall be contained in durable plastic containers (f) Sales/ business of pirated VCD/ pornography on or around the licensed premises shall not be permitted	Noted Noted

## (b) MM2 Building System

No.	Description of Approval/ Licence/ Permit/ Registration	Authority	Licence/ Reference No.	Date of payment for the Licence	Validity Period	Major Conditions Imposed	Status of Compliance
1.	Licence to carry on business for year 2014 on Lot 444 (PT 3422) & Lot 445 (PT 3423), Jalan Nilai 7/17, Kawasan Perindustrian Nilai 7, 71800 Nilai, Negeri Sembilan/Premis Perniagaan	Majlis Perbandaran Nilai	L0015067-8 (Under the name of Pang Kim Leen)	01.01.2015	From January 2015 to December 2015	Nil	Not applicable

## (c) Rekavista

No.	Description of Approval/ Licence/ Permit/ Registration	Authority	Licence/ Reference No.	Date of Issuance/ Renewal	Validity Period	Major Conditions Imposed	Status of Compliance
1.	Certificate of Registration in respect of:- (a) Grade G7 (Unlimited tender/ contract value), Category B:- 1) B04: General building works 2) B05: Piling works (b) Grade G7, Category CE:- 1) CE01: Road and pavement construction 2) CE02: Bridge construction 3) CE04: Dams 4) CE06: Irrigation and flood control	CIDB	084289A/ 1000120-SL054940	19.02.2014	From 29.03.2014 to 28.03.2017	1. General Conditions (a) This certificate is non-transferable. (b) CIDB reserves the right to review the registration grade of the registered contractor from time to time. 2. Responsibilities and Obligations of the Contractor (a) The contractor shall comply with the provisions of the 'Lembaga Pembangunan Industri Pembinaan Malaysia' Act 1994, the regulations made there under and any term, condition or restriction imposed by CIDB from time to time.	Noted Noted Complied

4. INFORMATION ON OUR GROUP (Cont'd)

No.	Description of Approval/ Licence/ Permit/ Registration	Authority	Licence/ Reference No.	Date of Issuance/ Renewal	Validity Period	Major Conditions Imposed	Status of Compliance
1.	(Cont'd) 5) CE07: Railway tracks 6) CE08: Slope conservation system 7) CE10: Piling works 8) CE21: General civil engineering works					<p>(b) The contractor shall not participate in any tender or execute any construction works after the expiration of this certificate unless it is renewed;</p> <p>(c) The contractor shall not undertake any construction projects which exceeds the value of construction works specified under the registration grade and shall not execute any type of construction work outside of its registered category(ies);</p> <p>(d) The contractor shall submit information regarding any new construction works or contract(s) within one (1) months of the award;</p> <p>(e) The contractor shall submit any information required by CIDB from time to time;</p> <p>(f) The contractor shall display the certificate of registration issued by CIDB or a certified true copy of the same by CIDB at the place of business;</p> <p>(g) The contractor shall display its registration number on the signboard at each construction site;</p> <p>(h) The contractor shall apply for a renewal of registration within sixty (60) days before the expiry date specified in this certificate. Any application received by CIDB later than thirty (30) days before the expiry of the certificate of registration shall incur a penalty fee of RM200 for late renewal; and</p> <p>(i) The contractor shall comply with all requirements and stipulations in the Contractor's Code of Ethics.</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p>

4. INFORMATION ON OUR GROUP (Cont'd)

No.	Description of Approval/ Licence/ Permit/ Registration	Authority	Licence/ Reference No.	Date of Issuance/ Renewal	Validity Period	Major Conditions Imposed	Status of Compliance
1.						<p><b>3. Disciplinary Actions</b></p> <p>The contractor's registration shall be cancelled, suspended or revoked if:-</p> <p>(a) The contractor fails to comply with the requirement of any other written law;</p> <p>(b) The contractor has been adjudicated a bankrupt;</p> <p>(c) A winding-up petition in relation to the contractor has been presented;</p> <p>(d) The contractor contravenes or fails to comply with any provision of the 'Lembaga Pembangunan Industri Pembinaan Malaysia' Act 1994;</p> <p>(e) The contractor has obtained the certificate by making or causing to be made any false or fraudulent declaration, certification or representation either in writing or otherwise;</p> <p>(f) The contractor has abandoned any construction works undertaken without any good reason;</p> <p>(g) The contractor is found negligent by the court or by any board of enquiry established under any written law in connection with any construction works undertaken; or</p> <p>(h) The contractor contravenes or fails to fulfil any of the contractor's responsibilities and obligations as specified in paragraph 2.</p>	<p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p>

Note:-

\* To be renewed upon expiry

#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.16 DEPENDENCY ON CONTRACTS/ ARRANGEMENTS/ LICENCES/ PATENTS

Save as disclosed in Section 4.15 of this Prospectus and relevant contracts/ awards which are awarded to us in the ordinary course of business, our Board is of the opinion that our Group is not highly dependent on any single contract/ arrangement/ licence.

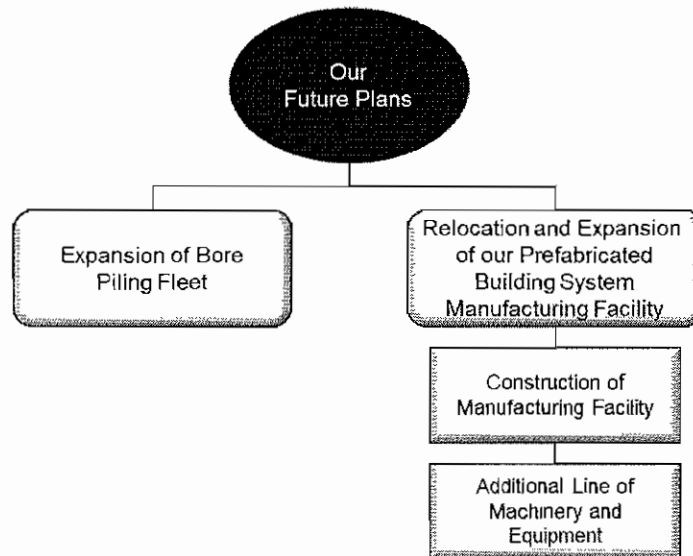
##### 4.17 INTERRUPTIONS IN BUSINESS FOR THE PAST TWELVE (12) MONTHS

Over the past twelve (12) months, we have not encountered any material disruptions in our business with the exception of disruptions to two (2) of our projects. These projects were located at Pulau Redang and Pulau Perhentian in the East Coast of Peninsula Malaysia and were affected by the annual monsoon season. Our construction activities were occasionally interrupted by strong winds, heavy rain and flooding.

Nevertheless, we had projected for this business interruption as it was due to the anticipated annual monsoon season and had taken this into consideration in our project planning to ensure minimal impact to our financial performance.

##### 4.18 FUTURE PLANS, STRATEGIES AND PROSPECTS

Our future plans are focused in the following areas as depicted in the diagram below:-



###### 4.18.1 Expansion of Bore Piling Fleet

Part of our future plans is to enhance our bore piling capabilities by expanding our fleet of bore piling machinery. This is expected to enable us to further address opportunities in the Piling, Foundation and Construction Industry in Malaysia. This is predicated by the following:-

- (a) Construction activities in Malaysia have been vibrant since 2010 with value of construction work completed growing at a CAGR of 14.0% between 2010 and 2014. In 2014, the value of construction work completed grew by 12.8% to RM102.5 billion largely attributed to the ongoing non-residential building and civil engineering construction activities whereby the former grew by 17.1% to RM34.3 billion and the latter grew by 1.2% to RM32.7 billion.



#### 4. INFORMATION ON OUR GROUP (Cont'd)

- (b) The value of construction projects awarded increased at a CAGR of 13.2% between 2010 and 2014. The value of construction projects awarded in 2012 increased by 28.3% to RM127.6 billion. Among the projects awarded in 2012, majority of the contribution came from seven (7) mega infrastructure projects each with contract value equal and more than RM1.0 billion which totalled to RM19.2 billion.

(Source: *Independent Assessment of the Piling, Foundation and Construction Industry for Infrastructure and Buildings in Malaysia prepared by Vital Factor*)

In light of the above, we will be expanding our fleet of bore piling machinery to enable us to capitalise on the anticipated growth in future business opportunities. The purchase of new bore piling machinery is estimated to be RM31.82 million.

We intend to purchase the bore piling machinery in 2015 and 2016 depending on the number of new contracts secured by our Group. We will utilise a combination of internally generated funds, borrowings and Public Issue proceeds to fund the purchase.

#### 4.18.2 Relocation and Expansion of Our Prefabricated Building System Manufacturing Facility

Our Group intends to relocate our prefabricated building system manufacturing operations from our currently rented manufacturing facility at Lot 444 (PT 3422) & Lot 445 (PT 3423), Jalan Nilai 7/17, Kawasan Perindustrian Nilai 7, 71800 Nilai, Negeri Sembilan to our own new manufacturing facility to be constructed on our own piece of land measuring a net land area of approximately 115,432 sqf which is located at Lot 299, Jalan Segenting, 42500 Teluk Panglima Garang, Selangor Darul Ehsan ("**New Manufacturing Facility**").

The New Manufacturing Facility is expected to have total built-up area of approximately 46,150 sqf, including a 20,000 sqf warehouse. The total cost of constructing the New Manufacturing Facility is estimated at RM5.0 million which will be funded by a combination of internally generated funds and borrowings. Upon all required approvals being obtained, we expect to commence the construction of the New Manufacturing Facility in early August 2016.

The tentative timeline for the construction of the New Manufacturing Facility is as set out below:-

Tentative timing	Event
Early November 2014	Original application to the relevant authority(ies) for the conversion of category of land use
Early July 2015	Expected re-submission with additional information to the relevant authority(ies) for the conversion of category of land use
End December 2015	- Approval expected to be obtained for the conversion of category of land use - Expected submission of the building plan to the relevant authority(ies)
End June 2016	Approval expected to be obtained for the building plan
Early August 2016	Expected commencement of construction works
End January 2017	Expected completion of construction works
End February 2017	Expected obtaining of Certificate of Completion and Compliance (" <b>CCC</b> ")

Based on the foregoing, we had on 15 October 2014 and 23 June 2015 provided the SC the following undertakings:-

- (i) to obtain the CCC for the New Manufacturing Facility;

#### 4. INFORMATION ON OUR GROUP (Cont'd)

- (ii) not to occupy the New Manufacturing Facility before the CCC is obtained;
- (iii) to make half-yearly announcement to Bursa Securities on the status of the construction of the New Manufacturing Facility every six (6) months upon obtaining approval from the SC in relation to the Listing; and
- (iv) to update the SC when such announcement is made.

Following the completion of the New Manufacturing Facility, our Group intends to purchase an additional line of prefabricated building system machinery and equipment, which is estimated to cost RM5.0 million to be funded by the Public Issue proceeds as disclosed in Section 2.7(b) of this Prospectus including the descriptions of the machinery and equipment to be purchased utilising the said Public Issue proceeds.

We anticipate to expand our prefabricated building system manufacturing and installation business. Our annual production capacity is expected to increase to a total of about 900,000 m<sup>2</sup> with the expected additional 450,000 m<sup>2</sup> annual production capacity contribution from our new line of machinery and equipment as compared to our existing annual production capacity of 450,000 m<sup>2</sup>. The new manufacturing line of prefabricated building system is to cater for the manufacture of new range of products. This new range of products consists of panel and steel mesh with diameter ranging from 4.0 mm to 5.0 mm, which is larger diameter compared to our existing steel mesh with diameter of 3.0 mm. This will enable us to construct taller buildings using less material due to the thicker steel mesh that provides stronger support. For instance, with our existing machine capabilities, the construction of taller buildings will require a double panel system. On the other hand, the new product with larger diameter steel mesh will only require a single panel system for the said construction due to stronger support. In this respect, the new products will enable our Group to be in a better position to secure new projects in the future, which will in turn increase the income and profitability for our Group.

Further, the reason for our expansion in the manufacturing and installation of prefabricated building system is because we expect demand to grow. The Malaysian Government has encouraged the usage of prefabricated building system in the construction industry particularly for the construction of low to medium cost houses as this building system can produce a large number of houses at affordable costs.

Based on the Budget 2015, the Malaysian Government continues to address housing supply through Perbadanan Perumahan Rakyat 1Malaysia (PR1MA), Syarikat Perumahan Nasional Berhad (SPNB) and National Housing Department (JPN). The following are the future supply of residential properties that are planned by the Malaysian Government in the Budget 2015:-

- RM644 million is allocated to JPN for the development of Program Perumahan Rakyat which involves the construction of 26,000 housing units;
- PR1MA will provide 80,000 units with an allocation of RM1.3 billion whereby sales price of PR1MA homes will be lower by 20% than market prices;
- SPNB to build 12,000 units of Rumah Mesra Rakyat, 5,000 units of Rumah Idaman Rakyat and 20,000 units of Rumah Aspirasi Rakyat.

*(Source: Independent Assessment of the Piling, Foundation and Construction Industry for Infrastructure and Buildings in Malaysia prepared by Vital Factor).*

The total cost of the relocation and expansion exercise described above is estimated at RM10.0 million and will be funded by a combination of internally generated funds, borrowings and Public Issue proceeds.

#### 4. INFORMATION ON OUR GROUP (Cont'd)

##### 4.18.3 Milestones

The following table indicates the timing for the implementation of our future plans:-

	Year of Commencement		
	2015	2016	2017
Expansion of Bore Piling Fleet	√	√	
<b>Relocation and Expansion of Our Prefabricated Building System Manufacturing Facility</b>			
- Construction of the New Manufacturing Facility		√	
- Additional Line of Machinery and Equipment			√

##### 4.18.4 Sustainable Business Performance

We have a sustainable business where we have demonstrated growth over the past four (4) financial years as follows:-

Between FYE 2011 and FYE 2014:-

- (a) Revenue grew at a CAGR of approximately 26.38%;
- (b) GP grew at a CAGR of approximately 28.40%;
- (c) PBT grew at a CAGR of approximately 36.06%; and
- (d) PAT grew at a CAGR of approximately 36.71%.

Our demonstrated business growth over the past four (4) financial years will provide us with the platform for continuing business success and growth.

##### 4.18.5 Industry Prospects and Outlook

The prospects and outlook of the Piling, Foundation and Construction Industry in Malaysia are generally dependent on the following factors:-

- (a) Socio-economic conditions
  - Socio-economic factors including, amongst others, gross development product, gross national product, population, urbanisation and employment rate will stimulate investment and development activities in both private and public sectors which would have a positive flow-on effect on the Piling, Foundation and Construction Industry in Malaysia.
  - The economy in Malaysia is estimated to grow between 4.5% and 5.5% in 2015, led by the services and manufacturing sectors, which are expected to continue expanding albeit at a more moderate pace.
- (b) Performance of the construction industry
  - The performance of the construction industry has an impact on the local economy and directly affects operators that are involved in the Piling, Foundation and Construction Industry.
  - Malaysia's real gross development product of the construction industry grew at a CAGR of 11.3% between 2010 and 2014, and is forecasted to grow by 10.3% in 2015. Between 2016 and 2020, the construction industry in Malaysia is forecasted to grow at a CAGR of 10.3%.

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**4. INFORMATION ON OUR GROUP (Cont'd)**

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- (c) Government initiatives that drive growth in the building and construction industry
- Various initiatives such as the 11<sup>th</sup> Malaysia Plan, Economic Transformation Programme, Government Transformation Programme, and the Corridors and Cities Transformation Programme consisting of numerous infrastructure and development projects will stimulate investments from local and foreign parties.
- (d) Infrastructure and major development projects up to 2020
- In the Budget 2015, the Malaysian Government announced several construction projects amounting to approximately RM154 billion to be implemented in 2015. Besides these construction projects, there are numerous other ongoing and proposed infrastructure and major development projects that would create opportunities for operators in the Piling, Foundation and Construction Industry in Malaysia up to 2020.

*(Source: Independent Assessment of the Piling, Foundation and Construction Industry for Infrastructure and Buildings in Malaysia prepared by Vital Factor)*

Please refer to Section 5 of the Independent Assessment of the Piling, Foundation and Construction Industry for Infrastructure and Buildings in Malaysia prepared by Vital Factor.

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**5. INDEPENDENT MARKET RESEARCH REPORT***(Prepared for inclusion in the Prospectus)*

**VITAL FACTOR CONSULTING**  
Creating Winning Business Solutions

4 June 2015

The Board of Directors  
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Dear Sirs and Madam,

**Independent Assessment of the Piling, Foundation and Construction Industry for  
Infrastructure and Buildings in Malaysia**

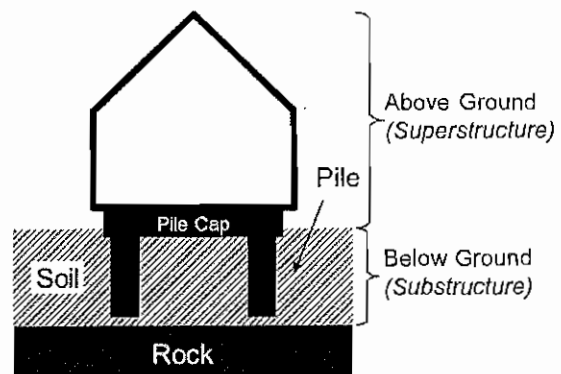
The following is an Independent Assessment of the Piling, Foundation and Construction Industry for Infrastructure and Buildings in Malaysia prepared by Vital Factor Consulting Sdn Bhd (Vital Factor Consulting) for inclusion in the prospectus of Ikhmas Jaya Group Berhad (herein together with all or any one or more of its subsidiaries will be referred to as Ikhmas Group or the Group) in relation to its listing on the Main Market of Bursa Malaysia Securities.

**1. BACKGROUND AND BUSINESS ACTIVITIES OF IKHMAS GROUP****1.1 Background**

- Ikhmas Group's principal business activities are in engineering and construction, where they are involved in piling and foundation works, bridge construction, building construction and other civil works. Over the years, the Group has established itself as a bore piling specialist in Malaysia.
- To reflect the main revenue streams for Ikhmas Group, the focus of this report is on the piling, foundation and construction industry for infrastructure and buildings in Malaysia.

**1.2 Overview of the Business Activities of Ikhmas Group**

- Piling and foundation works, which form the largest revenue contribution of Ikhmas Group, is commonly required when constructing above ground structures including, among others, buildings, towers, elevated roads and bridges. Piles function as foundation to support above ground structures. Most of the piles used today and especially for large structures and high-rise buildings are made of concrete. Piling involves placement of piles, either built in-situ or driven into the ground until the piles are standing firmly on solid rock or some other hard layer of material.

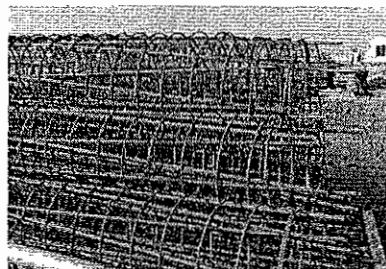


5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



- There are two general methods of piling, displacement and replacement. Displacement piling uses piles that are driven into the ground, thus displacing the soil to make room for the piles. Replacement piling firstly uses a boring machine to extract the soil out. Then a skeletal reinforcement cage made from metal bars is placed down the bored hole. Wet concrete is then poured down the bored hole and left to set.
- Most of the piling and foundation works undertaken by Ikhmas Group are replacement piling, primarily bore piling. Ikhmas Group also constructs retaining walls, which is part of foundation works. Additionally, Ikhmas Group undertakes construction of basements, which is considered foundation works as it requires construction of retaining walls.
- Ikhmas Group also undertakes construction of buildings, including residential, institutional and public amenity buildings. Residential buildings include low-rise and high-rise residential buildings, institutional buildings such as police training centre, and public amenities including elevated railway stations. In some cases, when Ikhmas Group is responsible for constructing above ground buildings, it also undertakes piling and foundation works.
- Ikhmas Group is also involved in the design and construction of bridges. The latest bridge designed and constructed by Ikhmas Group was the Prai Swing Bridge in Penang.

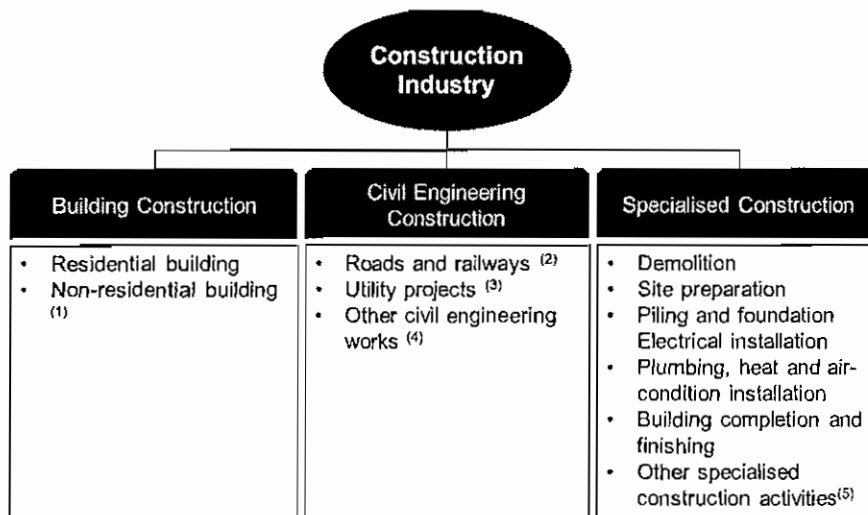
Reinforcement metal cage for bored pile



2. OVERVIEW OF THE CONSTRUCTION INDUSTRY

2.1 Industry Structure

- The overall Construction Industry consists of three sectors namely building construction, civil engineering construction and specialised construction. The Construction Industry, through the use of labour, machinery and equipment converts raw materials in the form of building materials, to various forms of buildings, infrastructures and structures.



Ikhmas Group operates in all the above sectors

## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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*Notes:*

- (1) *Includes commercial, industrial, leisure, institutional and public amenity buildings;*
- (2) *Includes bridges, elevated highways, tunnels and airport runways;*
- (3) *Includes water, gas, sewerage, telecommunications and power systems;*
- (4) *Includes refineries, harbour, ports, marinas, dams, dykes and outdoor sports facilities;*
- (5) *Include scaffolding services and bricklaying services.*

- **Building construction** refers to the physical construction of residential and non-residential buildings and it includes new works, repairs, additions and alterations as well as erection of pre-fabricated buildings or structures on the site. Operators involved in this sector are responsible for converting or assembling raw materials in the form of building materials such as cement, concrete products, bricks and steel sections, bars and wires into various forms of buildings, through the use of labour, machinery and equipment.

Ikhmas Group is involved in building construction including construction of residential, commercial, institutional and public amenity buildings.

- **Civil engineering construction** refers to the construction of physical structures and naturally built environment commonly used for public facilities and amenities. These include roads, railways, bridges, dams, seaports, airports and water, gas, sewerage, telecommunications and power systems.

Ikhmas Group is involved in civil engineering construction including construction of roads, bridges, water and gas pipeline as well as sewerage treatment plant.

- **Specialised construction** encompasses construction of parts of buildings and civil engineering works without responsibility for the entire project. It is usually specialised in one aspect common to different structures, requiring specialised skills or equipment, such as demolition, piling and foundation work, concrete work, bricklaying, scaffolding and others. Additionally, it also includes installation of all kinds of utilities as well as building completion activities such as glazing, plastering, painting, floor and wall tiling, carpentry and others. Most commonly, specialised construction activities are carried out under sub-contract to main contractors.

Ikhmas Group is involved in specialised construction mainly in piling and foundation works.

### 2.2 Construction Activities

- Some of the main services directly relevant to the construction sector include the following:
  - Engineering and architecture;
  - Land and quantity surveying;
  - Geotechnical engineering;
  - Earthworks;
  - Piling and foundation works;
  - Structure/building erection;
  - Mechanical and electrical works;
  - Civil works;
  - Built environment (landscaping);
  - Others.

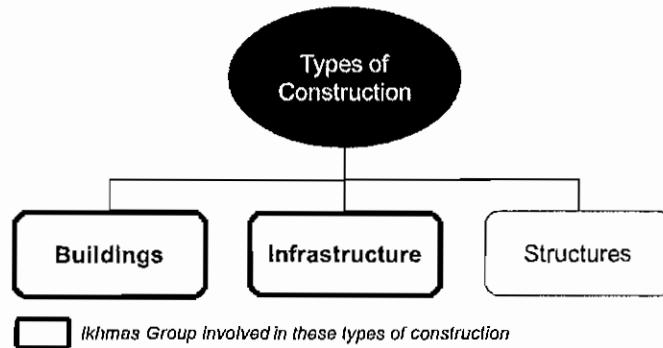
## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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### 2.3 Type of Construction Products

- There are three distinct types of construction as depicted in the diagram below:



- **Construction of buildings** is focused on physical buildings commonly used by people, such as residential, commercial, industrial, leisure and institutional buildings. Some of the types of buildings are as follows:-
  - Residential buildings including terraced houses, semi-detached houses, detached houses, flats, apartments and condominiums;
  - Commercial buildings including shop units, offices and shopping complexes;
  - Industrial buildings including factories and warehouses;
  - Leisure buildings including hotels, motels, serviced apartments, resorts and clubs;
  - Institutional buildings including hospitals, educational institutions and police barracks;
  - Public amenity buildings include railway stations, sports stadium, museums and community centres.
- **Construction of infrastructure** is focused on the building of structures and facilities to enable an economy to operate effectively and efficiently, and to facilitate community living, development and advancement. Some of these structures include the following:-
  - Street, road, highway, railway, bridge and tunnel;
  - Airport, seaport, harbour, jetty and hangar;
  - Utilities such as water supply system, sewerage system, telecommunications, power grid, reservoir, hydroelectric dams, water pipeline and gas pipeline;
  - Social infrastructure or public amenities such as recreational park, stadium, sporting facility and public parking space.
- **Construction of other structures** includes monuments, ferries wheel, offshore oil and gas platforms and silos.



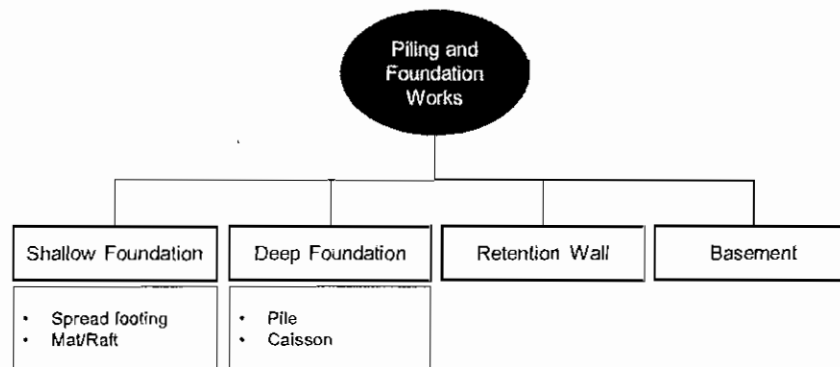
## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



### 3. OVERVIEW OF THE PILING AND FOUNDATION INDUSTRY

#### 3.1 Piling and Foundation Work

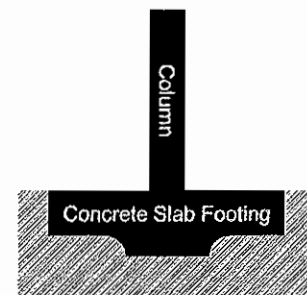
- Piling and foundation work, sometimes also known as substructure construction, involves construction activities below ground level so as to provide adequate and safe support for structures above ground level such as buildings, bridges and elevated roadways, and railway tracks.
- Fundamentally, piles are the foundation that supports the above ground structure. As such, piles or the foundation should be strong enough to support the weight of the upper structure and the maximum applied loads, and remain relatively stable over a long period of time when subjected to environmental factors like strong wind, earth tremors, soil movements and effects of underground water. As such, piles are driven or built in-situ into the ground such that the piles stand on solid rock or supported by other structures or the surrounding soil.
- The foundation of a structure is designed to transmit the load of the structure to the supportive rock or other structure or surrounding soil. There are several types of foundation structures as depicted in the following diagram:



##### 3.1.1 Shallow Foundation

- Shallow foundation is used when surface soils are sufficiently strong and solid to support the imposed loads. The construction of shallow foundation is deemed to be simple as it does not require much expertise and is inexpensive as it requires little soil excavation. Typically, shallow foundation is used for landed residential buildings or any structures with light loads. Shallow foundation includes spread footing foundations and mat/raft foundations.

- **Spread footing foundation** is an enlarged block of reinforced concrete slab at the bottom of a single column or bearing wall that spreads the applied structural loads over a sufficiently large soil area. Usually, each column and bearing wall has its own spread footing and it may be built in different shapes and sizes to accommodate individual needs such as square spread footing (or pad foundation) for single

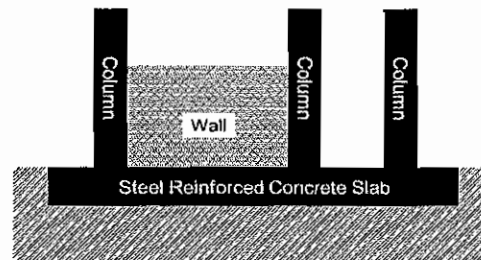


5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



columns and continuous spread footing (or strip foundation) for load-bearing walls. It is the most common type of shallow foundation used due to its low cost and ease of construction.

- **Mat/raft foundation** is a large flat concrete slab, heavily reinforced with steel, which supports a number of columns and walls in its entire structure or a large part of the structure. Typically, this foundation system is only considered when the area of the spread footings exceeds about 50% of the gross area of the building.

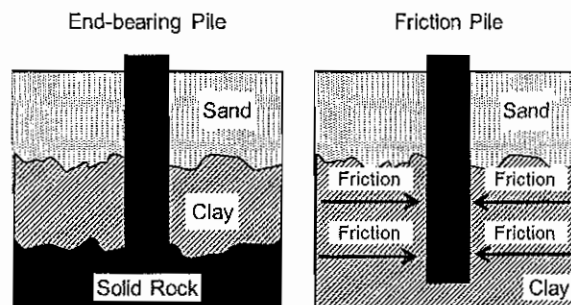


3.1.2 Deep Foundation

- Deep foundation is used to carry and transfer the load of a structure through a material or stratum with inadequate bearing, sliding or uplift capacity to a firmer stratum that is capable of supporting the load without detrimental displacement. Generally, deep foundation is used when unsuitable soils are present near the surface to support heavy design load such as high rise buildings. Deep foundation is also used to support structures built over water or lateral loads such as bridges, jetty, elevated roadways and elevated railways. Deep foundations are classified into piles and caissons.

3.1.2.1 Pile Foundation

- Pile foundations are simply a series of columns, designed to transmit surface loads to low lying soil or bedrock. Piles are long and slender columns which are made out of materials such as wood, steel, reinforced concrete, pre-stressed concrete and composite (combination of different materials in the same pile). Most of the piles used today and especially for large and high-rise buildings or structures are made of concrete. Generally there are two types of piles used to support surface load. The first type is called **end-bearing** piles where the ends of the piles sit on solid rock or hard layer of soil to provide eventual support to the surface load. The second type is called **friction** piles, where the piles are driven deep into the soil such that the sides of the pile in contact with the soil provide sufficient friction for the piles to support the surface load without sinking any further. Friction pile is used when solid rock or hard layer of soil is too deep. In most cases, a combination of end-bearing and friction piles are used to provide support to surface loads.
- Pile foundations consist of a group of piles connected to a pile cap. The pile cap, a large concrete block cast on the head of a group of piles, distributes the applied load to the individual piles which in turn transfers the load to the bearing ground.



## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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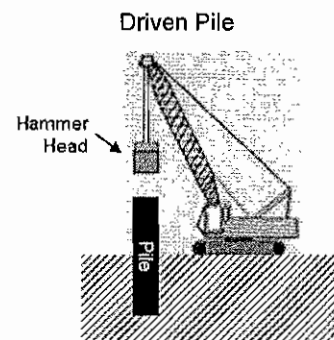
- Depending on the soil condition and structural requirements, there are a variety of methods and special equipment used for piling installation. There are three common types of pile installation methods:-

- Driven piling method;
- Jack-in piling method;
- Bore piling method;

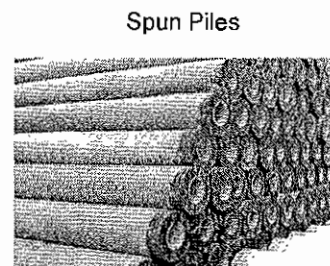
Ikhmas Group undertakes all the above three types of piling methods. However, it specialises and does mostly bore piling as it is a highly specialised work, with fewer operators able to undertake bore piling compare to the other two methods.

### (i) Driven Pile Foundation

Driven piles, also known as displacement piles, are installed by impact hammering, vibrating, or pushing into unexcavated soil to a design depth or resistance using some form of hammer. These hammers can generally be divided into two groups, namely impact and vibratory. Impact hammers may be lifted manually or automatically by steam, air or diesel, and may also be single or double-acting. Meanwhile, vibratory hammers are electrically or hydraulically powered. It uses vibrations to drive the pile into the ground. Vibratory hammers are commonly favoured among industry operators due to various advantages such as low noise emission, easy pile handling, faster pile installation and have an additional usage for removal of piles.



Driven piles are commonly pre-casted in a yard and subsequently brought to site and driven into the soil. These types of piles are pre-manufactured from timber, steel, reinforced concrete, pre-stressed concrete, spun or composites. The most common materials used for piles are steel and concrete due to their strength and are long lasting in nature. Piles can be selected to meet the specific needs of the structure, site and soil condition, budget, availability of pile materials and capabilities of local contractors.



Driven pile foundations are considered environmentally friendly as it does not produce any spoils from removal of soils and therefore are not exposed to potentially hazardous or contaminated materials. This also makes it cost effective as it does not incur additional expense for site clean-up.

On the other hand, driven pile foundation usually causes noise and vibration when piles are being driven, which causes nuisance and possible damage on surrounding environment and structures. Due to such circumstance, driven pile foundation is discouraged in dense urban areas where surrounding environment is sensitive to the disturbances.

Driven pile is normally used for medium loaded structures such as medium rise apartment, factories and bridges with normal span.

## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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(ii) **Jack-in Pile Foundation**

Jack-in piling system is a modern technique by which pre-manufactured piles are hydraulically jacked into the ground as displacement piles. This method uses static force (dead weight) to push and insert piles into the ground.

The popularity of jack-in foundation system especially in urban areas is due to their relatively lower noise and vibration compared to driven pile method. Jack-in pile foundation also provide other advantages such as faster construction rate, better quality control, less pile damage and cleaner site conditions as it does not require the use of stabilising liquid or drilling fluid typically used for bored pile foundation.

On the flipside, jack-in piling system has its drawbacks such as the requirement of a relatively strong platform to support the large and heavy machinery and a generally larger working area to install the piles. Furthermore, jack-in piling system is limited to certain pile size and it is unable to penetrate harder layers or boulders as compared to bore piling system.

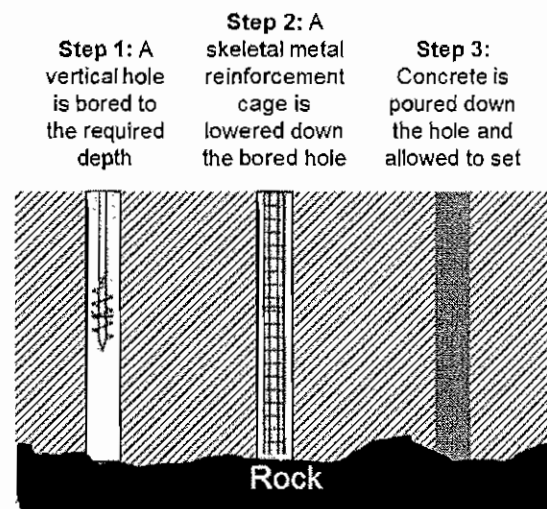
(iii) **Bored Pile Foundation**

Bored piles, generally considered to be replacement piles. Bored piles are constructed in-situ that is constructed on the specific spot that piles are required to be placed. Bored piles are formed by boring or excavating a hole into the soil to the required depth. Then a reinforcement cage made of metal rods is lowered into the hole, after which wet concrete is poured and left to set.

Bored piles can be constructed using crane mounted or track mounted hydraulic drilling rigs as well as specially designed machine equipped with buckets and grabs. To ensure soil stabilisation during the boring process, temporary or permanent casings are installed by vibrators or oscillators to support the sides of bored walls. Stabilising mud such as bentonite suspension is sometime used as well.

Bore piling method offers considerable flexibility in pile lengths and diameters to suit varying ground and soil condition. Furthermore, this method produces little noise and vibration which minimises disturbance to adjacent piles or structures. Bored pile foundation also has its setbacks as it is more costly and slower in construction compared to other piling methods. Additional costs are incurred for disposal of spoils while the process of casting piles on site requires longer time.

Normally, bore piling is used for foundation of tall buildings or massive industrial complexes, elevated highways and railway tracks, large bridge over ravine and body of water, and other large superstructures.



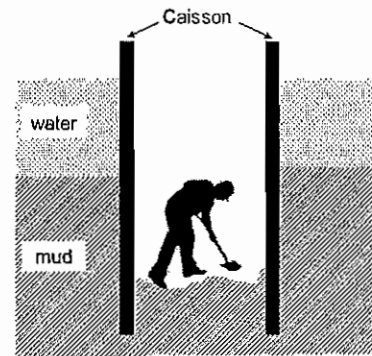
## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



Another pile foundation system is **micropiles**, which is similar to bored piles except that the piles are smaller in diameter (typically less than 300 mm). Micropiles are commonly used as additional support to existing structures that are experiencing higher loads than expected or used to stop piles from sinking due to settlement. Micropiles are also used in difficult to access sites or sites with limited working space.

## 3.1.2.2 Caisson

- Caisson (also known as pier) is a prefabricated hollow elongated box or cylinder with an open bottom with either an open or closed top. The box is sunk into the ground and workers would get into the box and excavate the soil in the box. Thus the box acts as a preventive wall from materials falling into the cavity as workers dig a hole to accommodate a pile. As such, caisson piles are similar to bored pile, except caisson piles use humans with the aid of small machine and equipment to dig a hole while bored piles used large machinery to bore a hole.
- Caisson is most often used in the construction of bridge piers and other structures that require foundation beneath rivers and other bodies of water.

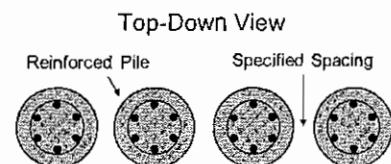


## 3.1.3 Other Foundation Works

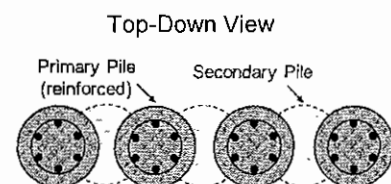
## 3.1.3.1 Retaining Wall

- Retaining walls are structures used to retain soil, rock or other materials in a vertical condition. As such, they provide a lateral support to vertical slopes of soil that would otherwise collapse into a more natural shape. Retaining walls are used in a wide variety of civil engineering applications including embankment stabilisation, construction of basement walls, underpasses or tunnel approaches, in-ground tanks and other buried structures.
- Retaining wall systems which are commonly used for deep basement construction are:

- **Contiguous bored pile wall** is constructed using closely spaced bored piles (virtually touching each other or with specified spacing in between);



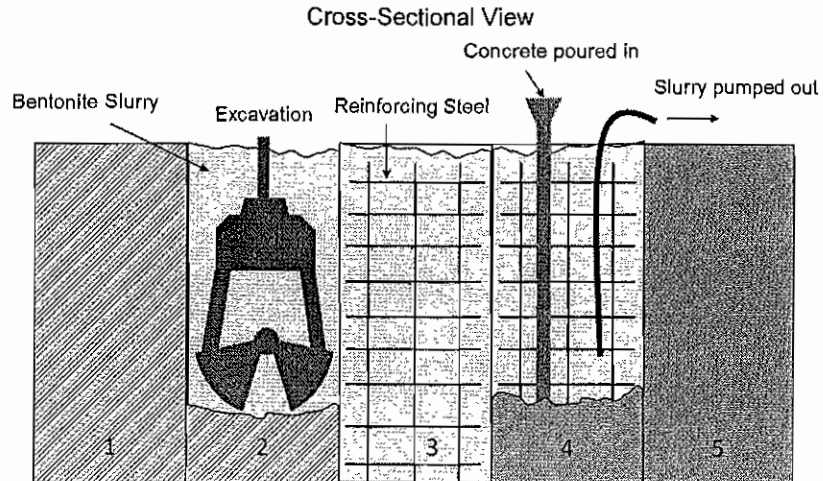
- **Secant pile wall** is constructed using intersected bored piles where primary piles (which are usually reinforced) are installed first. The secondary piles are then constructed in between primary piles once the latter gain sufficient strength;



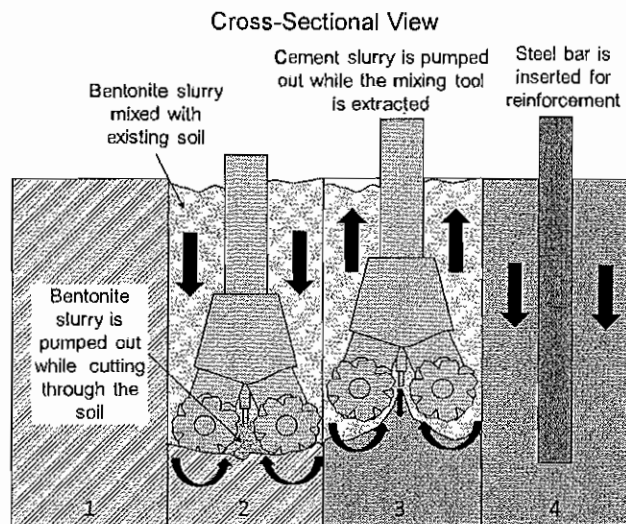
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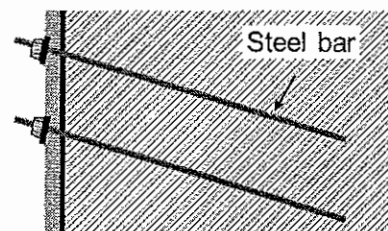
- **Diaphragm wall** is constructed by excavating a series of rectangular panels to form a continuous wall and it is filled with reinforced concrete;



- **Cutter Soil Mix (CSM) wall** is similar to a diaphragm wall with the exception that it uses a technology where cement slurry is mixed with existing soil in-situ and allowed to harden. The process utilises two sets of cutting wheels that cut the surrounding soil while at the same time blend injected cement slurry into the existing soil to form hardened rectangular panels.



- **Soil nail wall** is constructed by inserting steel reinforcement bars (nails) into the soil and anchoring them into the soil stratum;

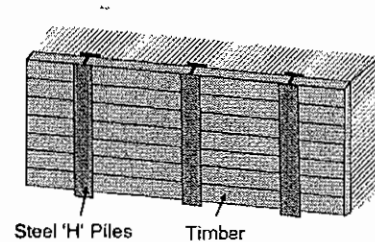


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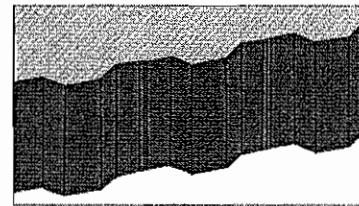


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- **Soldier pile wall** is constructed using vertical steel piles with horizontal lagging (timber sheeting);



- **Steel sheet pile wall** is constructed by driving steel sheet piles vertically into the ground to support lateral pressure.



- Other types of retaining structures include, among others, gravity, cantilever, anchored earth and mechanically stabilised earth (reinforced earth) walls.
- Ikhmas Group is able to undertake a wide range of retaining walls including contiguous bored pile, secant pile, CSM, soldier pile and steel sheet pile walls.

### 3.1.3.2 Basement Construction

- Basement construction is sometimes incorporated as part of piling and foundation works as it requires excavation of soil to various depths and retaining walls have to be built to prevent the surrounding soil from collapsing into the excavated area. Basement construction is also a highly specialised work as it is commonly carried out deep below ground in adverse conditions like existing ground water, mud and limited working space. Significant engineering consideration is required to build a safe retaining wall using the appropriate wall system, as well as method of construction taking into consideration soil support, sub-soil condition, structure of basement as well as layout requirement for the entire building.
- Construction of basements incorporates various methods of preventing the surrounding soil from collapsing into the excavated area. Depending on conditions, various types of retaining walls, for example contiguous bored pile wall, diaphragm wall or secant pile walls, are constructed.
- Once the retaining walls are constructed, there are two methods of constructing the basement:
  - **Bottom-up** method where soil is excavated to create a cavity for the construction of the basement.
  - **Top-down** method where the ground floor level is constructed first. Thereafter, soil is excavated below the ground floor level to create a cavity to construct the next level down. This process continues until it reaches the desired depth. This approach enables the construction of structure above ground to be carried out concurrently with the structures below ground, which would reduce the time for construction.
- Ikhmas Group is able to undertake the construction of basements.

## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

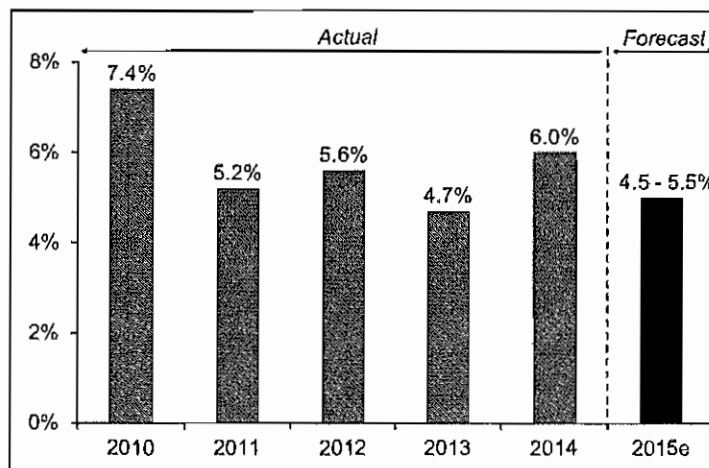


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## 4. MACROECONOMIC INDICATORS

## 4.1 Economic Growth in Malaysia

Malaysia's Real GDP Growth



Notes: e=estimates  
(Source: Bank Negara Malaysia)

- Overall, Malaysia's key economic indicator in terms of real GDP grew at a compound annual growth rate (CAGR) of 5.4% between 2010 and 2014 with growth recorded every year during this period. In 2013, the Malaysian economy grew at 4.7% driven by continued strong growth in domestic demand, underpinned by robust private sector activity. Private consumption was supported mainly by favourable employment conditions and wage growth while private investment was supported by capital spending in the mining, services and manufacturing sectors.
- The more moderate overall growth performance in 2013 was largely contributed from improvements in the external sector. Demand from the advanced and regional economies were slower in the first half of 2013 leading to an overall decline in real exports during the year. However, real imports continued to expand throughout 2013 arising from the sustained growth in domestic investment and consumption, which contributed to the contraction in net exports.
- During the first quarter of 2014, the Malaysian economy grew by 6.2% where growth was fuelled by stronger expansion in domestic demand as well as turnaround in net exports. Net exports recorded growth as exports of goods and services outpaced the growth of imports. Additionally, in the second quarter of 2014, the Malaysian economy registered a stronger growth of 6.4% supported by higher exports and continued strength in private domestic demand. Real exports of goods and services grew at a faster pace while growth of real imports of goods and services moderated, resulting in a significant improvement in net exports. Furthermore, positive growth from construction, manufacturing, services, agricultural and mining sectors was attributed to the growth in the second quarter of 2014.



## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



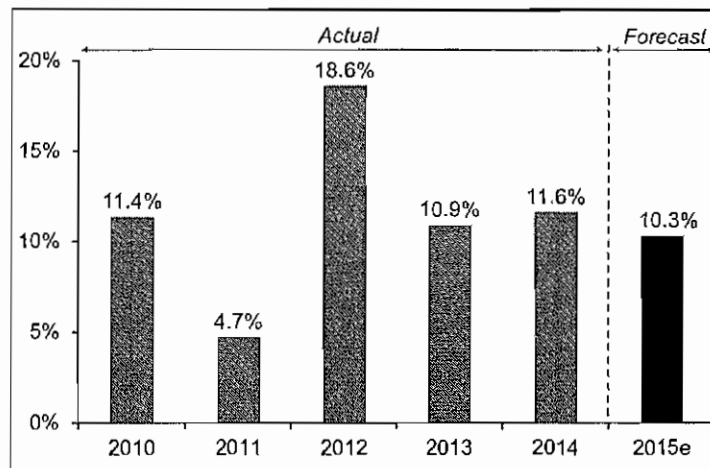
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- In the third and fourth quarter of 2014, the Malaysian economy expanded by 5.6% and 5.8% respectively, mainly supported by growth in domestic demand from private sector consumption and investment, and continued positive growth in net exports of goods and services. With strong growth evident throughout 2014, the Malaysian economy grew at 6.0% for the full year in 2014. (Source: Bank Negara Malaysia).
- During the first quarter of 2015, the Malaysian economy grew by 5.6% where growth was contributed by strong domestic demand primarily from the private sector. The strong domestic demand was partially offset by the negative contribution from net exports during the first quarter amid a decline in growth of commodity exports and resource-based manufactured exports. (Source: Bank Negara Malaysia)
- For 2015, the Malaysian economy was initially projected to grow between 5.0% and 6.0% back in 2014 but subsequently revised to between 4.5% and 5.5% in early 2015 amidst the weak performance of global oil prices. Nevertheless, all economic sectors of the Malaysian economy led by the services and manufacturing sectors are expected to continue expanding albeit at a more moderate pace. The revised GDP growth projection was derived based on the economy matching closely to its potential output, which refers to estimation of total GDP that can be produced assuming all resources are fully utilised. (Source: Bank Negara Malaysia)

#### 4.2 Construction Sector

- The performance of the construction sector, which is a key indicator of a nation's development, has an impact on the local economy and directly affects operators that are involved in the Piling, Foundation and Construction Industry. The construction sector is commonly associated with having a strong multiplier effect on the economy. This is because each construction project will require its own set of raw material, semi-finished and finished goods and use of machinery and equipment as well as skilled, semi-skilled and unskilled labour.

Real GDP Growth of the Construction Sector



Note: e=estimates  
(Source: Bank Negara Malaysia)

## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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- The construction sector in 2013 grew by 10.9% driven by robust expansion in the civil engineering, residential and non-residential sub-sectors. The civil engineering sub-sector continued to expand albeit at a slower pace following the completion of major infrastructure and oil and gas related projects such as the Second Penang Bridge, Sabah-Sarawak Gas Pipeline and Sabah Oil and Gas Terminal. Besides these projects, ongoing projects such as Klang Valley Mass Rapid Transit Sungai Buloh-Kajang line (KVMRT Line 1), Light Rail Transit (LRT) extension line, and Tanjung Bin and Manjung power plant were the key drivers of growth in the civil engineering sub-sector in 2013. The residential sub-sector was contributed by high rise and high end properties in Klang Valley, Penang and Johor while a pick-up in commercial and industrial projects contributed to the non-residential sub-sector.
- In 2014, the construction sector grew further by 11.6%. During the first quarter of 2014, the construction sector grew by 18.9% and this was attributed to an expansion in the residential sub-sector with the construction of high-rise projects in the Klang Valley, Penang and Johor. This was supported by a stronger growth performance in the commercial and industrial as well as civil engineering sub-sectors within the overall construction sector. On-going projects in the civil engineering sub-sectors such as the KVMRT Line 1, LRT extension line, Tanjung Bin and Manjung power plants, and the expansion of the North-South Expressway remained as the key drivers of growth for this sub-sector. (Source: Bank Negara Malaysia)
- In the second quarter of 2014, the construction sector recorded a more moderate pace of growth of 9.9% following the exceptionally strong growth in the previous quarter. The growth in the second quarter was driven mainly by the residential and non-residential sub-sectors. The residential sub-sector was supported by construction activities of high-end properties in Johor and Klang Valley. Growth was also supported by the non-residential sub-sector where construction activities of offices and retail buildings, factories and institutions of higher learning were active. In addition, rail and utility projects such as the KVMRT Line 1, LRT extension and Tanjung Bin power plant supported the civil engineering construction sub-sector. (Source: Bank Negara Malaysia)
- In the third quarter of 2014, the construction sector continued its growth at 9.6% driven mainly by the residential and non-residential sub-sectors. The residential sub-sector continued to record firm growth attributed by construction of high-end properties in the Klang Valley, Penang and Johor, while on-going construction of offices and retail projects and storage facilities contributed to the growth in the non-residential sub-sector. Meanwhile, new and existing infrastructure projects contributed to the civil engineering sub-sector in the third quarter of 2014.
- The construction sector grew at a more moderate pace of 8.7% in the fourth quarter of 2014. Similarly, the growth was mainly contributed by the residential and non-residential sub-sectors. Growth from residential sub-sector was supported by development of mass-market and affordable housing segments while non-residential sub-sectors saw higher construction activity for industrial and commercial buildings. On the other hand, the civil engineering sub-sector in the fourth quarter was weaker as most large infrastructure projects are nearing its completion.
- During the first quarter of 2015, the construction sector grew by 9.7% which was mainly supported by growth in the residential and non-residential sub-

5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



sectors. The residential sub-sectors were underpinned by construction of both mass and high-end market properties. The expansion of the non-residential sub-sectors was supported by construction activity for industrial and commercial buildings. The civil engineering sub-sector also recorded moderate growth during the first quarter supported by large infrastructure projects in the utility and transportations segments.

- For 2015, the construction sector is projected to grow at a more moderate pace at 10.3% following several years of robust growth, due in part to lower housing approvals and property launches in the residential sub-sector. Nevertheless, sustained growth is projected for the non-residential sub-sector driven by higher construction activities for commercial and industrial properties. Furthermore, existing and new civil engineering projects will continue to provide additional support to the construction sector.

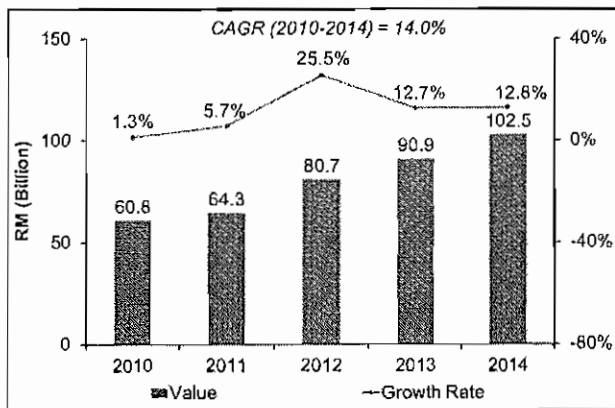
5. DEMAND AND SUPPLY CONDITIONS

- The performance of the Piling, Foundation and Construction Industry is interdependent on the overall performance of the construction and property development industry. As such, the following section analyses the overall demand and supply conditions of the construction sector in Malaysia by examining the value of construction work completed as well as construction projects awarded.
- Additionally, this section will cover the overall supply and demand conditions of the property development industry in Malaysia by examining existing stock and supply for properties that will be coming on-stream into the market.

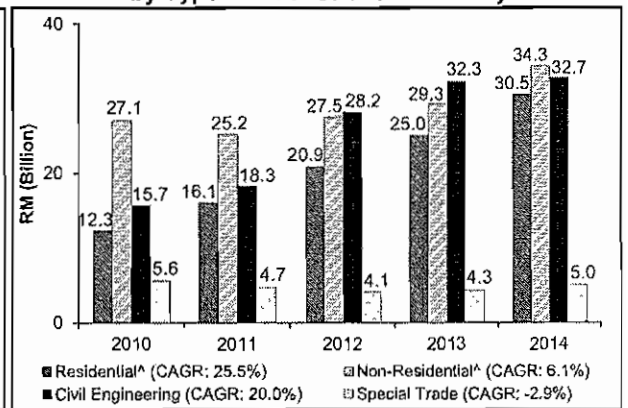
5.1 Construction Work Completed

5.1.1 Types of Construction Activity

Value of Construction Work Completed in Malaysia



Value of Construction Work Completed in Malaysia, by Types of Construction Activity



^Refers to buildings;

Notes:

(1) All construction works completed referred to in this section covers all main contractors with project value of RM500,000 and above and registered with CIDB.

(2) Special trade refers to construction of parts of buildings and civil engineering works without responsibility for the entire project. It is usually specialised work applied across different structures or buildings or projects, requiring specialised skills and/or equipment.

(Source: Department of Statistics)

## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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- Construction activities in Malaysia have been vibrant since 2010 with value of construction work completed growing at a CAGR of 14.0% between 2010 and 2014. In 2014, the value of construction work completed grew by 12.8% to RM102.5 billion largely attributed to the ongoing non-residential building and civil engineering construction activities whereby the former grew by 17.1% to RM34.3 billion and the latter grew by 1.2% to RM32.7 billion.
- In 2014, construction of residential and non-residential buildings represented 63% of total construction works in Malaysia. Residential building construction in 2014 were mainly driven by high rise and high-end properties in Klang Valley, Penang and Johor while non-residential building construction were driven by a pick-up in commercial and industrial projects (Source: Bank Negara Malaysia).
- In 2014, civil engineering construction constituted 32% of total construction works completed in Malaysia. These include, among others, the development of Floating Liquefied Gas 1 Project (FLNG 1) and Sabah Ammonia – Urea Plant (SAMUR) projects, and electricity power plants in Manjung and Seberang Prai, the ongoing KVMRT Line 1, LRT extension line, expansion of Kuantan Port, extension of DUKE, construction of West Coast Expressway and Central Spine Road from Bentong to Kuala Krai. (Source: Ministry of Finance)

Value of Construction Work Completed in Malaysia, by Types of Construction Activity Based on First Quarter of 2014 and 2015

	Q1 2014	Q1 2015	Growth Rate (%)
Value of Construction Work Completed in Malaysia .....	24,973	28,741	15.1
<i>By types of construction activity:-</i>			
Residential Building .....	7,202	8,606	19.5
Non-Residential Building.....	8,052	10,006	24.3
Civil Engineering.....	8,399	8,753	4.2
Special Trade.....	1,320	1,376	4.2

All units in RM Million except percentages; ^Total does not add-up due to rounding;  
Notes:

- (1) All construction works completed referred to in this section covers all main contractors with project value of RM500,000 and above and registered with CIDB.
- (2) Special trade refers to construction of parts of buildings and civil engineering works without responsibility for the entire project. It is usually specialised work applied across different structures or buildings or projects, requiring specialised skills and/or equipment.

(Source: Department of Statistics)

- In the first quarter of 2015, the value of construction work completed in Malaysia amounted to RM28.7 billion. This represented a double digit growth by 15.1% compared to the corresponding quarter in 2014 of RM25.0 billion. Notably, residential and non-residential sub-sectors in the first quarter of 2015 recorded double digit growth compared to the corresponding quarter in the preceding year. Residential sub-sector was supported by construction activities for both mass-market and high-end market properties. Growth in value of non-residential construction for the first quarter of 2015 was driven by industrial and commercial buildings.

## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



**VITAL FACTOR CONSULTING**  
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- Meanwhile, the value of construction work done for the civil engineering sub-sector recorded moderate growth supported by utility and transportation projects. Special trade sub-sector also recorded growth during the first quarter of 2015 which was supported by construction activities such as piling, earthworks, electrical and system installation as well as building completion and finishing works.

## 5.1.2 Construction by Project Owner

Value of Construction Work Completed in Malaysia, by Project Owner and Types of Construction Activity

	2010	2011	2012	2013	2014	CAGR 2010-14 (%)
<b>Private Sector</b> .....	30,475	40,369 <sup>^</sup>	53,022	63,199	72,696	24.3
<i>By types of construction activity:-</i>						
Residential Building.....	10,631	14,747	19,625	23,581	28,296	27.7
Non-Residential Building.....	12,022	14,544	19,386	22,619	27,334	22.8
Civil Engineering .....	4,640	7,768	10,948	13,827	13,090	29.6
Special Trade.....	3,182	3,309	3,063	3,172	3,976	5.7
<b>Public Sector</b> .....	30,317	23,889	27,645	27,676 <sup>^</sup>	29,850	(0.4)
<i>By types of construction activity:-</i>						
Residential Building.....	1,677	1,309	1,243	1,382	2,221	7.3
Non-Residential Building.....	15,070	10,672	8,095	6,684	6,981	(17.5)
Civil Engineering .....	11,103	10,536	17,256	18,474	19,599	15.3
Special Trade.....	2,467	1,372	1,051	1,135	1,049	(19.2)
	Q1 2014	Q1 2015	Growth Rate (%)			
<b>Private Sector</b> .....	18,118 <sup>^</sup>	19,671 <sup>^</sup>	8.6			
<i>By types of construction activity:-</i>						
Residential Building.....	6,709	8,029	19.7			
Non-Residential Building.....	6,471	7,991	23.5			
Civil Engineering .....	3,880	2,667	(31.3)			
Special Trade.....	1,057	983	(7.0)			
<b>Public Sector</b> .....	6,855 <sup>^</sup>	9,070	32.3			
<i>By types of construction activity:-</i>						
Residential Building.....	493	577	17.2			
Non-Residential Building.....	1,581	2,015	27.5			
Civil Engineering .....	4,519	6,085	34.7			
Special Trade.....	263	393	49.5			

## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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*All units in RM Million except percentages; ^Total does not add-up due to rounding;*

*Notes:*

- (1) *All construction works completed referred to in this section covers all main contractors with project value of RM500,000 and above and registered with CIDB.*
- (2) *Special trade refers to construction of parts of buildings and civil engineering works without responsibility for the entire project. It is usually specialised work applied across different structures or buildings or projects, requiring specialised skills and/or equipment.*

*(Source: Department of Statistics)*

- The private sector is the main driver of construction work in 2014. Between 2010 and 2014, the private owned construction projects recorded strong growth with CAGR of 24.3%. In 2014, based on the contribution of private owned construction projects to the value of construction work completed of RM72.7 billion, the majority of works completed was channelled to the construction of residential and non-residential building representing 38.9% and 37.6% of private sector construction works respectively. Notably, the ongoing ETP projects as well as the five economic growth corridors initiated by the Malaysian Government are the main factors in attracting higher private investment activity.
- Meanwhile, public owned construction projects declined at a compound annual rate of 0.4% between 2010 and 2014. In 2014, the majority of the public owned construction works completed was channelled to civil engineering construction representing 65.7% of public sector construction projects. This include, among others, projects from Tenaga Nasional Berhad's expansion in power generation and transmission system and Prasarana Malaysia Berhad's (formerly known as Syarikat Prasarana Negara Berhad) investment in the extension of Kelana Jaya and Ampang LRT lines *(Source: Ministry of Finance)*.
- Private owned construction projects continued to be the main driver of construction works in the first quarter of 2015 representing 68.4% of total construction works completed compared to 72.6% in the corresponding period in 2014. In the first quarter of 2015, both private and public owned construction projects recorded growth by 8.6% and 32.3% respectively compared to the corresponding period in 2014.
- Notably, all public owned construction projects recorded double digit growth in the first quarter of 2015. Growth of public owned residential projects were mainly attributed to the construction of several Government related housing projects such as housing projects by Syarikat Perumahan Nasional Berhad and National Housing Department (JPN).
- As the economy continue to grow, more private investment activities took place and developers embarked on new construction projects. This is in line with the Government's aim to push the private sector as the main driver of the economy.

## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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## 5.1.3 Construction by Location of Project

Value of Construction Work Completed by Location of Project (State)

	2010	2011	2012	2013	2014	CAGR 2010-14 (%)
<b>MALAYSIA</b>	<b>60,792<sup>^</sup></b>	<b>64,258</b>	<b>80,667</b>	<b>90,875<sup>^</sup></b>	<b>102,547<sup>^</sup></b>	<b>14.0</b>
Selangor	11,514	15,062	18,159	22,365	25,189	21.6
Federal Territories *	8,541	9,162	11,325	14,381	17,288	19.3
Johor	8,143	7,851	10,386	12,639	17,004	20.2
Sarawak	5,811	5,299	7,713	8,036	7,564	6.8
Penang	3,987	4,544	5,282	5,340	6,174	11.6
Sabah	5,884	5,924	7,362	5,832	6,164	1.2
Perak	2,631	2,634	4,470	5,995	5,566	20.6
Pahang	3,188	2,858	3,357	4,230	4,990	11.9
Negeri Sembilan	2,798	3,133	3,160	3,628	4,309	11.4
Terengganu	2,641	2,254	2,502	2,966	2,991	3.2
Melaka	1,771	1,785	3,149	2,224	2,117	4.6
Kedah	2,092	2,123	2,351	1,997	1,838	(3.2)
Kelantan	1,274	1,202	1,168	927	960	(6.8)
Perlis	518	427	283	314	394	(6.6)

	Q1 2014	Q1 2015	Growth Rate (%)
<b>MALAYSIA</b>	<b>24,973</b>	<b>28,741<sup>^</sup></b>	<b>15.1</b>
Selangor	5,970	7,555	26.5
Federal Territories *	4,303	5,144	19.5
Johor	3,994	4,794	20.0
Sarawak	1,649	2,207	33.8
Penang	1,424	1,414	(0.7)
Sabah	1,430	1,466	2.5
Perak	2,105	1,600	(24.0)
Pahang	1,090	1,406	29.0
Negeri Sembilan	1,138	952	(16.3)
Terengganu	723	725	0.3
Melaka	468	561	19.9
Kedah	412	517	25.5
Kelantan	154	294	90.9
Perlis	113	105	(7.1)

All units in RM Million except percentages; <sup>^</sup>Total does not add-up due to rounding; \*includes Kuala Lumpur, Putrajaya and Labuan

Notes:

(1) All construction works completed referred to in this section covers all main contractors with project value of RM500,000 and above and registered with CIDB.

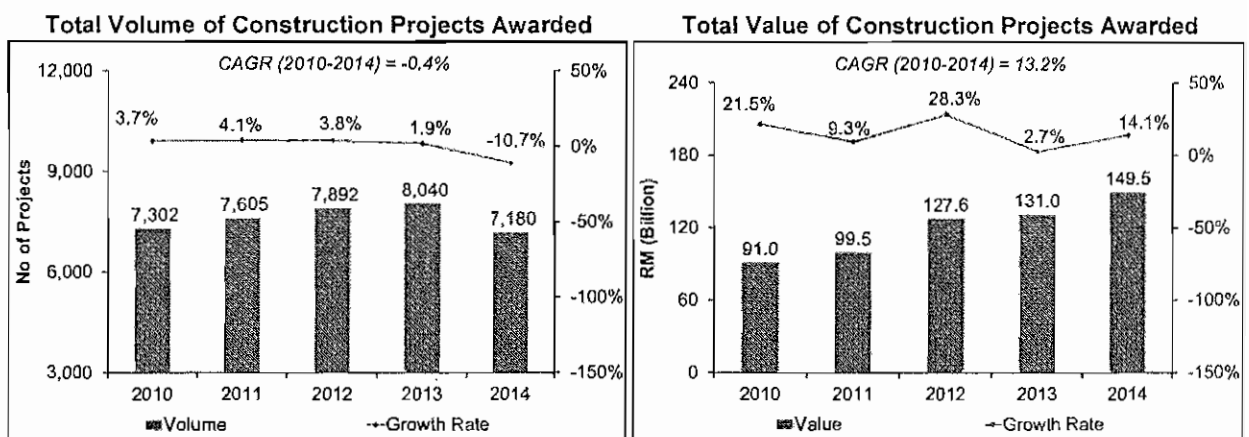
(Source: Department of Statistics)

## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



- The value of construction works completed in all states and federal territories in Malaysia recorded growth between 2010 and 2014, except for Kedah, Kelantan and Perlis.
- Selangor continued to record the highest value of construction work done between 2010 and 2014 growing at a CAGR of 21.6%. In 2014, Selangor recorded RM25.2 billion of construction work done or 24.6% among the states and federal territories in Malaysia. This was followed by the combined Federal Territories of Kuala Lumpur, Putrajaya, and Labuan which recorded RM17.3 billion of construction work done. Johor was the next largest contributor to the value of construction work done with RM17.0 billion. The contribution of these two states and three federal territories accounted for more than 50% of the total value of construction work done in Malaysia in 2014. Most of the mega construction projects such as, among others, KVMRT Line 1, LRT extension, Iskandar Malaysia and Tanjung Bin power plant are located in these two states and three federal territories.
- Among the states and federal territories in Malaysia, Selangor recorded the highest growth rate between 2010 and 2014 with CAGR of 21.6%.
- In the first quarter of 2015, Selangor maintained its position as the state which contributed the highest value of construction work done representing 26.3% in Malaysia, followed by the combined Federal Territories of Kuala Lumpur, Putrajaya and Labuan, and Johor.
- The value of construction works completed in all states and federal territories in Malaysia recorded growth in the first quarter of 2015 compared to the corresponding period in 2014, except for Penang, Perak, Negeri Sembilan and Perlis.

## 5.2 Construction Work Awarded



Note: Total volume and value of construction projects awarded are based on information provided by contractors to CIDB as at 31 March 2015 and figures are subject to change due to late notification.  
(Source: Construction Industry Development Board Malaysia)

- The total volume of construction projects awarded decreased at a compound annual rate of 0.4% between 2010 and 2014. However, the value of construction projects awarded increased at a CAGR of 13.2% during the same period. The value of construction projects awarded in 2012 increased by 28.3% to RM127.6 billion. Among the projects awarded in 2012, majority



## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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of the contribution came from seven mega infrastructure projects each with contract value equal and more than RM1.0 billion which totalled to RM19.2 billion. Most of the projects were Entry Point Projects (EPP) (Refer to Section 11.4 of this report for further information on EPP), as follows:

Projects Awarded	Location	Contract Value (RM billion)	Expected Completion Date
Underground works for Klang Valley MRT	Kuala Lumpur	8.3	2016
Tanjung Bin coal-fired power plant	Johor	4.8	2016
Fourth lane widening for PLUS highway of Shah Alam Interchange - Rawang - Jalan Duta and Nilai (U) Interchange - Seremban/Port Dickson Interchange	Kuala Lumpur, Selangor and Negeri Sembilan	1.4	2015
System works for Klang Valley MRT	Kuala Lumpur	1.4	2017
Viaduct guideway for Klang Valley MRT Package V4	Kuala Lumpur	1.2	2017
Viaduct guideway for Klang Valley MRT Package V1	Kuala Lumpur	1.1	2016
LRT Ampang Line extension works	Kuala Lumpur	1.0	2016

(Source: Construction Industry Development Board Malaysia)

- The total volume and value of construction projects awarded in 2013 increased by 1.9% and 2.7% respectively. Compared to the previous year, there were only five mega projects with contract value more than RM1.0 billion awarded in 2013 which totalled to RM16.4 billion. These projects were mainly engineering, procurement, construction and commissioning (EPCC) contracts for utility and oil and gas related industry. (Source: Construction Industry Development Board Malaysia)
- Based on preliminary information provided by CIDB, 7,180 construction projects were awarded in 2014 which totalled RM149.5 billion. In terms of volume, this was a decrease in comparison to 2013 which registered 8,040 projects valued at RM131.0 billion. However, in terms of value of construction projects awarded, it was an increase by 14.1%. Based on preliminary information provided by CIDB, there were 12 mega projects with contract value more than RM1.0 billion awarded in 2014 which totalled to RM29.8 billion. These projects were mainly non-residential, residential and infrastructure projects located in Johor, Negeri Sembilan, Sabah and Wilayah Persekutuan. (Source: Construction Industry Development Board Malaysia)
- Notably, between July and August 2014, there were 13 major contracts awarded for the development of Pengerang Integrated Petroleum Complex (PIPC) in Johor. Of the contracts awarded, five were EPCC contracts for the refinery and steam cracker component of the project while the remaining eight were for the construction of common facilities and infrastructure of the complex (Source: Vital Factor Consulting analysis).

## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

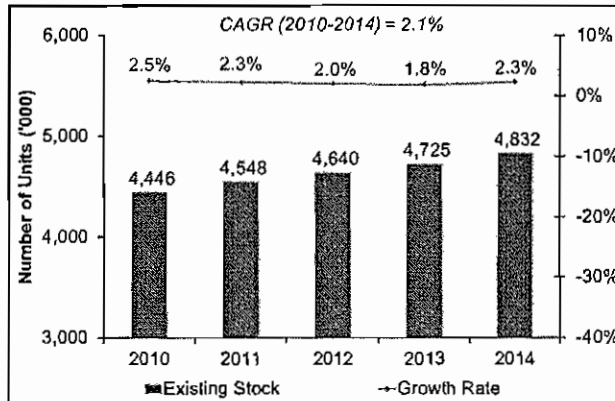


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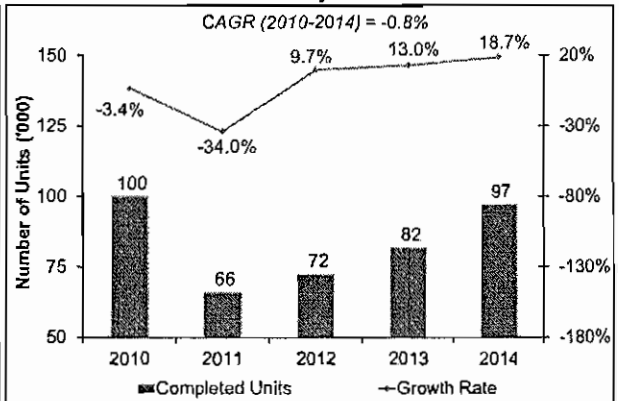
### 5.3 Residential Properties

#### 5.3.1 Current Supply

Existing Stock of Residential Properties in Malaysia



Building Completions of Residential Properties in Malaysia



**Notes:**

- (1) Existing stocks refers to units that have been issued with a certificate of fitness (CF)/ temporary certificate of fitness (TCF)/ certificate of completion and compliance (CCC) prior to the review period plus units completed and issued with CF/TCF/CCC within the review period;
  - (2) Building completions comprises units where the building construction works are completed and a CF/TCF/CCC is issued within the review period;
- (Source: Valuation and Property Services Department, Ministry of Finance)

- In the residential sub-sector, the existing stock increased at a CAGR of 2.1% between 2010 and 2014. In contrast, building completions of residential properties in Malaysia declined at a compound annual rate of 0.8% between 2010 and 2014. Nonetheless, the number of building completions of residential properties in Malaysia recorded growth at 18.7% in 2014. The growth in existing stock between 2010 and 2014 indicates a continuing supply of residential properties in the market in Malaysia.

#### 5.3.2 Future Supply

Future Supply of Residential Properties in Malaysia

	2010	2011	2012	2013	2014	CAGR 2010-14 (%)
Starts .....	84,486	115,578	138,407	145,779	155,667	16.5
Incoming Supply .....	533,605	553,844	628,655	692,475	759,220	9.2
Planned Supply .....	676,459	596,060	610,679	593,856	646,049	(1.1)

**Notes:**

- (1) Starts include buildings where foundation and footing works of low-rise buildings or works below ground level including piling and foundation of high-rise buildings have started. It does not include site clearing, levelling and laying of infrastructure;
  - (2) Incoming supply comprises units where physical construction works are in progress including Starts and CF/TCF/CCC has not been issued during the review period;
  - (3) Planned supply comprises units with building plan approval obtained but have not started physical construction works.
- (Source: Valuation and Property Services Department, Ministry of Finance)

## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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- The future supply of residential properties in Malaysia has been increasing in terms of new starts and incoming supply which experienced an increase in CAGR of 16.5% and 9.2% respectively between 2010 and 2014. Meanwhile, the planned supply of residential properties in Malaysia decline at a compound annual rate of 1.1% between 2010 and 2014. However, this is not an indication of a slowdown in the residential property in Malaysia as the planned supply of residential properties registered growth of 8.8% in 2014 compared to the previous year.
- The future supply of residential properties, particularly affordable housing is foreseen to remain in focus in the coming years. Based on the Budget 2015, the Malaysian Government continues to address housing supply through PR1MA, Syarikat Perumahan Nasional Berhad (SPNB) and National Housing Department (JPN). The following are the future supply of residential properties that are planned by the Malaysian Government in the Budget 2015:
  - RM644 million is allocated to JPN for the development of Program Perumahan Rakyat which involves the construction of 26,000 housing units;
  - PR1MA will provide 80,000 units with an allocation of RM1.3 billion whereby sales price of PR1MA homes will be lower by 20% than market prices;
  - SPNB to build 12,000 units of Rumah Mesra Rakyat, 5,000 units of Rumah Idaman Rakyat and 20,000 units of Rumah Aspirasi Rakyat.

(Source: Budget 2015, Ministry of Finance)
- The abovementioned future supply of residential properties indicates continuing opportunities for contractors that are involved in residential property construction.

## 5.4 Commercial Properties

## 5.4.1 Current Supply

Current Supply of Commercial Properties in Malaysia

	2010	2011	2012	2013	2014	CAGR 2010-14 (%)
<b>Shop Units</b>						
Existing Stock <sup>(1)</sup> .....	367,347	371,666	381,904	392,304	405,015	2.5
Building Completions <sup>(1)</sup> ...	8,149	6,425	7,855	9,667	9,520	4.0
<b>Shopping Complexes</b>						
Existing Stock <sup>(2)</sup> .....	10,661	11,592	12,028	12,447	12,997	5.1
Building Completions <sup>(2)</sup> ...	533	601	511	452	690	6.7
<b>Purpose-Built Offices</b>						
Existing Stock <sup>(2)</sup> .....	16,781	17,680	18,824	18,990	19,553	3.9
Building Completions <sup>(2)</sup> ...	464	624	472	142	424	(2.3)

## Notes:

(1) In terms of units;

(2) In terms of thousand square metres.

(Source: Valuation and Property Services Department, Ministry of Finance)

## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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- Generally, the current supply of commercial properties in Malaysia grew between 2010 and 2014, with the exception of purpose built offices which registered a decline of a compound annual rate of 2.3% in terms of building completions. Nevertheless, in 2014, the completion of purpose-built offices of approximately 424,000 square metres more than double compared to approximately 142,000 square metres in 2013.
- In 2014, there were 23 purpose-built offices that were completed bringing in approximately 424,000 square metres in space. The new purpose-built offices in 2014 were mainly located in Klang Valley including, among others, Menara Kembar Bank Rakyat in KL Sentral; Menara Shell and 1 Sentrum in Jalan Tun Sambathan; Menara Hap Seng 2 in Jalan P Ramlee; Menara LGB in Taman Tun Dr. Ismail; and Menara TSR in Mutiara Damansara. (Source: Valuation Property Services Department, Ministry of Finance)
- In 2014, the completion of shopping complexes grew by 52.7% to approximately 690,000 square metres which consisted of 27 buildings. Major complexes that made its debut during the year includes, among others, IOI City Mall in Dengkil, Selangor; Nu Sentral and Quill City Mall in Kuala Lumpur; AEON in Bukit Mertajam, Penang; Kip Mart in Melaka; AEON Taiping and Taiping Mall in Perak; Palm Mall in Seremban, Negeri Sembilan; and Permaisuri Mall in Miri, Sarawak. (Source: Valuation Property Services Department, Ministry of Finance)

## 5.4.2 Future Supply

Future Supply of Commercial Properties in Malaysia

	2010	2011	2012	2013	2014	CAGR 2010-14 (%)
<b>Shop Units</b>						
Starts <sup>(1)</sup> .....	8,200	12,143	15,210	17,956	17,429	20.7
Incoming Supply <sup>(1)</sup> .....	47,648	51,138	60,794	70,276	78,763	13.4
Planned Supply <sup>(1)</sup> .....	60,506	53,568	59,625	59,507	68,649	3.2
<b>Shopping Complexes</b>						
Starts <sup>(2)</sup> .....	440	316	193	263	378	(3.7)
Incoming Supply <sup>(2)</sup> .....	1,966	1,445	1,412	1,255	1,260	(10.5)
Planned Supply <sup>(2)</sup> .....	1,834	486	418	483	933	(15.5)
<b>Purpose-Built Offices</b>						
Starts <sup>(2)</sup> .....	603	428	186	291	153	(29.1)
Incoming Supply <sup>(2)</sup> .....	2,639	2,208	2,027	2,140	1,713	(10.2)
Planned Supply <sup>(2)</sup> .....	1,645	862	683	534	535	(24.5)

## Notes:

(1) In terms of units;

(2) In terms of thousand square metres.

(Source: Valuation and Property Services Department, Ministry of Finance)

- Generally, there has been a decline in the future supply of commercial properties specifically shopping complexes and purpose built-offices between 2010 and 2014. However, in 2014, the future supply of shopping complexes grew in terms of starts, incoming supply and planned supply with growth recorded at 43.8%, 0.4% and 92.9% respectively. Incoming supply of

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shopping complexes in 2014 were mainly located in Kuala Lumpur while planned supply of shopping complexes was mainly located in Johor. (Source: Valuation and Property Services Department, Ministry of Finance)

- For purpose-built offices, in 2014, there were another 80 buildings consisting of 1.71 million square metres in incoming supply and 24 buildings with approximately 535,000 square metres in planned supply. Majority of this future supply of purpose-built offices are located in Kuala Lumpur. (Source: Valuation and Property Services Department, Ministry of Finance)
- Meanwhile, the future supply of shop units in Malaysia experienced growth amidst the slowdown in the supply of commercial properties.

### 5.5 Demand Dependencies

- The demand for piling, foundation and construction services is dependent on a number of factors, and some of the major factors are as follows:
  - Socio-economic factors including, among others, GDP, GNP, population, urbanisation and employment rate. Growth in such socio-economic factors will stimulate investment and development activities in both the private and public sectors for the construction sector.
  - Micro and macroeconomic factors. Demand for piling, foundation and construction services is also dependent on local monetary and fiscal policies adopted by the government including interest rates, money supply, lending policies, balance of payments, and consumer price index.
  - Government initiatives. Various initiatives such as the 11<sup>th</sup> Malaysia Plan, Economic Transformation Programmes, Government Transformation Programmes and Corridors Transformation Programmes consisting of numerous infrastructure and development projects. This in turn will stimulate investments from local and foreign parties.
  - Availability of loans given to developers and contractors. Availability of loans is predicated by many factors including market liquidity, financial institutions' internal lending policies, as well as Bank Negara policies, financial measures and guidelines.

### 5.6 Supply Dependencies

- The Piling, Foundation and Construction Industry is dependent on a number of factors such as input materials that impact on the timing and cost of construction, as well as loans to provide financing to commence and complete the construction.

#### 5.6.1 Input Materials

- Building materials are the inputs for the Piling, Foundation and Construction Industry. As such, the supply and cost of building materials have a direct impact on the industry. Some of the main input building materials used on the Piling, Foundation and Construction Industry are as follows:
  - Cement and concrete products (including hydraulic cement, ready-mixed concrete, bricks, blocks, roofing tiles, piles, poles/posts, beams and culverts);

## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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- Clay and refractory construction materials (including refractory bricks, clay roofing tiles, ceramic wall and floor tiles, clay pipes and ceramic sanitary ware);
  - Basic iron and steel products (including long products such as angles, shapes, sections, bars and rods, and flat products comprising coils, sheets, plates, tubes and pipes);
  - Metal products (including fabricated structure and parts of structures of iron, steel or aluminium, metal containers, metal household articles, nails, screw, bolts, etc.);
  - Wood and wood products (including plywood, hardwood, veneer, particle board, block board, mouldings and builders' carpentry and joinery, and reconstituted wood based panel);
  - Non-metallic minerals (including aggregates, sand and gravel, clay & earth materials, limestone, kaolin, silica sand, feldspar, mica and barytes).
- Sufficient and continuous supply of input materials are important to ensure construction is not delayed as this may increase the financing costs for contractors.

## Local Production of Cement and Concrete Products

	2010	2011	2012	2013	2014	CAGR 2010-14 (%)
Cement ('000 tonnes).....	19,762	21,198	21,726	21,457	22,446	3.2
Growth rate (%).....	1.6	7.3	2.5	(1.2)	4.6	
Ready-Mix Concrete ( '000 m <sup>3</sup> ) .....	7,932	10,934	13,082	14,906	16,068	19.3
Growth rate (%).....	6.2	37.8	19.6	13.9	7.8	
Hydraulic Cement (RM Million) .....	4,418	4,847	5,197	5,509	6,015	8.0
Growth Rate (%) .....	1.4	9.7	7.2	6.0	9.2	

(Source: Department of Statistics)

- Between 2010 and 2014, local production of cement and concrete products generally grew with the highest growth recorded from ready-mix concrete with a CAGR of 19.3%.

## Local Production of Clay and Refractory Construction Materials

	2010	2011	2012	2013	2014	CAGR 2010-14 (%)
Earthen Bricks (million units)....	410	621	706	468	414	0.2
Growth rate (%).....	102.2	51.4	13.8	(33.7)	(11.6)	
Ceramic Tiles ('000 m <sup>2</sup> ).....	85,644	82,086	90,699	88,694	74,666	(3.4)
Growth rate (%).....	7.4	(4.2)	10.5	(2.2)	(15.8)	

(Source: Department of Statistics)

- Between 2010 and 2014, local production of earthen bricks increased marginally at a CAGR of 0.2% while local production of ceramic tiles declined at a compound annual rate of 3.4%.

## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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## Local Production of Wood and Wood Products

	2010	2011	2012	2013	2014	CAGR 2010-14 (%)
Plywood ('000 m <sup>3</sup> ) .....	4,095	3,797	3,658	3,652	3,451	(4.2)
Growth rate (%).....	12.0	(7.3)	(3.7)	(0.2)	(5.5)	
Veneer Sheets ('000 m <sup>3</sup> ).....	1,017	912	872	883	973	(9.6)
Growth rate (%).....	34.9	(10.3)	(4.5)	1.3	(23.7)	
Laminated Board, Particleboard and Other Panels and Board (RM million).....	1,669	1,901	1,845	1,782	1,881	3.0
Growth rate (%).....	6.9	13.9	(2.9)	(3.5)	5.6	

(Source: Department of Statistics)

- Between 2010 and 2014, sales value of the manufacture of laminated board, particleboard, and other panels and board grew at a CAGR of 3.0%. During the same period, the local production of plywood and veneer sheets declined at a compound annual rate of 4.2% and 9.6% respectively.

## Local Production of Basic Metals and Metal Products

	2010	2011	2012	2013	2014	CAGR 2010-14 (%)
Basic Iron and Steel Products (RM Million).....	19,638	22,094	21,577	21,983	21,766	2.6
Growth rate (%).....	19.7	12.5	(2.3)	1.9	(1.0)	
Other Basic Precious and Non-Ferrous Metals (RM Million).....	5,941	6,886	6,189	6,127	7,593	6.3
Growth rate (%).....	40.0	15.9	(10.1)	(1.0)	23.9	
Structural Metal Products (RM Million).....	1,520	1,909	2,035	1,998	1,892	5.6
Growth rate (%).....	(8.6)	25.6	6.6	(1.8)	(5.3)	

(Source: Department of Statistics)

- Between 2010 and 2014, the sales value of the manufacture of basic metals and metal products registered growth. However, in 2014, both basic iron and steel products, as well as, structural metal products dropped in production in terms of sales value.

## Local Production of Non-Metallic Minerals

	2009	2010	2011	2012	2013p	CAGR 2009-13 (%)
Aggregates ('000 tonnes)....	86,497	101,809	118,510	110,339	115,000	7.4
Growth rate (%).....	14.0	17.7	16.4	(6.9)	4.2	
Sand and gravel ('000 tonnes).....	17,382	30,698	37,339	28,592	29,000	13.7
Growth rate (%).....	(29.0)	76.6	21.6	(23.4)	1.4	

p=preliminary; Based on latest statistics available.

(Source: Minerals and Geoscience Department Malaysia)

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- Between 2009 and 2013, local production of aggregates, and sand and gravel registered a compound annual growth of 7.4% and 13.7% respectively based on preliminary figures.

#### Import Value of Basic Metals and Metal Products

	2010	2011	2012	2013	2014	CAGR 2010-14 (%)
Iron and Steel (RM Million).....	18,194	21,532	22,667	23,660	24,066	7.2
Growth rate (%).....	15.3	18.3	5.3	4.4	1.7	
Non-Ferrous Metals (RM Million) .....	19,681	23,337	22,167	30,044	29,818	10.9
Growth Rate (%).....	42.7	18.6	(5.0)	35.5	(0.8)	
Manufactures of Metals, n.e.s. (RM Million) .....	9,430	9,673	10,122	10,835	11,887	6.0
Growth rate (%).....	16.1	2.6	4.6	7.0	9.7	

Note: n.e.s. = not elsewhere specified; (Source: Department of Statistics)

- Between 2010 and 2014, the import value of basic metals and metal products registered growth.

#### 5.6.2 Loans to the Construction Sector

- One of the critical supply dependencies for the Piling, Foundation and Construction Industry is the availability of financial resources to support construction activities.

#### Loans to the Construction Sector and Selected Type of Construction

	2010	2011	2012	2013	2014	CAGR 2010-14 (%)
Total Construction Sector.....	38,421	40,284	44,238	49,647	57,826	10.8
Selected Type of Construction Sub-Sector:						
Civil Engineering.....	14,613	15,836	18,453	20,022	21,679	10.4
Residential.....	8,382	8,179	9,454	11,777	12,844	11.3
Commercial Complexes.....	3,109	3,127	4,085	4,194	5,507	15.4
Infrastructure.....	4,393	5,417	3,501	3,943	5,922	7.8

Note: Loans by Commercial Banks, Islamic Banks and Merchant Banks.  
(Source: Bank Negara Malaysia)

- The loans to the construction sector grew at a CAGR of 10.8% between 2010 and 2014. In 2014, the loans to the construction of civil engineering, residential, commercial complexes and infrastructure construction represented 37.5%, 22.2%, 9.5% and 10.2% of the total loans to the construction sector respectively.
- The continuing growth in loans to the construction sector from financial institutions in Malaysia indicates robust construction activities. Conversely, the generally low rate of growth in loans for the construction sector would imply that operators would have to rely more on alternative source of capital to fund their business activities and growth.



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### 6. COMPETITIVE ANALYSIS

#### 6.1 Nature of Competition in the Industry

- In general, operators in the Piling, Foundation and Construction Industry in Malaysia faces **normal** competitive conditions, which is similar to a free enterprise environment characterised by the following:
  - There are no undue government regulations or licensing requirements such that very few interested operators are able to comply with such regulations and licensing requirements;
  - The industry is not dominated by a single or small number of operators, and customers have sufficient choice of operators to meet their requirements;
  - Operators may enter and leave the industry freely based on commercial or personal reasons;
  - No single or small group of operators is large enough to dictate pricing, and pricing are commonly the result of supply and demand conditions plus influence by other factors of differentiations, perceived benefits and strategic reasons by operators.
- While there are no undue government regulations and licencing requirements, operators still need to comply with various technical and regulatory requirements including:
  - Registration of contractors with Construction Industry Development Board (CIDB);
  - Registration with Ministry of Finance (for tendering of Government jobs);
  - Registration, licencing and professional memberships of technical and professional personnel and tradespeople, for example, civil engineers, geotechnical engineers, surveyors, machine operators and electricians

While such regulatory, licencing and other restrictions exist, they are not deemed to be unduly anti-competitive as there continue to be large numbers of operators for all the various categories of piling, foundation and construction works in Malaysia.

- In such an environment, the industry is subjected to normal supply and demand conditions moderated by the price mechanism. As with most free enterprise environment, competition is based on a number of factors, including, among others, the following:
  - Quality of service;
  - Cost competitiveness;
  - Prompt service and timely delivery;
  - Operator's capabilities and capacities;
  - Operator's market reputation.

#### 6.2 Operators in the Industry

- Competition in the Piling, Foundation and Construction Industry is predicated by the number of players in the industry:
  - As at 31 December 2014, there were approximately 67,833 contractors registered with the Construction Industry Development Board of Malaysia (CIDB) of which 5,618 contractors were registered with grade G7. Based on track records, financial resources and personnel resources, these companies are classified by the CIDB

## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



into seven categories, ranging from G1 to G7. The grades indicate the size of each company's tendering capacity and G7 contractors are able to undertake projects of unlimited capacity.

- As at 30 April 2015, there were approximately 5,709 operators registered with CIDB under the category of Piling Works for Civil Engineering Construction of which 2,211 operators were registered with grade G7.
- As at 30 April 2015, there were approximately 996 operators registered with CIDB under the category of Piling Works for Building Construction of which 372 operators were registered with grade G7.
- As at 30 April 2015, there were approximately 7,667 operators registered with CIDB under the category of Bridge Construction for Civil Engineering Construction of which 1,833 operators were registered with grade G7.

(Source: Construction Industry Development Board)

## 6.2.1 Piling and Foundation Works

- In 2014, there were approximately 240 operators that provide Piling and Foundation Works in Malaysia, of which approximately 55 operators were engaged in bore piling works (Source: Vital Factor Consulting analysis).
- The following are the Top 10 operators that are engaged in bore piling works in Malaysia.

Ranking of Top 10 Bore Piling Operators in Malaysia based on Company/Group Revenue

Ranked by Company/Group Revenue	Company/Group	Business Activities
1	Bauer (Malaysia) Sdn Bhd	Piling and foundation, construction of subsoil, excavation and drilling works, engineering and contract management services, rental of specialised construction equipment, sales of spare parts and accessories, and fabricated equipment as well as investment holding
2	Econpile Holdings Berhad	Provision of piling and foundation services, including civil engineering and related activities
3	Sunway Geotechnics (M) Sdn Bhd	Piling and foundation, geotechnical services and related products as well as hire of heavy machineries
4	Ikhmas Group	Principally engaged in piling and foundation works, construction of bridges and buildings, and other civil works
5	Pintaras Jaya Berhad	Providing geotechnical services and related products as well as hire of heavy machineries
6	Geohan Sdn Bhd	Foundation and geotechnical works
7	Biaxis (M) Sdn Bhd	Foundation and geotechnical contractor
8	Geopancar Sdn Bhd	Geotechnical engineering work especially in the design and construction of retaining structure and foundation
9	Aneka Jaringan Sdn Bhd	Foundation and geotechnical works
10	City Piling & Construction Sdn Bhd	Contractor works in piling, roofing, tiling and renovation

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### Notes:

- (1) The ranking of bore piling operators is based on the latest available revenue of the company or group revenue as at May 2015. Revenue figures consist of revenue that is derived from carrying out bore piling works, as well as other business activities.
  - (2) All the above operators are registered with CIDB under Grade G7 contractors with the exception of Bauer (M) Sdn Bhd who is a CIDB foreign registered contractor.
- (Source: Vital Factor Consulting analysis)

### 6.2.2 Construction of Infrastructure and Buildings

- The following are some of the CIDB Grade G7 operators that are engaged in the **construction of infrastructure and buildings** in Malaysia (listed in alphabetical order):
  - Ahmad Zaki Resources Berhad;
  - Bina Puri Holdings Berhad;
  - Gabungan AQRS Berhad;
  - Gadang Engineering (M) Sdn Bhd;
  - Gamuda Berhad;
  - Hock Seng Lee Berhad;
  - IJM Construction Sdn Bhd;
  - **Ikhmas Group**;
  - Ireka Corporation Berhad;
  - Kimlun Corporation Berhad;
  - MMC Corporation Berhad;
  - MRCB Engineering Sdn Bhd;
  - Mudajaya Corporation Berhad;
  - Muhibbah Engineering (M) Bhd;
  - Naim Engineering Sdn Bhd;
  - Pembinaan Mitrajaya Sdn Bhd;
  - Putrajaya Perdana Berhad;
  - Sunway Construction Group Berhad;
  - TRC Synergy Berhad;
  - UEM Construction Sdn Bhd;
  - WCT Construction Sdn Bhd.

*Note: This is not an exhaustive list.  
(Source: Vital Factor Consulting analysis)*

## 7. MARKET SIZE AND SHARE

### Market Size

- In 2014, the market size for Piling and Foundation Works in Malaysia was estimated at **RM1.7 billion** based on value of gross output of piling and foundation works (Source: Vital Factor Consulting analysis)

### Market Share

- In 2014, Ikhmas Group had a market share of approximately 9% of Piling and Foundation Works in Malaysia. This is based on the Group's revenue of RM160.7 million derived from piling and foundation for the financial year ended 31 December 2014 (Source: Vital Factor Consulting analysis).

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### 8. GOVERNMENT REGULATIONS AND INCENTIVES

#### 8.1 Government Regulations And Licences

- Some of the relevant laws, regulations and policies that are applicable to operators in the Piling, Foundation and Construction Industry are provided in the following sections.

##### 8.1.1 Registration of Contractors - CIDB

- Under the Construction Industry Development Board of Malaysia Act 1994, it is mandatory for all builders, contractors and sub-contractors, whether local or foreign, to register with the Construction Industry Development Board (CIDB), before undertaking or executing any construction work in Malaysia.
- The Contractor Registration Certificate (PPK) is a certificate issued by CIDB to recognise contractors that have been registered with CIDB according to the grade and category as specified. The certificate is valid for a minimum period of 1 year and a maximum term not exceeding 3 years, unless cancelled, suspended or revoked earlier by the CIDB.
- There are three categories of registration as follows:
  - Building Construction;
  - Civil Engineering Construction;
  - Mechanical and Electrical.
- The scope of registration for local contractors is further classified into seven grades and is differentiated by their respective tender capacities:

Grade	Tender Capacity (RM)
G1	Not exceeding 200,000
G2	Not exceeding 500,000
G3	Not exceeding 1 million
G4	Not exceeding 3 million
G5	Not exceeding 5 million
G6	Not exceeding 10 million
G7	No limit

- Effective from 15 October 2012, the Malaysian Government had implemented the 'Sistem Satu Pendaftaran Kontraktor' (SSPK). SSPK is the amalgamation of registration process in CIDB and Construction Services Centre (PKK) to provide a platform for contractor database integration. Upon the implementation of the new system, all contractor licenses issued by PKK in relation to participation in tenders called by the Government authorities, statutory bodies, regulatory authorities or entities in the public sector are cancelled and replaced with the Government Works Procurement Certificate (SPPK) issued by CIDB. Nevertheless, the issuance of the Bumiputera Status Certificate (STB) for the identification of bumiputera status remains under the control and supervision of PKK.

*(Source: Construction Industry Development Board)*

## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



### 8.1.2 Registration with the Ministry of Finance

- Companies that are supplying or tendering for the supply of products and services to the Malaysian Government must be registered with the Ministry of Finance (*Source: Ministry of Finance*).

### 8.1.3 Construction Industry Payment and Adjudication Act (CIPAA)

- The Construction Industry Payment and Adjudication Act 2012 (CIPAA) was gazetted on 22 June 2012 and it has come into force on 15 April 2014. As such, the Act only applies to disputes relating to payment following contracts signed after the date the Act was enforced. The primary objective of this legislation is to address cash flow problems in the construction sector in Malaysia. It is intended to facilitate regular and timely payment by the removal of conditional payments as well as provide a mechanism for speedy dispute resolution through adjudication.
- The CIPAA also provides remedies for the recovery of payment upon conclusion of the adjudication process as well as other remedies such as a right to suspend work or reduce the rate of work progress or even to secure payment directly from the principal.
- The CIPAA applies to every construction contract which are made in writing relating to construction work carried out wholly or partly in Malaysia with the exception of construction of owner occupied residential property of less than four storeys high.
- The Act applied equally to the Government of Malaysia as well as the private sector covering a wide range of construction related projects such as building construction, oil and gas related projects, petrochemical industry, telecommunication, utilities, infrastructure, supply contracts and consultancy contracts.
- However, the Act is exempted for Government contracts for any construction works that involve emergency, natural disaster, unforeseen circumstances and matters of national security and security related facilities.
- Additionally, Government contracts for any construction works with contract sum of RM20 million and below are given temporary exemption until 31 December 2015 for matters related to the timeline for submissions stipulated under the provisions of CIPAA.

### 8.1.4 Environmental Regulations

- Environmental Impact Assessment (EIA) is a study to identify, predict, evaluate and communicate information about the impacts on the environment of a proposed project and to detail out the mitigating measures prior to project approval and implementation. The EIA is a planning tool for preventing environmental problems due to an action. It ensures that potential problems are identified and addressed at an early stage of the project. This will essentially avoid costly mistakes in project implementation, either due to the environmental damages that are likely to arise during project implementation, or modifications that maybe required subsequently. Ultimately, the EIA is conducted to ensure that the proposed project is environmentally acceptable.

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- Under the Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 1987, an EIA is required to be conducted for certain prescribed activities with specific condition prior to approval and commencement of project. This includes, amongst others, construction of expressways, railways, dams, housing development and Mass Rapid Transport projects. For instance, housing development covering an area of 50 hectares and above is required to perform an EIA prior to its commencement.

*(Source: Department of Environment)*

### 9. SUBSTITUTE PRODUCTS AND SERVICES

- There are no substitutes to piling and foundation works. Piling and foundation works are mandatory when buildings, infrastructures or other structures are constructed on land or over water and cavernous space. This is because all above ground buildings and structures that are not mobile will need to be firmly secured in place to ensure the safety of the building, infrastructure or other structure.
- There are no substitutes to construction works. This is because buildings, infrastructures and other structures are required in today's society incorporating the community, commerce, industries and government.

### 10. RELIANCE AND VULNERABILITY TO IMPORTS

- As building materials are main inputs for the construction of buildings, infrastructure and structures, the supply of these materials will affect contractors. Generally, major building materials used in the construction sector such as piles, tiles, iron and steel materials, cement and concrete materials are widely available locally and overseas.
- Most of the bulky and basic building materials such as iron and steel materials, earth, sand, bricks, roofing tiles and cement are available locally. They are also available on the international markets as these building materials are common products. However, due to the higher cost factors of imported building materials and the price-sensitive nature of the operators, most building materials are sourced locally. As such, contractors are normally not vulnerable to imports.
- Piling and foundation works require, among others, specialised machinery and equipment. Some of these include:
  - bore piling machine;
  - rotary piling machine;
  - continuous flight auger piling machine;
  - hydraulic diaphragm wall grab;
  - mechanical diaphragm wall grab;
  - grout pumps.
- Most of these specialised machinery and equipment are imported. Nevertheless, they are readily available in many overseas countries. As such, operators within the piling and foundation works industry are not vulnerable to imports of such specialised machinery and equipment.

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## 11. PROSPECTS AND OUTLOOK OF THE PILING, FOUNDATION AND CONSTRUCTION INDUSTRY IN MALAYSIA

- The prospects and outlook of the Piling, Foundation and Construction Industry in Malaysia are generally dependent on the following factors:
  - Socio-economic conditions;
  - Performance of the construction industry;
  - Government initiatives that drive growth in the building and construction industry; and
  - Infrastructure and major developments projects up to 2020.

### 11.1 Socio-Economic Conditions

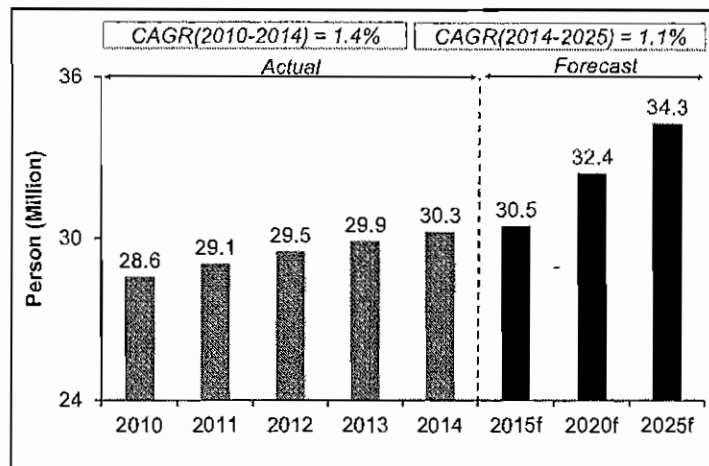
#### 11.1.1 Economic Growth

- A growing economy provides the impetus for private and public investment which would have a positive flow-on effect on the Piling, Foundation and Construction Industry.
  - Between 2010 and 2014, real GDP of the Malaysian economy grew at a CAGR of 5.4%;
  - In 2014, the Malaysian economy registered a real GDP growth of 6.0%;
  - As for 2015, the Malaysian economy is forecasted to grow between 4.5% and 5.5%;
  - Between 2016 and 2020, the Malaysian economy is forecasted to grow at a CAGR of 5 to 6%.

(Sources: Bank Negara Malaysia; Department of Statistics, 11<sup>th</sup> Malaysia Plan)

#### 11.1.2 Population Growth

Malaysia's Mid-year Population Size



Notes: f = forecast;  
(Source: Department of Statistics)

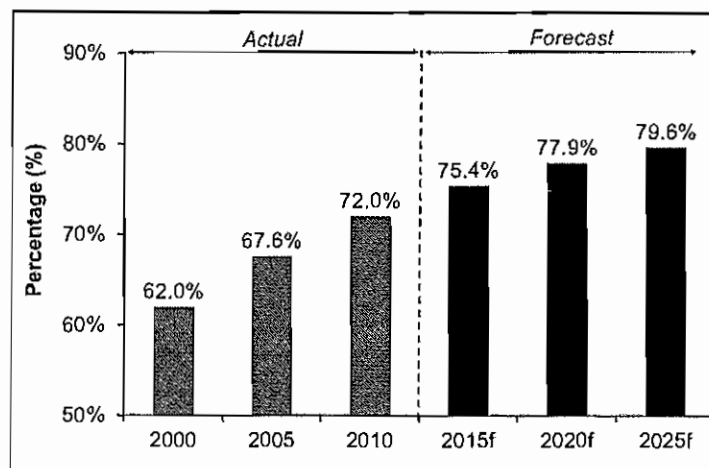
- Malaysia's total population grew at a CAGR of 1.4% between 2010 and 2014 and it is projected to reach 34.3 million by 2025. The continuing growth of Malaysia's population will drive the development of residential properties and surrounding infrastructure which in turn will spur the overall construction sector.

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## 11.1.3 Increasing Urbanisation

Malaysia's Urbanisation Rate



Note: f=forecast;  
(Source: Vital Factor Consulting analysis)

- The urbanisation rate in Malaysia increased by 10.0% over a ten-year period between 2000 and 2010. The shift in population from rural to urban areas is expected to continue, with urbanisation forecasted to reach 79.6% by 2025.
- In order to facilitate the increasing density in urban cities, the Malaysian Government has implemented several initiatives to enhance the liveability of urban cities. Under the 11<sup>th</sup> Malaysia Plan, Government and Economic Transformation Programmes, several urban transformation plans were identified such as investments in urban public transport, new township developments as well as urban rejuvenation of heritage buildings (Refer to Section 11.4 of this report for detailed information on government initiatives). (Source: Ministry of Finance)
- The continuing migration of population to urban cities would augur developments of residential and non-residential buildings as well as infrastructure. Furthermore, there is higher demand for high rise building in dense urban area due to limited land space. This in turn would continue to provide opportunities to operators in the Piling, Foundation and Construction Industry.

## 11.2 Loan

- As a supplier of physical property structures, the construction sector is indirectly related to the demand for the properties itself. The demand to purchase properties is dependent on the availability of financial support from financial institution. Availability of loans are predicated on several factors including the following from the lenders' perspective:
  - Liquidity in the market;
  - Financial institutions' internal lending policies;
  - Government policies;
  - Bank Negara Malaysia policies and guidelines.



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## Loans for Purchase of Properties in Malaysia

	2010	2011	2012	2013	2014	CAGR 2010-14 (%)
Purchases of residential property .....	237,440	268,819	303,369	344,038	389,954	13.2
<i>Growth rate (%)</i> .....	13.2	13.2	12.9	13.4	13.3	
Purchases of non-residential property .....	90,738	110,039	131,518	154,897	178,050	18.4
<i>Growth rate (%)</i> .....	22.5	21.3	19.5	17.8	14.9	

*Note: All units are in RM million, except percentages; Loans by Commercial Banks, Islamic Banks and Merchant Banks.  
(Source: Bank Negara Malaysia)*

- Between 2010 and 2014, loans for property purchases grew strongly with year-on-year double digit growth rates. The strong growth in loans indicates sufficient financing liquidity in the property market to support demand for properties.
- The continuing growth in loans for the purchase of residential and non-residential properties will continue to support demand for such properties, and sustaining operators who are performing construction for these types of properties.

## 11.3 Performance of the Construction Industry

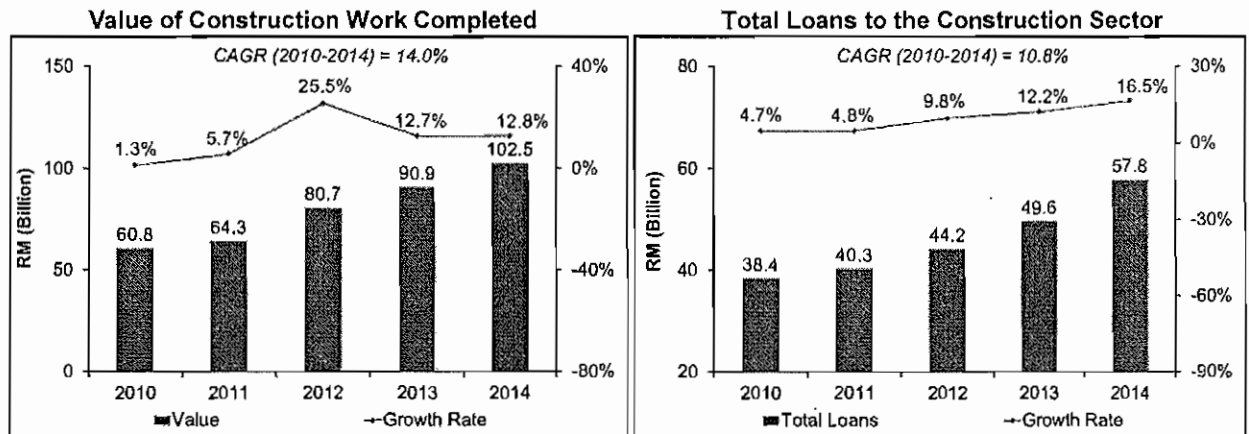
- The performance of the construction industry has an impact on the local economy and directly affects operators that are involved in the Piling, Foundation and Construction Industry.
  - Between 2010 and 2014, real GDP of the construction industry in Malaysia grew at a CAGR of 11.3%;
  - In 2014, the construction industry in Malaysia registered a real GDP growth of 11.6%;
  - As for 2015, Malaysia's construction industry is forecasted to grow at 10.3%;
  - Between 2016 and 2020, the construction industry in Malaysia is forecasted to grow at a CAGR of 10.3%.

*(Sources: Bank Negara Malaysia; Department of Statistics, 11<sup>th</sup> Malaysia Plan)*

## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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Note: All construction works completed referred to in this section covers all main contractors with project value of RM500,000 and above and registered with CIDB.  
(Source: Department of Statistics)

Note: Loans by Commercial Banks, Islamic Banks and Merchant Banks  
(Source: Bank Negara Malaysia)

- The construction industry has shown consistent growth since 2010 to reach RM102.5 billion in 2014. Similarly loans to the construction sector grew consistently since 2010. All these indicators augur well for the Piling, Foundation and Construction Industry in Malaysia.

#### 11.4 Government Initiatives that Drive Growth in the Piling, Foundation and Construction Industry

- The Malaysian Government has introduced various initiatives that may benefit the operators within the Piling, Foundation and Construction Industry. Some of these initiatives in the 11<sup>th</sup> Malaysia Plan, Economic Transformation Programmes, Government Transformation Programmes and Corridors Transformation Programmes are discussed below:

##### (i) 11<sup>th</sup> Malaysia Plan (11MP)

The 11MP is the framework implemented by the Malaysian Government and to be executed between 2016 and 2020 with the aim of ensuring Malaysia transitions into an advanced economy and inclusive nation. One of the key focuses of the 11MP is the transformation of the construction industry by enhancing knowledge content, driving productivity, fostering sustainable practices and increasing global competitiveness. Additionally, several initiatives and construction projects were planned and are to be implemented during the Eleventh Plan including, among others:

- Government related residential project such as Program Perumahan Rakyat Malaysia (PR1MA), Rumah Idaman Rakyat and Rumah Mesra Rakyat.
- Civil engineering and non-residential projects such as Tun Razak Exchange, KL118 Tower, Refinery and Petrochemicals Integrated Development (RAPID) and Pan-Borneo Highway.
- Construction and upgrading of roads and highways, such as Pan Borneo Highway to link the Sarawak Corridor of Renewable Energy (SCORE) and Sabah Development Corridor (SDC);

5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



- . Central Spine Road and Kota Bahru-Kuala Krai Highway to increase connectivity in East Coast Economic Region (ECER);
- . 3,000km of paved roads including construction of new roads and upgrading of existing un-paved roads.
- Public transportation such as KVMRT Line 2, LRT Line 3, monorail for Putrajaya and Cyberjaya, as well as the Bus Rapid Transit (BRT) KL – Klang corridor.
- Construction of new Mukah Airport and relocation of Lawas Short Take-Off and Landing (STOL) airport in Sarawak.
- Upgrade of Langkawi International Airport, Kedah and Sultan Ismail Petra Airport in Kelantan to cater for the expected increase in passengers.
- New power plants to replace retiring plants and meet the growing peak demand

*(Source: 11<sup>th</sup> Malaysia Plan, Economic Planning Unit)*

**(ii) Economic Transformation Programme (ETP)**

The ETP is a progressive framework identifying various economic sectors and strategies to transform Malaysia into a high-income and developed nation by 2020. One of the NKEA that benefits the construction sector under the ETP is the Greater Kuala Lumpur / Klang Valley (KL/KV) plan. A total of RM172 billion would be required to fund various projects that have been identified for the Greater KL/KV plan, which are aimed at, among others, attracting multinational corporations (MNC), revitalising certain locations to enhance attractiveness for residential and commercial purposes and improving public transportation network systems. Among the key Entry Point Projects (EPP) within this NKEA are as follows:

- Integrated urban Mass Rapid Transit (MRT) system forming the backbone of Klang Valley region. The first line, namely Sungai Buloh – Kajang line had begun construction in 2012 and it is expected to complete by 2017. In the Budget 2015, the Government announced the rollout of the second MRT line at an estimated cost of RM23 billion. The construction works for MRT Line 2 linking Sungai Buloh, Serdang and Putrajaya is expected to commence by 2016. ;
- High Speed Rail (HSR) system connecting Kuala Lumpur to Singapore which is due for completion by 2020;
- River of Life project which is a redevelopment of Klang River into a vibrant waterfront with high economic and commercial value;
- Development of the Sepang International City, an integrated and sustainable eco-city, with a gross development value of RM48 billion;

*(Sources: Performance Management & Delivery Unit (PEMANDU); Budget 2015, Ministry of Finance; Vital Factor Consulting analysis)*

## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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(iii) **Government Transformation Programme (GTP)**

The GTP is a broad based initiative aimed at addressing key areas of concern to Malaysians while supporting the country's transformation into a developed and high-income nation. A clear roadmap spanning nine years in three stages, namely GTP 1.0 (2010-2012), GTP 2.0 (2013-2015) and GTP 3.0 (2016-2020), was drawn up to ensure that the GTP delivered quick and tangible results. The transformation programme identified 7 National Key Results Areas (NKRA) upon the evaluation of the nation's demands of the Government. Within GTP 2.0, the NKRA which may benefit construction operators are as follows:

- The Urban Public Transport NKRA was implemented to improve the urban public transport system in Kuala Lumpur and the Greater Klang Valley specifically. Initiatives within this NKRA such as the enhancement and extension of KTM Komuter and the extension of the Kelana Jaya and Ampang LRT lines would benefit the construction sector.
- The Cost of Living NKRA was implemented to offer immediate relief for the nation via immediate-term measures, while assessing strategies that will address the rising cost of living over the long term. 'Perumahan Rakyat 1Malaysia' (PR1MA) is an initiative within this NKRA to plan, develop, construct and maintain affordable housing for middle-income households in key urban areas. PR1MA had been mandated to build 500,000 affordable houses by 2018. As of March 2015, nearly 120,000 houses nationwide under the PR1MA have been approved for construction and construction works have already started in Johor Bahru, Kedah, Melaka, Negeri Sembilan, Perak and Kuala Lumpur.
- The Rural Development NKRA supports the goal of becoming a high-income nation by transforming rural areas into vibrant economic centres. The initiative within this NKRA that would benefit the construction sector is the upgrading of rural roads. According to Budget 2015, a sum of RM4.5 billion is allocated, particularly in Sabah and Sarawak to provide and upgrade rural facilities and infrastructure which include, among others, the construction of 635km of rural roads including logging roads in Sabah and Sarawak. Furthermore, a total of RM27 billion is provided for the 1,663 km Pan-Borneo Highway project.

*(Sources: Performance Management & Delivery Unit (PEMANDU); Perbadanan PR1MA Malaysia; Budget 2014 and Budget 2015, Ministry of Finance; Vital Factor Consulting analysis)*

## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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## (iv) The Corridors and Cities Transformation Programme

The Corridors and Cities Transformation Programme complements other government initiatives such as the 10MP, ETP and GTP. The goal of the programme is to develop five regional secondary cities and their corresponding economic corridors by focusing on their competitive advantage and industry strengths. The following table provides a summary of the five corridors:

Corridor	Iskandar Malaysia	Northern Corridor Economic Region	East Coast Economic Region Corridor	Sabah Development Corridor	Sarawak Corridor of Renewable Energy
Development Period	2006 - 2025	2007 - 2025	2007 - 2020	2008 - 2025	2008 - 2030
Main City and State	Johor Bahru, Johor	Georgetown, Penang	Kuantan, Pahang	Kota Kinabalu, Sabah	Kuching, Sarawak
Focus Sectors	Creative industries, education, financial services, healthcare, logistics, tourism, electrical and electronics industry, oleo chemicals, food- and agro-processing.	Agriculture, logistics, education, manufacturing and tourism.	Agriculture, education, manufacturing, oil and gas, petrochemicals and tourism.	Agriculture, logistics, manufacturing and tourism.	Aluminium, glass, marine engineering, metal-based industry, oil and gas, timber-based industry, tourism, aquaculture, livestock, palm oil and tourism.
Expected Investment (RM billion)	383	177	110	113	334
Total Committed Investment (RM billion)	156.5**	47.0*	68.8*	138.1**	32.9*
Total Realised Investment (RM billion)	79.2**	47.0*	8.1*	50.4**	22.0*

Notes: \*Since beginning of Development Period until End-June 2014; \*\*Since beginning of Development Period until End October 2014;  
(Sources: Iskandar Region Development Authority; Northern Corridor Implementation Authority; East Coast Economic Region Development Council; Sabah Economic Development and Investment Authority; Regional Corridor Development Authority; Ministry of Finance Malaysia; Malaysian Investment Development Authority)

## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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## 11.5 Infrastructure and Major Development Projects up to 2020

- In the Budget 2015, the Government announced several construction projects to be implemented in 2015, as follows:

Construction Project	Estimated Total Construction Cost (RM Billion)
Pengerang Integrated Petroleum Complex (PIPC) project	69
1,663-km Pan-Borneo Highway comprising 936 km in Sarawak and 727 km in Sabah	27
56-km Klang Valley MRT Line 2 linking Sungai Buloh – Serdang – Putrajaya	23
LRT 3 linking Bandar Utama – Shah Alam - Klang	9
59-km Sungai-Besi – Ulu Klang Expressway	5.3
276-km West Coast Expressway from Taiping to Banting	5
Rural facilities and infrastructure development	4.5
47-km Damansara – Shah Alam Highway (DASH)	4.2
Air Langat 2 Water Treatment Plant	3
36-km Eastern Klang Valley Expressway (EKVE)	1.6
1Malaysia People's Housing Scheme (PR1MA)	1.3
People's Housing Programme (PPR)	0.6
Upgrading the East Coast railway line along Gemas – Mentakab, Jerantut – Sungai Yu and Gua Musang - Tumpat	0.2

(Sources: Budget 2015, Ministry of Finance; Vital Factor Consulting analysis)

- Besides the above mentioned construction projects, some of the continuing and proposed/planned infrastructure and major development projects in Malaysia include, among others:
  - KVMRT line phases 3;
  - Serdang – Kinrara – Putrajaya Expressway (SKIP);
  - Gemas – Johor Bahru electrified double track railway;
  - Kuala Lumpur – Singapore high-speed rail (HSR) link;
  - Kuala Terengganu City Centre (KTCC) drawbridge;
  - Third Klang bridge over Klang river;
  - Bandar Malaysia;
  - Infrastructure and mixed developments in Iskandar Malaysia;
  - Rubber Research Institute (RRI) land development in Sungai Buloh;
  - River of Life project focusing on the transformation of Klang and Gombak rivers into a vibrant and liveable waterfront location;
  - Sepang International City;
  - Bus Rapid Transit (BRT) KL to Klang;
  - Monorail in Putrajaya and Cyberjaya.

(Sources: Ministry of Finance; Construction Industry Development Board; Ministry of Works; Vital Factor Consulting analysis)

- The numerous infrastructure and major development projects create opportunities for operators in the Piling, Foundation and Construction Industry in Malaysia up to 2020.

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**5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**

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**12. THREATS AND RISK ANALYSIS****12.1 Global Economic Slowdown**

- Any prolonged and/or widespread economic slowdown would affect consumer and business confidence. Any uncertainty in the global and local economies would have an effect on the level of investments in the private sector. This will correspondingly have a negative impact on construction activities.

**Mitigating Factors**

- As evident in the past, the Malaysian Government's continued prompt policy flexibility in implementing pro-growth measures to support the country's growth momentum, by raising domestic demand to compensate for slower external growth. This has assisted Malaysian companies to counter some of the effects of the slowdown in the global economy.
- Furthermore, various initiatives introduced by the Malaysian Government including the 11<sup>th</sup> Malaysia Plan, Economic Transformation Plan, Government Transformation Plans and the development of the five regional economic corridors, particularly the implementation of construction projects, will continue to provide opportunities to the operators in the Piling, Foundation and Construction Industry.
- These initiatives are expected to generate domestic business activities and domestic consumption, which will in turn help to counter the slowdown in the local economy.

**12.2 Fluctuation in Prices of Major Building and Construction Materials**

- The major building and construction materials are cement and concrete materials, and iron and steel materials. As cement and concrete materials, and iron and steel materials are commodities, prices of these building and construction materials are subjected to the fluctuations in global market prices. In some situations, an increase in the price of these raw materials may not be easily passed onto customers and would conversely have an impact on profit margins. Alternatively, if an increase in cost is passed onto customers, the operator will be at a competitive disadvantage in its pricing during the tendering process.

**Mitigating Factors**

- Operators may enter into long-term or fixed-price contract with key suppliers to mitigate against any risk of price increase in the major building and construction materials. Operators with strong financial strength may be able to purchase and maintain stock of key raw materials to create a cushion against price fluctuations. Nevertheless, as these building and construction materials are commodities and therefore are subjected to world prices, all operators that use these materials are equally affected by price fluctuations.

## 5. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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### 12.3 Implementation of Goods and Services Tax

- In the Budget 2014, the Government announced that the existing sales tax and service tax will be abolished and will be replaced by the Goods and Services Tax (GST) which was effective from 1 April 2015 onwards. The Malaysian Goods and Services Tax Act 2014 was gazetted on 19 June 2014. The GST will be applied to all goods and services unless they are not within the scope of GST. For the construction sector, the implementation of GST may impact on the selling price of the constructed products.

#### Mitigating Factors

- The GST is a broad base tax and all operators in the Piling, Foundation and Construction Industry will be equally affected.

### 12.4 Property Overhang

- Property overhang is commonly due to an oversupply of new launches relative to the demand for new property.
- The following is an analysis of the property overhang situation in the past five years:
  - Between 2010 and 2014, the number of residential property and shop units overhang in Malaysia decreased at a compound annual rate of 15.5% and 6.0% respectively. This indicates that the property overhang situation has been improving.

*(Source: Valuation and Property Services Department, Ministry of Finance)*

- A persistently high level of unsold property or an increase in property overhang will have an impact on property developments where there may a decrease in demand for properties. This in turn may indirectly have an impact on the operators within the Piling, Foundation and Construction Industry.

#### Mitigating Factors

- The Government had implemented measures to ensure stability in housing prices and to control speculative activity in the property development sector. These measures that are applicable to residential and commercial properties include, among others, the upward revision of the Real Property Gains Tax, tightening of the lending policies, prohibition on property developers from implementing projects that have features of Developers Interest Bearing Scheme (DIBS) and increase in the minimum price of property that can be purchased by foreign individuals and companies.
- The Government had launched the My First Home Scheme programme under the Budget 2011 to assist young adults with income below RM3,000 per month to purchase their first home with maximum property value of RM220,000. In the following Budget 2012, the maximum property value allowed was increased to RM400,000 effective from 1 January 2012. Subsequently, in the Budget 2013 announcement, the Government raised the income limit to RM5,000 per month for individual loans and RM10,000 per month for joint loans of spouses. In the Budget 2015, the Government raised the ceiling price of property purchased under this scheme to RM500,000 as well as increased the eligibility of borrower's age from 35 to 40 years old.





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With Cagamas Berhad providing guarantee on the 10% down payment, home buyers under this programme are allowed to obtain 100% financing loan from financial institutions without having to pay the down payment.

- The above programme is aimed at stimulating demand for properties and house ownership in Malaysia particularly for the low to middle income group. This would indirectly create opportunities for operators within the Piling, Foundation and Construction Industry in Malaysia.

#### 12.5 Competition from Other Piling Contractors

- As at 30 April 2015, there were approximately 5,709 operators registered with CIDB under the category of Piling Works for Civil Engineering Construction of which 2,211 operators were registered with grade G7. Furthermore, there were approximately 996 operators registered with CIDB under the category of Piling Works for Building Construction of which 372 operators were registered with grade G7. In this respect, operators within the Piling, Foundation and Construction Industry that specializes in piling and foundation works do face competition.

#### Mitigating Factors

- Generally, competition among piling contractors will be somewhat moderated by operators with competitive advantages including a high degree of integration in terms of evaluation, design, construction, engineering consultancy and engineering services to facilitate better quality and cost control.

We, Vital Factor Consulting, have prepared this report in an independent and objective manner and have taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, secondary statistics and information, and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibilities for the decisions or actions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the shares of any company.

Yours sincerely

Wooi Tan  
Managing Director

## 6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

### 6.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

#### 6.1.1 Particulars and Shareholdings

The details of our Promoters and substantial shareholders, and their shareholdings before and after the IPO are as follows:-

Name	Nationality/ Country of Incorporation	No. of Shares Held Before the IPO <sup>(a)</sup>				No. of Shares Held After the IPO <sup>(b)</sup>			
		Direct	(%)	Indirect	(%)	Direct	(%)	Indirect	(%)
<b>Promoters and Substantial Shareholders</b>									
IJ Holdings	Malaysia	394,000,000	100.00	-	-	338,000,000	65.00	-	-
Dato' Ang Cheng Siong	Malaysian	-	-	<sup>(c)</sup> 394,000,000	100.00	-	-	<sup>(d)</sup> 338,000,000	65.00
Aura Perdana	Malaysia	-	-	<sup>(d)</sup> 394,000,000	100.00	-	-	<sup>(d)</sup> 338,000,000	65.00
Dato' Ir Dr Khoo Ping Sen	Malaysian	-	-	<sup>(d)</sup> 394,000,000	100.00	-	-	<sup>(d)</sup> 338,000,000	65.00
<b>Promoters</b>									
Siew Mun Lout	Malaysian	-	-	-	-	-	-	-	-
Ang Wei Zhen	Malaysian	-	-	-	-	<sup>(e)</sup> 1,000,000	0.19	-	-

Notes:-

- Based on our issued and paid-up share capital of 394,000,000 Shares after the Subdivision, Acquisitions and Transfer.
- Based on our enlarged issued and paid-up share capital of 520,000,000 Shares.
- Deemed interested by virtue of his shareholdings in IJ Holdings and Aura Perdana pursuant to Section 6A of the Act.
- Deemed interested by virtue of its/ his shareholding in IJ Holdings pursuant to Section 6A of the Act.
- Include his entitlement to the Pink Form Shares.

Save for the Promoters, our Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises control over our Company.

#### 6.1.2 Profiles of Promoters

The profiles of our Promoters are as follows:-

##### 6.1.2.1 IJ Holdings

###### (a) Background and History

IJ Holdings was incorporated in Malaysia under the Act on 5 December 2013 as a private limited company.

The principal activity of IJ Holdings is investment holding of shares in companies and provision of management services.

## 6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### (b) Share Capital

As at the LPD, IJ Holdings's authorised share capital is RM400,000 comprising 400,000 ordinary shares of RM1.00 each, of which RM10,000 comprising 10,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

### (c) Directors and Substantial Shareholders

The Directors and substantial shareholders of IJ Holdings and their respective shareholdings in IJ Holdings as at the LPD are as follows:-

Name	Direct		Indirect	
	No. of Ordinary Shares of RM1.00 Each	%	No. of Ordinary Shares of RM1.00 Each	%
<b><u>Directors and Substantial Shareholders</u></b>				
Dato' Ang Cheng Siong	3,058	30.58	# 2,804	28.04
Dato' Ir Dr Khoo Ping Sen	2,386	23.86	-	-
Siew Mun Lout	895	8.95	-	-
<b><u>Substantial Shareholder</u></b>				
Aura Perdana	2,804	28.04	-	-

Note:-

# Deemed interested by virtue of his shareholding in Aura Perdana pursuant to Section 6A of the Act.

**6.1.2.2 Dato' Ang Cheng Siong**, aged 60, is our Group Managing Director. He was appointed to our Board on 5 December 2013. As our Group Managing Director, he is responsible for the overall management, strategic planning and business development of our Group.

He obtained his Diploma in Building Technology from Tunku Abdul Rahman College (now known as Tunku Abdul Rahman University College) in 1980. He subsequently obtained his Master of Business Administration (Finance) degree from the University of Hull, United Kingdom in 1992.

He began his career in 1980 with Pembinaan Leow Tuck Chui & Son Sdn Bhd as a Quantity Surveyor and left in 1981. He then joined Syarikat Manong Sdn Bhd in 1981 as a Site Supervisor. During his tenure in Syarikat Manong Sdn Bhd, he was promoted to Senior Supervisor in 1983 and Site Agent in 1985. In 1988, he left Syarikat Manong Sdn Bhd and joined Ho Hup Construction Company Sdn Bhd (now known as Ho Hup Construction Company Berhad) as a Tender Manager. In 1992, he set up Ikhmas Jaya. Subsequently in 1994, he left Ho Hup Construction Company Berhad to manage Ikhmas Jaya.

He has accumulated more than 30 years of extensive experience and expertise in the construction field via his involvement in various types of projects involving buildings, highways, dams, marine works, laying pipes, bridges, breakwater constructions, sewerage treatment plants, water supply projects and sports complex.

## 6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 6.1.2.3 Aura Perdana

#### (a) Background and History

Aura Perdana was incorporated in Malaysia under the Act on 8 June 1994 as a private limited company.

The principal activity of Aura Perdana is as a management company.

#### (b) Share Capital

As at the LPD, Aura Perdana's authorised share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which RM10,002 comprising 10,002 ordinary shares of RM1.00 each have been issued and fully paid-up.

#### (c) Directors and Substantial Shareholders

The Directors and substantial shareholders of Aura Perdana and their respective shareholdings in Aura Perdana as at the LPD are as follows:-

Name	Direct		Indirect	
	No. of Ordinary Shares of RM1.00 Each	%	No. of Ordinary Shares of RM1.00 Each	%
<b><u>Directors and Substantial Shareholders</u></b>				
Dato' Ang Cheng Siong	8,002	80.00	-	-
Datin Kun Haw Choy	2,000	20.00	-	-

**6.1.2.4 Dato' Ir Dr Khoo Ping Sen**, aged 63, is our Executive Director. He was appointed to our Board on 5 December 2013. He is responsible for managing and supervising the design and method of construction for all of the projects carried out by our Group. He is also responsible for the special projects undertaken by our Group and our Group's business development.

He graduated with a Bachelor of Engineering degree with Honours from Monash University, Australia in 1975. He was granted the Monash University Graduate Scholarship and pursued his doctorate degree at the same university and obtained his Doctor of Philosophy degree in Civil Engineering majoring in structures in 1979.

He began his career in 1979 with Wan Mohamed & Khoo Sdn Bhd as an Engineer. He was promoted to the positions of Senior Engineer, Associate, Senior Associate and Director before he left the company in 1990. In 1990, he joined Ho Hup Construction Company Sdn Bhd (now known as Ho Hup Construction Company Berhad) as a Senior Project Manager, where he was in charge of the Design Department and Bore Piling Division. In 1997, he left Ho Hup Construction Company Berhad as a General Manager to join Ikhmas Jaya in the same year as the Managing Director. He is currently a member of the Training and Education Committee and the Application Committee of the Board of Engineers, Malaysia, the positions he held since 1997 and 2010 respectively. He is also a member of the Institution of Engineers Malaysia since 1983.

He has been involved in the construction industry for more than 35 years and his expertise is in the area of structural design which focuses on bridges, high-rise buildings and industrial buildings. He also specialises in bore piling and foundation works.

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## 6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

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**6.1.2.5 Siew Mun Lout**, aged 52, was appointed to our Board on 4 July 2014 as an Executive Director. He is responsible for the day-to-day operations of all of the projects undertaken by our Group.

He graduated with a Bachelor of Engineering in Civil Engineering with Honours from the University of New South Wales, Australia in 1987.

He began his career with Syarikat Manong Sdn Bhd in 1987 as a Site Engineer. In 1990, he left Syarikat Manong Sdn Bhd and joined Ho Hup Construction Company Sdn Bhd (now known as Ho Hup Construction Company Berhad) as a Site Engineer. He was subsequently promoted to the positions of Construction Engineer and Project Engineer before he left in 1994 to join Ikhmas Jaya as a Project Manager in the same year. He was then promoted to Senior Project Manager in 1997 and promoted to the General Manager of Rekavista in 1998. Subsequently in 2002, he was promoted to Executive Director of Ikhmas Jaya.

He has more than 25 years of construction experience in bridge works, earthworks and roadworks including breakwater constructions and was involved in numerous types of projects involving highways, dams, marine works, laying pipes, bridge constructions, bore piling and basement constructions.

**6.1.2.6 Ang Wei Zhen**, aged 31, is our Executive Director. He was appointed to our Board on 4 July 2014. As our Executive Director, he is responsible for developing and implementing strategic plans to promote cost efficiency within our Group's overall operations. He is also responsible for project scheduling and business development.

He graduated with a Bachelor of Applied Science degree majoring in Construction Management and Economics from the Curtin University of Technology, Australia in 2008.

He began his career with Rider Levett Bucknall Pty Ltd in Perth, Australia in 2008 as a Junior Quantity Surveyor, where he was primarily responsible for carrying out cost estimation work, document controls as well as producing bill of quantity. He left Rider Levett Bucknall Pty Ltd in 2009 and subsequently joined Ikhmas Jaya in the same year as Deputy Project Manager and Senior Quantity Surveyor. He was part of the management team involved in the project coordination, project management, document control, cost control and cost forecasting.

### 6.1.3 Profiles of Substantial Shareholders

The profile of substantial shareholders namely IJ Holdings, Dato' Ang Cheng Siong, Aura Perdana and Dato' Ir Dr Khoo Ping Sen who are also our Promoters are set out in Section 6.1.2 of this Prospectus.

## 6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 6.1.4 Significant Changes in the Promoters' and Substantial Shareholders' Shareholdings in Our Company

Save as disclosed below, there are no other significant changes in the shareholdings of our Promoters and substantial shareholders in our Company since incorporation up to the LPD:-

Promoters/ Substantial Shareholders	Date	No. of Shares		<sup>(a)</sup> Balance Held				Reason for Change
		Allotment/ Acquisition	Transfer/ Disposal	Direct		Indirect		
				No. of Shares	%	No. of Shares	%	
IJ Holdings	03.06.2015	-	394,000,000	394,000,000	100.00	-	-	Transfer
Dato' Ang Cheng Siong	05.12.2013	<sup>(b)</sup> 1	-	<sup>(b)</sup> 1	50.00	-	-	Subscribers' share
	25.04.2014	<sup>(b)</sup> 49	-	<sup>(b)</sup> 50	50.00	-	-	Allotment
	19.06.2014	-	<sup>(b)</sup> 1	<sup>(b)</sup> 51	51.00	-	-	Transfer from Quah Jin Chew
	07.05.2015	153	-	204	51.00	-	-	Subdivision
	03.06.2015	120,498,196	-	120,498,400	30.58	<sup>(c)</sup> 110,464,400	28.04	Acquisition of Ikhmas Jaya
Aura Perdana	03.06.2015	-	(120,498,400)	-	-	<sup>(c)</sup> 394,000,000	100.00	Transfer
	03.06.2015	110,464,400	-	110,464,400	28.04	-	-	Acquisition of Ikhmas Jaya
Dato' Ir Dr Khoo Ping Sen	03.06.2015	-	(110,464,400)	-	-	<sup>(c)</sup> 394,000,000	100.00	Transfer
	05.12.2013	<sup>(b)</sup> 1	-	<sup>(b)</sup> 1	50.00	-	-	Subscribers' share
Siew Mun Lout	25.04.2014	<sup>(b)</sup> 48	-	<sup>(b)</sup> 49	49.00	-	-	Allotment
	07.05.2015	147	-	196	49.00	-	-	Subdivision
	03.06.2015	93,995,004	-	93,995,200	23.86	-	-	Acquisition of Ikhmas Jaya
	03.06.2015	-	(93,995,200)	-	-	<sup>(c)</sup> 394,000,000	100.00	Transfer
Siew Mun Lout	03.06.2015	35,250,000	-	35,250,000	8.95	-	-	Acquisition of Ikhmas Jaya
	03.06.2015	-	(35,250,000)	-	-	-	-	Transfer

Notes:-

- Based on the issued and paid-up share capital of 394,000,000 Shares after Subdivision, Acquisitions and Transfer.
- Ordinary share of RM1.00 each.
- Deemed interested by virtue of his shareholding in Aura Perdana pursuant to Section 6A of the Act.
- Deemed interested by virtue of his shareholdings in IJ Holdings and Aura Perdana pursuant to Section 6A of the Act.
- Deemed interested by virtue of its/ his shareholding in IJ Holdings pursuant to Section 6A of the Act.

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## 6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 6.2 DIRECTORS

#### 6.2.1 Particulars and Shareholdings

The details of our Directors and their shareholdings before and after the IPO are as follows:-

Name	Designation	No. of Shares Held Before the IPO <sup>(a)</sup>				No. of Shares Held After the IPO <sup>(b)</sup>			
		Direct	(%)	Indirect	(%)	Direct	(%)	Indirect	(%)
Dato' Syed Ariff Fadzillah bin Syed Awalluddin	Independent Non-Executive Chairman	-	-	-	-	<sup>(c)</sup> 1,000,000	0.19	-	-
Dato' Ang Cheng Siong	Group Managing Director	-	-	<sup>(d)</sup> 394,000,000	100.00	-	-	<sup>(d)</sup> 338,000,000	65.00
Siew Mun Lout	Executive Director	-	-	-	-	-	-	-	-
Dato' Ir Dr Khoo Ping Sen	Executive Director	-	-	<sup>(e)</sup> 394,000,000	100.00	-	-	<sup>(e)</sup> 338,000,000	65.00
Ang Wei Zhen	Executive Director	-	-	-	-	<sup>(c)</sup> 1,000,000	0.19	-	-
Dzulkifli David bin Abdullah	Independent Non-Executive Director	-	-	-	-	<sup>(c)</sup> 500,000	0.10	-	-
Yuen Choong Lai	Independent Non-Executive Director	-	-	-	-	<sup>(c)</sup> 1,500,000	0.29	-	-
Tan Ming-Li	Independent Non-Executive Director	-	-	-	-	500,000	0.10	-	-

Notes:-

- Based on our issued and paid-up share capital of 394,000,000 Shares after the Subdivision, Acquisitions and Transfer.
- Based on our enlarged issued and paid-up share capital of 520,000,000 Shares.
- Include their respective entitlements for the Pink Form Shares.
- Deemed interested by virtue of his shareholdings in IJ Holdings and Aura Perdana pursuant to Section 6A of the Act.
- Deemed interested by virtue of his shareholdings in IJ Holdings pursuant to Section 6A of the Act.

#### 6.2.2 Profiles of Directors

Save for the profiles of Dato' Ang Cheng Siong, Siew Mun Lout, Dato' Ir Dr Khoo Ping Sen and Ang Wei Zhen which are set out in Section 6.1.2 of this Prospectus, the profiles of the other Directors are as follows:-

**6.2.2.1 Dato' Syed Ariff Fadzillah bin Syed Awalluddin**, aged 72, was appointed as our Independent Non-Executive Chairman on 24 December 2014. He obtained a Bachelor of Arts Degree in History from Universiti Malaya in 1967, a Diploma in Development Administration from London School of Economics (now known as London School of Economics and Political Science) in 1974 and a Master of Arts in International Relations from New York University in 1984.

## 6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

He began his career in 1967 as an Assistant District Officer of Kulim, Kedah until 1969. In 1970, he joined the Public Service Commission, Kuala Lumpur as an Assistant Secretary until 1972 before he was transferred to the Ministry of Foreign Affairs in the same year. Thereafter, he was appointed as the First Secretary in the High Commission of Malaysia in Ottawa, Canada in 1973, the Charge' de Affaires of Malaysia in Tripoli, Libya in 1976, the Principal Assistance of Secretary, Ministry of Foreign Affairs in Malaysia in 1979 and subsequently, the Deputy Permanent Representative of the Permanent Mission of Malaysia to the United Nations in New York between 1982 and 1986. In 1986, he was appointed as the Deputy Chief of Mission in the Malaysian Embassy in Jakarta, Indonesia where he served until 1989. Subsequently, from 1989 to 1991, he served as the Ambassador of Malaysia to Fiji with concurrent accreditations to Tuvalu, Tonga, Western Samoa, Kiribati and Nauru. He also served as the Undersecretary at the Ministry of Foreign Affairs in charge of Southeast Asia and South Pacific from 1991 to 1992. Prior to retiring in November 2001, he served as the Ambassador of Malaysia to the Republic of Korea with joint accreditation to Mongolia from 1992 to 1995 and Ambassador of Malaysia to Thailand from 1996 to 2001.

He is currently the Chairman/ Independent Non-Executive Director of Ecofirst Consolidated Bhd and Berjaya Auto Berhad. He also sits on the boards of MNRB Holdings Berhad, MNRB Retakaful Berhad and Malaysian Reinsurance Berhad.

**6.2.2.2 Dzul kifli David bin Abdullah**, aged 68, was appointed as our Independent Non-Executive Director on 24 December 2014. He graduated from Universiti Malaya with a Bachelor of Arts in Economics in 1970. He completed and obtained his professional qualification from Institute of Cost and Management Accountants (now known as Chartered Institute of Management Accountants (CIMA) in England, United Kingdom in 1974.

He began his career in 1975 with Esso Production Malaysia Inc. ("EPMI") in Kuala Lumpur where he worked in various accounting and finance capacities including Internal Control Supervisor and Financial Accounting Division Manager until 1981 when he was promoted to "Special Assistant" for the Managing Director of EPMI. During his tenure as the "Special Assistant" to the Managing Director, his responsibility was mainly to be a liaison person in assisting the communications between the foreign professionals in the company and the team in Petronas. His role includes, but not limited to, assisting in reviewing the annual work program and budget, developing guidelines for authorisation to act on matters, arranging meetings as well as all written communications with Petronas, tracking of cost recoveries and special assignments instructed by the Managing Director such as representing the company on the Committee of International Chamber of Commerce. Subsequently, in 1982, he became the Supervisor of Planning and Budgeting for the Engineering Division of EPMI before being assigned to Esso Eastern Inc. in Houston, Texas, United States of America ("USA") in 1984 and to Esso Australia Limited in Sale, Victoria, Australia in 1985 on a Temporary Foreign Assignment (TFA). In 1986, he returned to Kuala Lumpur and became the Assistant Controller of EPMI until 1988 when he was posted to EPMI in Kerteh, Terengganu to become the Regional Accounting Manager, a position he served until 1992. He returned to Kuala Lumpur in 1992 as the Materials Department (Procurement) Manager for EPMI and Esso Malaysia Berhad (now known as Petron Malaysia Refining & Marketing Bhd) until 1997. In the same year, he was assigned to Exxon Company International (ECI) New Jersey as the South East Asia Downstream Procurement Manager, based in Kuala Lumpur until 1999 before he was posted to Fairfax, Virginia, USA in 1999 to become a member of the Global Procurement "Merger Transition Planning Team" for ExxonMobil Corporation ("ExxonMobil") until 2000. In 2011, he was assigned to ExxonMobil Oil Indonesia Inc. in Jakarta, Indonesia as the Procurement Services Manager until 2002 when he assumed the role as the Asia Pacific Regional "Purchase to Pay" Manager for ExxonMobil.



## 6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

In 2002, he retired from ExxonMobil and started providing private consultancy services in the area of supply chain management to the group of companies under PT Bakrie and Brothers Tbk ("**Bakrie and Brothers**") in Jakarta, Indonesia until 2003. In the same year in 2003, he was appointed as the Vice President of Procurement for PT Bakrie Telecom Tbk and Senior Vice President of Procurement of PT Cakrawala Andalas Televisi or commonly known as ANTV in Jakarta, Indonesia, both of which are the subsidiaries of Bakrie and Brothers. In early 2008, he left Bakrie and Brothers and returned to Malaysia. He currently freelances as a consultant on supply chain management and management control processes.

**6.2.2.3 Yuen Choong Lai**, aged 51, was appointed as our Independent Non-Executive Director on 4 July 2014. He graduated from Universiti Utara Malaysia with a Bachelor (Honours) Degree in Accounting in 1988 before obtaining a Master of Business Administration in Finance from the University of Hull, United Kingdom in 1992. He obtained his Corporate Finance Qualification (CFQ) from the Institute of Chartered Accountants in England and Wales (ICAEW) in 2006 and is a member of the Corporate Finance Faculty of the ICAEW. He is also a Chartered Accountant of the Malaysian Institute of Accountants (MIA) since 1992 and a Certified Practising Accountant (CPA) with CPA Australia since 2008.

He began his career as an Audit Assistant with Price Waterhouse & Co (now known as PricewaterhouseCoopers) in 1988 before leaving in 1989 to join Hong Kong and Shanghai Banking Corporation Limited (now known as HSBC Bank Malaysia Berhad) as Resident Officer. After he left in 1994, he joined Kuala Lumpur Stock Exchange Berhad (now known as Bursa Malaysia Securities Berhad) as an Accountant until 1995. He was appointed as an Executive Director of FOS Advisory Services Sdn Bhd from 1995 until 2000 and as an Executive Director of FOS Consulting Sdn Bhd from 2000 until 2004. Between 2004 and 2012, he was the President/ Executive Director of Hadrons Capital Sdn Bhd. Currently, he remains as Director of Hadrons Capital Sdn Bhd and other companies within the Hadrons group but does not hold any executive role. The Hadrons group of companies are involved in financial services, food and beverages, retail and information and communication technologies (ICT). Since 2012, he has been an Executive Director/ Chief Financial Officer of Fusionex International PLC, a holding company for a group of information technology companies. Fusionex International PLC is listed on the Alternative Investment Market (AIM) of the London Stock Exchange in the United Kingdom. Also, he has previously served as a Non-Executive Director for several public companies in Malaysia including Kurnia Asia Berhad, Kurnia Insurans (Malaysia) Berhad and Analabs Resources Berhad.

**6.2.2.4 Tan Ming-Li**, aged 46, was appointed as our Independent Non-Executive Director on 11 May 2015. She graduated with a double degree in Law (Hons) and Science from University of Melbourne, Australia in 1993 and has been a member of the Malaysian Bar since 1994.

In 1994, she began her career in Allen & Gledhill, a legal firm in Kuala Lumpur, concentrating in the areas of corporate and commercial litigation and intellectual property law. In 1997, she left Allen & Gledhill and joined Cheang & Ariff in the same year.

She is currently a partner in Cheang & Ariff specialising in corporate and securities law, where she is principally involved in advising on capital market transactions, mergers and acquisitions, corporate restructuring as well as other corporate finance related work. She is an Independent Non-Executive Director of BP Plastics Holding Bhd and Tune Ins Holdings Berhad. She is also a Director of Tune Insurance Malaysia Berhad, a subsidiary of Tune Ins Holdings Berhad and C & A Training and Management Services Sdn Bhd, a company providing library and library related services to Cheang & Ariff. However, she does not hold any executive role in Tune Insurance Malaysia Berhad and C & A Training and Management Services Sdn Bhd.

## 6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 6.2.3 Directors' Remuneration and Benefits

The aggregate remuneration and material benefits-in-kind paid for the FYE 2014 and proposed to be paid for the FYE 2015 to our Directors for services rendered in all capacities to our Group are set out below in bands of RM50,000:-

Directors	FYE 2014 Remuneration Band (RM)		Proposed for FYE 2015 Remuneration Band (RM)	
Dato' Syed Ariff Fadzillahbin Syed Awalluddin	-	-	-	50,000
Dato' Ang Cheng Siong	400,000	450,000	800,000	850,000
Siew Mun Lout	300,000	350,000	550,000	600,000
Dato' Ir Dr Khoo Ping Sen	300,000	350,000	550,000	600,000
Ang Wei Zhen	50,000	100,000	150,000	200,000
Dzulkifli David bin Abdullah	-	-	-	50,000
Yuen Choong Lai	-	-	-	50,000
Tan Ming-Li	-	-	-	50,000

Save as disclosed above and in Sections 2.3.1.2, 6.2.1, 6.7, 8.1.1 and 13.3 of this Prospectus, there are no other amounts/ benefits paid or intended to be paid or given to any of our Promoters, Directors or substantial shareholders within the two (2) years preceding the date of this Prospectus.

### 6.2.4 Principal Directorships in Other Corporations for the Past Five (5) Years and Principal Business Activities Performed Outside Our Group

Save as disclosed below, our Directors do not have any other principal directorship or any principal business activities performed outside our Group in other corporations for the past five (5) years prior to the LPD.

#### 6.2.4.1 Dato' Syed Ariff Fadzillah bin Syed Awalluddin

No.	Company	Position	Principal Activities
	<b><u>Present Directorships</u></b>		
1.	MNRB Holdings Berhad	Director	Provision of management services and investment holding in companies involving in reinsurance and retakaful business
2.	Berjaya Auto Berhad	Director and shareholder	Investment holding in companies distributing and retailing Mazda vehicles as well as providing after-sales services in Malaysia
3.	MNRB Retakaful Berhad	Director	General and family retakaful business under Takaful Act 1984
4.	Awana Holdings Sdn Bhd	Director	Dormant (Restaurant operator)
5.	Awana Marketing Sdn Bhd	Director	Dormant (Publicity and promotional activities on behalf of Awana Holdings Sdn Bhd)

**6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

No.	Company	Position	Principal Activities
6.	Ecofirst Consolidated Bhd	Director	Provision of management services and investment holding in companies involving in property investment, management and development
7.	LCL Furniture Sdn Bhd	Director	Wound up on 13.08.2010
8.	Malaysian Reinsurance Berhad	Director	Reinsurance
9.	LCL- Ikhtisas Furniture & Interior (M) Sdn Bhd	Director	Interior fit-out services
10.	Prima Gading Corporation Sdn Bhd	Director and shareholder	Provision and management of education services
	<b><u>Past Directorships</u></b>		
11.	DGB Asia Berhad (formerly known as DSC Solutions Berhad)	Director (Resigned on 31.03.2014)	Engaged in development and provision of software and engineering consultancy for automated identification & data collection ("AIDC").
12.	Ip muda Hias Sdn bhd	Director (Resigned on 30.12.2011)	Provision of interior fit-out works and services
13.	Pengasus Pelita Sdn Bhd	Director (Resigned on 14.12.2009) and shareholder	Dissolved on 15 June 2010

**6.2.4.2 Dato' Ang Cheng Siang**

No.	Company	Position	Principal Activities
	<b><u>Present Directorships</u></b>		
1.	Anjung Baiduri Development Sdn Bhd	Director	Dormant (Property development)
2.	Aura Perdana	Director and shareholder	Management company
3.	IJ Holdings	Director and shareholder	Investment holding of shares in companies and provision of management services
4.	Ikhtisas Emas Sdn Bhd	Director	Construction and property development
5.	Lingkar an Ikhlas Sdn Bhd	Director	Dormant (Property development)
6.	Ikhmas Land Sdn Bhd	Director	Property development
	<b><u>Past Directorships</u></b>		
7.	Banjaran Anggun Sdn Bhd	Director	Dissolved on 15 September 2010
8.	Decorus Development Sdn Bhd (formerly known as Loh & Loh Ikhmas Sdn Bhd)	Director (Resigned on 05.07.2011)	Property development
9.	Pembinaan Sistem Industri (M) Sdn Bhd	Director	Dissolved on 27 December 2013
10.	Perkasa Takzim Sdn Bhd	Director	Dissolved on 15 March 2011
11.	RV Geotechnic Sdn Bhd	Director	Dissolved on 23 November 2010

## 6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 6.2.4.3 Siew Mun Lout

No.	Company	Position	Principal Activities
	<b><u>Present Directorship</u></b>		
1.	IJ Holdings	Director and shareholder	Investment holding of shares in companies and provision of management services

### 6.2.4.4 Dato' Ir Dr Khoo Ping Sen

No.	Company	Position	Principal Activities
	<b><u>Present Directorships</u></b>		
1.	IJ Holdings	Director and shareholder	Investment holding of shares in companies and provision of management services
2.	Ikhtisas Emas Sdn Bhd	Director	Construction and property development
3.	Lian Kerk Sdn Bhd	Director and shareholder	Property development
4.	Lingkarun Ikhlas Sdn Bhd	Director	Dormant (Property development)
5.	Ikhmas Land Sdn Bhd	Director	Property development
6.	Zotel Sdn Bhd	Director and shareholder	Administrative and management office for hotel management
	<b><u>Past Directorships</u></b>		
7.	Decorus Development Sdn Bhd (formerly known as Loh & Loh Ikhmas Sdn Bhd)	Director (Resigned on 05.07.2011)	Property development
8.	RV Geotechnic Sdn Bhd	Director	Dissolved on 23 November 2010

### 6.2.4.5 Ang Wei Zhen

No.	Company	Position	Principal Activities
	<b><u>Present Directorship</u></b>		
1.	Anjung Baiduri Development Sdn Bhd	Director	Dormant (Property development)

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## 6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 6.2.4.6 Dzul kifli David bin Abdullah

No.	Company	Position	Principal Activities
<b><u>Present Directorships</u></b>			
1.	Tropical Rainforest Conservation & Research Centre Bhd	Director	<p>a) To preserve, enhance, conserve and protect the environment and natural ecosystem in Malaysia and to establish a living collection centre to perpetuate all tropical rainforest species and eco-parks;</p> <p>b) To develop and expand existing seed and gene banks and herbarium centers and to rescue from extinction any particular species from disease or natural disasters; and</p> <p>c) To set up plant nurseries to carry out programmes for seed collection, germination and propagation for reforestation of the forest for the purpose of advancing the primary object set out in paragraph (a) above.</p>
2.	Landskap Malaysia	Director	Landscape educational advancement; advisory, consultancy on all aspect of landscaping; and whatsoever things and services related to landscaping industry
3.	Beyond Control Sdn Bhd	Director and shareholder	Trading and investment holdings in real estate properties
4.	Angkasa Link (M) Sdn Bhd	Director and shareholder	Dormant (To build microwave link radios for telecommunication purposes)
5.	Gallery Gateway Sdn Bhd	Director and shareholder	Dormant (Investment in vacation property)
6.	Klasik Bakti Berkat Sdn Bhd	Director	Dormant (General trading)
7.	K- Contemporary Sdn Bhd	Director and shareholder	Dormant (Trading and family real estate property investment holding company)
8.	Kelana Stabil Services Sdn Bhd	Director	Business in providing marine services
<b><u>Past Directorship</u></b>			
9.	Ordyn Technologies Sdn Bhd	Director	Wound up on 20 July 2011
10.	Antara Stabil Sdn Bhd	Director and shareholder (Resigned 02.12.2014)	Dormant (Business of project management and development projects, as well as provision of consultancy services)

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## 6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 6.2.4.7 Yuen Choong Lai

No.	Company	Position	Principal Activities
	<b><u>Present Directorships</u></b>		
1.	FOS Advisory Services Sdn Bhd	Director and shareholder	Consultancy, advisory services, investment, corporate planning and other related business
2.	FOS Capital Sdn Bhd	Director and shareholder	Dormant (Investment holding in companies providing investment services)
3.	FOS Management Sdn Bhd	Director and shareholder	Dormant (Provision of management services)
4.	FOS Ventures Sdn Bhd	Director and shareholder	Business of money lending
5.	Fusionex International PLC	Director and shareholder	Investment holding of shares in information technology companies
6.	Hadrons Capital Investment Ltd	Director and shareholder	Investment holding of shares in foreign-incorporated companies
7.	Hadrons Capital Limited	Director and shareholder	Dormant (Investment holding of shares in foreign-incorporated companies)
8.	Hadrons Capital Management Limited	Director and shareholder	Dormant (Investment holding of shares in foreign-incorporated companies and provision of management services)
9.	Hadrons Capital Partners Sdn Bhd	Director	Dormant (Venture capital management company)
10.	Hadrons Capital Sdn Bhd	Director	Ceased operations (Provision of investment advice)
11.	Hadrons Consulting Sdn Bhd	Director and shareholder	Dormant (Provision of strategic and financial consulting services)
12.	Hadrons Holdings Limited	Director and shareholder	Dormant (Investment holding of shares in foreign-incorporated companies)
13.	Hadrons Holdings Sdn Bhd	Director and shareholder	Investment holding of shares in Malaysian-incorporated companies
14.	Hadrons ICT Sdn Bhd	Director	Investment holding of shares in information technology companies
15.	Hadrons Partners One Sdn Bhd	Director and shareholder	Investment holding of shares in Malaysian-incorporated companies
16.	Hadrons Partners Sdn Bhd	Director and shareholder	Dormant (Investment holding of shares in companies)
17.	Hadrons Real Sdn Bhd	Director and shareholder	Dormant (Investment holding of real estate properties and shares in real estate companies)
18.	Hadrons Sdn Bhd	Director and shareholder	Investment holding of shares in companies
19.	HCP One Sdn Bhd	Director	Dormant (Venture capital company)
20.	IFOCUS Properties Sdn Bhd	Director and shareholder	Investment holding of real estate properties and business of property letting
21.	IFOCUS Sdn Bhd	Director and shareholder	Investment holding of real estate properties

## 6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

No.	Company	Position	Principal Activities
22.	Jurus Ikhlas Sdn Bhd	Director	Dormant (Investment holding of real estate properties)
23.	Knowledge Channels Bangladesh Limited	Director and shareholder	Business of dealing in information technology products including software and investment holding of shares in companies
24.	Knowledge Channels Indonesia Pte Limited	Director	Software development business
25.	Knowledge Channels International Ltd	Director	Information technology business and investment holding of shares in companies
26.	Knowledge Channels Mauritius Limited	Director	Investment holding of shares in companies
27.	Knowledge Channels Synergy Sdn Bhd	Director	Software development business and investment holding of shares in companies
28.	Ruanchen Limited	Director and shareholder	Investment holding of shares in companies
29.	Yosh! International Limited	Director and shareholder	Dormant (Food and beverage business)
<b><u>Past Directorships</u></b>			
30.	E-Fos Sdn Bhd	Director and shareholder (Resigned on 26.08.2013)	Dormant (Investment holding of shares in companies)
31.	Mei's Kitchen Sdn Bhd	Director (Resigned on 01.08.2012)	Dormant (Food and beverage business)

### 6.2.4.8 Tan Ming-Li

No.	Company	Position	Principal Activities
<b><u>Present Directorship</u></b>			
1.	Tune Insurance Malaysia Behad	Director	Underwriting of all classes of general insurance business
2.	Tune Ins Holdings Berhad	Director	Investment holding and management services to subsidiaries
3.	BP Plastics Holding Bhd	Director	Investment holding and provision of management services
4.	C & A Trading and Management Service Sdn Bhd	Director	Carry on the business of library service and other related services
<b><u>Past Directorships</u></b>			
5.	Ejenawa Marketing Sdn Bhd	Director (Resigned on 10.08.2010)	Dormant (previously dealing with high-end value architectural products and fabrication of interior finishes building materials. Ceased business operations in 2011)
6.	True Ace Sdn Bhd	Director (Resigned on 10.08.2010)	Property investment holding
7.	Luxx Newhouse Furniture Sdn Bhd	Director (Resigned on 10.08.2010)	Trading in home furnishing products for kitchens, bathrooms, study rooms and bedrooms and interior design contracting services

## 6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

No.	Company	Position	Principal Activities
8.	Luxe Newhouse Corporation Sdn Bhd	Director (Dissolved) (Resigned on 10.08.2010)	Dissolved on 6 September 2010
9.	Tetap Anggun Sdn Bhd	Director (Resigned on 10.08.2010)	Dormant (previously dealing with high-end architectural products and fabrication of interior finishes building materials. Ceased business operations in 2001)
10.	Luxe Newhouse Sdn Bhd	Director (Resigned on 10.08.2010)	Dormant (previously trading in home furnishing products for kitchen, bathrooms, study rooms and bedrooms and interior design contracting services. Ceased business operations in 2011)
11.	Hitachi Eborx Sdn Bhd	Director (Resigned on 04.07.2012)	Computer software applications and dealing in computer software and hardware for the financial services industry

### 6.3 BOARD PRACTICES

#### 6.3.1 Directors' Term of Office

Our Board is entrusted with the responsibility for the overall direction, strategy, performance and management of our Group. The number of years that our Directors have served in office and the dates of expiration of their respective terms of office are as follows:-

Name	Designation	Length of Service as Director of Ikhmas Berhad as at the LPD	Date of Appointment	Date of Expiration of Current Term of Office
Dato' Syed Ariff Fadzillah bin Syed Awalluddin	Independent Non-Executive Chairman	Less than a year	24.12.2014	At the annual general meeting in accordance with the M&A
Dato' Ang Cheng Siong	Group Managing Director	More than a year	05.12.2013	At the annual general meeting in accordance with the M&A
Siew Mun Lout	Executive Director	Less than a year	04.07.2014	At the annual general meeting in accordance with the M&A
Dato' Ir Dr Khoo Ping Sen	Executive Director	More than a year	05.12.2013	At the annual general meeting in accordance with the M&A
Ang Wei Zhen	Executive Director	Less than a year	04.07.2014	At the annual general meeting in accordance with the M&A
Dzulkifli David bin Abdullah	Independent Non-Executive Director	Less than a year	24.12.2014	At the annual general meeting in accordance with the M&A
Yuen Choong Lai	Independent Non-Executive Director	Less than a year	04.07.2014	At the annual general meeting in accordance with the M&A
Tan Ming-Li	Independent Non-Executive Director	Less than a year	11.05.2015	At the annual general meeting in accordance with the M&A



## 6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

At the first annual general meeting of our Company, all Directors shall retire from office, and at the annual general meeting in every subsequent year, one-third of our Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office provided always that all Directors shall retire from office once in every three (3) years and shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.

The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Our Directors shall have power at any time and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, provided that the total number of Directors shall not at any time exceed the maximum number fixed in accordance with the M&A of the Company. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

### 6.3.2 Audit and Risk Management Committee

The main functions of our Audit and Risk Management Committee fall within the ambit of the Listing Requirements, which include the review of audit plans and audit reports with our auditors, review of the auditors' evaluation of internal controls, program and review of the scope of internal audit procedures, review of the financial statements and nomination of the auditors, and review of related party transactions. Our Audit and Risk Management Committee comprises the following individuals:-

Name	Designation	Directorship
Yuen Choong Lai	Chairman	Independent Non-Executive Director
Dato' Syed Ariff Fadzillah bin Syed Awalluddin	Member	Independent Non-Executive Chairman
Dzulkifli David bin Abdullah	Member	Independent Non-Executive Director
Tan Ming-Li	Member	Independent Non-Executive Director

The terms of reference of our Audit and Risk Management Committee, amongst others, include the following:-

- (a) to oversee our management's activities in managing our Group's critical risks related to strategic, financial, operational, legal and other risks;
- (b) to advise our Board on matters related to risk management;
- (c) to assist our Board to fulfil its corporate governance, risk management and statutory responsibilities in order to manage the overall risk exposure of our Group;
- (d) reviewing and assessing the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks, and the extent to which these are operating effectively;
- (e) to review and recommend for our Board's approval, the Internal Audit Charter which defines the independent purpose, authority, scope and responsibility of the internal audit function in our Group;

## 6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

- (f) to review with the external auditors, the audit plan and audit report, their evaluation of system of internal controls as well as issues and reservations arising from audits;
- (g) to monitor any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position and our management's response;
- (h) to ensure that our quarterly results and financial statements are in compliance with accounting standards, regulatory and other legal requirements; and
- (i) to assess any related party transaction, procedure or course of conduct and any potential conflict of interest situation that may arise within our Group.

### 6.3.3 Nomination and Remuneration Committee

Our Nomination and Remuneration Committee is principally responsible for reviewing and recommending to our Board the appointment, re-election or reappointment of our Board members as well as the remuneration package of our Directors. Our Nomination and Remuneration Committee comprises the following members:-

Name	Designation	Directorship
Dato' Syed Ariff Fadzillah bin Syed Awalluddin	Chairman	Independent Non-Executive Chairman
Dzulkifli David bin Abdullah	Member	Independent Non-Executive Director
Yuen Choong Lai	Member	Independent Non-Executive Director
Tan Ming-Li	Member	Independent Non-Executive Director

The terms of reference of our Nomination and Remuneration Committee, amongst others, include the following:-

- (a) to determine the core competencies and skills required of our Directors to best serve the business and operations of our Group as a whole and the optimum size of our Board to reflect the desired skills and competencies;
- (b) to assist our Board to implement a procedure to be carried out by our Nomination and Remuneration Committee for assessing the effectiveness of our Board as a whole and the committees of our Board as well as for assessing the contributions and performance of individual Directors and committee members of our Board;
- (c) to review our Board's succession plans and training programmes for our Directors;
- (d) to introduce such regulations, guidelines and/or procedures to function effectively and fulfil our Nomination and Remuneration Committee's objectives;
- (e) ensure that a fair differential between the remuneration of our Executive Directors and other levels of management is maintained;
- (f) obtain the advice and information from external source, if necessary, to compare the remuneration currently earned by our Executive Directors and those paid to Executive Directors of other companies of a similar size in a comparable industry sector; and
- (g) to provide an objective and independent assessment of the benefits granted to our Executive Directors and senior executives.

## 6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 6.4 KEY MANAGEMENT

#### 6.4.1 Particulars and Shareholdings

The details of our key management and their shareholdings before and after the IPO are as follows:-

Name	Designation	No. of Shares Held Before the IPO <sup>(a)</sup>				No. of Shares Held After the IPO <sup>(b)</sup>			
		Direct	(%)	Indirect	(%)	Direct	(%)	Indirect	(%)
Lum Yuet Ngoh	Chief Financial Officer	-	-	-	-	<sup>(c)</sup> 200,000	0.04	-	-
Yap Yoon Fatt	Head of Plant Division	-	-	-	-	<sup>(c)</sup> 200,000	0.04	-	-
Woo Chee Meng	Senior Project Manager	-	-	-	-	<sup>(c)</sup> 200,000	0.04	-	-
Yap Beng Teck	Senior Contracts Manager	-	-	-	-	<sup>(c)</sup> 200,000	0.04	-	-

Notes:-

- (a) Based on our issued and paid-up share capital of 394,000,000 Shares after the Subdivision, Acquisitions and Transfer.
- (b) Based on our enlarged issued and paid-up share capital of 520,000,000 Shares.
- (c) Includes their entitlements for the Pink Form Shares.

#### 6.4.2 Profiles of the Key Management

**6.4.2.1 Lum Yuet Ngoh**, aged 57, is the Chief Financial Officer of our Group. She is responsible for our Group's financial affairs and treasury functions. She graduated with a Diploma in Commerce (Cost and Management Accounting) from Tunku Abdul Rahman College (now known as Tunku Abdul Rahman University College) in 1983. She is a Chartered Accountant of the Malaysian Institute of Accountants (MIA) since 2001, a Chartered Global Management Accountant since 2012, an Associate of the Chartered Institute of Management Accountants (CIMA) since 2001 and a Fellow Member of the Malaysian Institute of Management (MIM) since 2011.

Her career started in 1984 as an Accounts Supervisor with Brite-Tech Corporation Sdn Bhd where she worked until 1985. After leaving the company in 1985, she worked in various accounting and finance capacities from 1985 to 2008 including as Accounts Supervisor, Accounts Executive, Accountant and Accounts Manager in a number of private companies in diverse industries including manufacturing, property development and construction sectors and a public listed company involved in the property development. Some of these private companies were Freight Links Express (Malaysia) Sdn Bhd, Kwong Lee Hin Timber Trading Sdn Bhd, Sincere Match & Tobacco Factory Sdn Bhd, Homestead Development Sdn Bhd, Langkawi Resorts Development Sdn Bhd and LFE M&E Engineering (Shanghai) Ltd. She was a Group Finance and Admin Manager during her tenure from 2003 to 2005 with Mahajaya Berhad, previously listed on the Main Market of Bursa Securities. During her tenure in Mahajaya Berhad, she was involved in the preparation of its group accounts and its quarterly financial reports, reviewing the audit schedules of the companies within its group as well as tax planning. In 2008, she joined Ikhmas Jaya as a Financial Controller where she was responsible for our Group's financial affairs and treasury functions. In 2014, she assumed her current position.

She has over 25 years' experience in accounting, finance, tax, internal control system, corporate affairs, secretarial, administration and human resource management.

**6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

**6.4.2.2 Yap Yoon Fatt**, aged 53, is the Head of Plant Division of our Group. He completed his Sijil Pelajaran Malaysia in 1981 and started his career with Kejuruteraan Mahajaya Sdn Bhd as a Survey Assistant in 1982. In 1984, he left Kejuruteraan Mahajaya Sdn Bhd and joined Juru Bena Tenaga Sdn Bhd as a Site Supervisor until he left in 1986. Between 1986 and 1994, he was employed as a Site Supervisor cum Surveyor for three (3) different companies, namely Syarikat Manong Sdn Bhd from 1986 to 1990, Antrac (Malaysia) Sdn Bhd in 1990 and Ho Hup Construction Company Sdn Bhd (now known as Ho Hup Construction Company Berhad) from 1990 to 1994. In 1994, he joined Ikhmas Jaya as the Senior Operations Manager. He was promoted to his current position as the Head of Plant Division of our Group since 2010.

He is responsible for project operations and maintenance of machinery. He has more than 25 years of experience in the construction field in the areas of site supervision of heavy construction equipment for bored piles and earthworks including managing and handling the site workers involved in earthworks, bore piling and basement constructions. He is valued for his negotiation skills, particularly the areas involving foundation and piling works and purchase of heavy machineries.

**6.4.2.3 Woo Chee Meng**, aged 57, is our Senior Project Manager. He is responsible for planning, executing and overseeing the completion of the projects undertaken by our Group. He graduated from West Virginia University, United States of America with a Bachelor of Science in Civil Engineering Degree in 1983 and then obtained a Master of Engineering in Civil Engineering from the University of Virginia, United States of America in 1985. He started his career in 1985 as a Project Engineer with Ho Hup Construction Company Sdn Bhd (now known as Ho Hup Construction Company Berhad) and was subsequently promoted to the position of Project Manager in 1994. He left Ho Hup Construction Company Berhad in 1997 and joined Ikhmas Jaya in the same year as Senior Project Manager, a position he currently holds in our Group. He is responsible for planning, executing and overseeing the completion of projects. He is skilled in exercising quality control, project planning and coordination, site supervision and management, and has extensive experience in bore piling, basement constructions, bridge constructions and earthworks.

**6.4.2.4 Yap Beng Teck**, aged 57, is our Senior Contracts Manager. He is responsible for the procurement and administration of contracts for our Group. He graduated with a Diploma in Technology (Building) from Tunku Abdul Rahman College (now known as Tunku Abdul Rahman University College) in 1982. He was certified as an Internal Quality Auditor in 2004 with the International Register of Certificated Auditors (IRCA). His career began in 1982 at Syarikat Manong Sdn Bhd as a Site Coordinator until he left in 1988. He joined Biwater Shellable (M) Sdn Bhd in 1988 as a Commercial Executive and left in 1991. He joined Ho Hup Construction Company Sdn Bhd (now known as Ho Hup Construction Company Berhad) in 1991 as Assistant Manager until he left in 1997 and joined Ikhmas Jaya as a Contracts Manager in the same year. He was subsequently promoted to his current position of Senior Contracts Manager of our Group since 2009.

He is responsible for the procurement and administration of contracts for our Group. He has more than 32 years of experience in the construction industry ranging from pre-contract and post-contract administration, cost estimation, negotiation and general site supervision to internal quality audit. His site experience relates to sewerage pipelines, breakwater, intake and treatment plants, bridge works, bore piling, substructure works and the laying of water pipelines and reservoirs.

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## 6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 6.4.3 Involvement of Executive Directors and Key Management in other Businesses/ Corporation

As at the LPD, save as disclosed below and Section 6.2.4 of this Prospectus, none of our Executive Directors and key management is involved in the operations of other businesses or corporations.

#### 6.4.3.1 Dato' Ang Cheng Siong

No.	Company	Position	Principal Activities
1.	Anjung Baiduri Development Sdn Bhd	Director	Dormant (Property development)
2.	Aura Perdana	Director and shareholder	Management company
3.	IJ Holdings	Director and shareholder	Investment holding of shares in companies and provision of management services
4.	Ikhtisas Emas Sdn Bhd	Director	Construction and property development
5.	Lingkaran Ikhlas Sdn Bhd	Director	Dormant (Property development)
6.	Ikhmas Land Sdn Bhd	Director	Property development

Dato' Ang Cheng Siong's involvement in the above businesses and corporations do not require much of his time as most of the abovementioned companies are either dormant or investment holding company/ management company. Further, projects undertaken by Ikhtisas Emas Sdn Bhd will be subcontracted to our Group. As such, he allocates a substantial portion of his time to the affairs of our Group.

#### 6.4.3.2 Siew Mun Lout

No.	Company	Position	Principal Activities
1.	IJ Holdings	Director and shareholder	Investment holding of shares in companies and provision of management services

Siew Mun Lout's involvement in the above company does not require much of his time as the abovementioned company is an investment holding company. As such, he allocates a substantial portion of his time to the affairs of our Group.

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## 6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 6.4.3.3 Dato' Ir Dr Khoo Ping Sen

No.	Company	Position	Principal Activities
1.	Hak Kee Fertilizers & Chemicals Sdn Bhd	Shareholder	Property letting
2.	IJ Holdings	Director and shareholder	Investment holding of shares in companies and provision of management services
3.	Ikhtisas Emas Sdn Bhd	Director	Construction and property development
4.	Lian Kerk Sdn Bhd	Director and shareholder	Property development
5.	Lingkaran Ikhlas Sdn Bhd	Director	Dormant (Property development)
6.	Ikhmas Land Sdn Bhd	Director	Property development
7.	Zotel Sdn Bhd	Director and shareholder	Administrative and management office for hotel management

Dato' Ir Dr Khoo Ping Sen's involvement in the above businesses and corporations does not have any impact on his duties in our Group as majority of his time will be spent on our Group's operations and affairs. Further, projects undertaken by Ikhtisas Emas Sdn Bhd will be subcontracted to our Group.

### 6.4.3.4 Ang Wei Zhen

No.	Company	Position	Principal Activities
1.	Anjung Baiduri Development Sdn Bhd	Director	Dormant (Property development)

Ang Wei Zhen's involvement in the above company does not require much of his time as the company is dormant. As such, he allocates a substantial portion of his time to the affairs of our Group.

### 6.4.3.5 Yap Beng Teck

No.	Company	Position	Principal Activities
1.	Myteam Business Solutions Sdn Bhd	Director and shareholder	Software business and solutions provider

Yap Beng Teck's involvement in the above company does not have any impact on his duties in our Group as majority of his time will be spent on our Group's operations and affairs.

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**6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

**6.5 DECLARATION OF PROMOTERS, DIRECTORS AND KEY MANAGEMENT**

Save as disclosed in Sections 6.5.1 and 6.5.2 of this Prospectus, none of our Promoters, Directors and key management is or has been involved in any of the following events (whether in or outside Malaysia):-

- (a) a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a Director or key personnel;
- (b) disqualified from acting as a Director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (c) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (d) any judgment was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (e) the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

**6.5.1 Dato' Syed Ariff Fadzillah bin Syed Awalluddin**

On 13 August 2010, the High Court of Kuala Lumpur ordered the winding up of LCL Furniture Sdn Bhd in which Dato' Syed Ariff Fadzillah bin Syed Awalluddin was a Director.

**6.5.2 Dzulkifli David bin Abdullah**

On 20 July 2011, the High Court of Kuala Lumpur ordered the winding up of Ordyn Technologies Sdn Bhd in which Dzulkifli David bin Abdullah was a Director.

**6.6 FAMILY RELATIONSHIPS**

Save for the father and son relationship between Dato' Ang Cheng Siong and Ang Wei Zhen, there are no family relationships or associations between our Promoters, substantial shareholders, Directors and key management personnel.

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**6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)****6.7 EXISTING OR PROPOSED SERVICE AGREEMENTS**

As at the LPD, there are no existing or proposed service agreements (contracts for service) entered into by our Group or any company within our Group, with our Directors or key management, save as disclosed below:-

- (a) The service agreement between Ikhmas Jaya and Dato' Ang Cheng Siong dated 1 June 2015 for the appointment of Dato' Ang Cheng Siong for a period of 3 years commencing on 1 June 2015, with an extension of 3 years at a monthly basic salary of RM50,000. Ikhmas Jaya shall pay to Dato' Ang Cheng Siong a contractual annual bonus equivalent to minimum of 4 months' salary and a performance bonus based upon the performance and profitability of Ikhmas Jaya. Dato' Ang Cheng Siong may resign from the appointment by giving 6 months written notice in lieu of such notice. Upon Dato' Ang Cheng Siong's resignation or upon his retirement age or upon his death during the initial term or extended term, Ikhmas Jaya shall make an ex gratia payment of 1 month's salary for each full year of service calculated from the date he first joined Ikhmas Jaya which is since 25 July 1994. In the event that Ikhmas Jaya terminates this appointment, Ikhmas Jaya shall make a compensation of 1 month's salary for each year of service calculated from the commencement date save and except where such removal are due to reason of Dato' Ang Cheng Siong committing wilful breach of the terms herein contained, wilful misconduct, neglect, being adjudged a bankrupt or being convicted of a criminal offence or security laws of Malaysia which may tend to affect the reputation of Ikhmas Jaya or his incapacity by reason of illness, accident, unsound mind or other cause rendering him unable to perform his duties for a continuous period of more than 60 days in a 12 month period.
- (b) The service agreement between Ikhmas Berhad and Dato' Ang Cheng Siong dated 1 June 2015 for the appointment of Dato' Ang Cheng Siong as the Group Managing Director for a period of three (3) years at a monthly basic salary of RM10,000. The Group shall pay to Dato' Ang Cheng Siong a minimum of four (4) months basic salary of the Executive and a performance bonus based upon the performance and profitability of the company. Dato' Ang Cheng Siong may resign by giving six (6) months written notice to the other party or by payment of basic 6 months' salary of the Executive in lieu of such notice.
- (c) The service agreement between Ikhmas Jaya and Siew Mun Lout dated 1 June 2015 for the appointment of Siew Mun Lout for a period of 3 years commencing on 1 June 2015, with an extension of 3 years at a monthly basic salary of RM30,000. Ikhmas Jaya shall pay to Siew Mun Lout a contractual annual bonus equivalent to minimum of 4 months' salary and a performance bonus based upon the performance and profitability of Ikhmas Jaya. Siew Mun Lout may resign from the appointment by giving 6 months written notice in lieu of such notice. Upon Siew Mun Lout's resignation or upon his retirement age or upon his death during the initial term or extended term, Ikhmas Jaya shall make an ex gratia payment of 1 month's salary for each full year of service calculated from the date he first joined Ikhmas Jaya which is since 2 August 1995. In the event that Ikhmas Jaya terminates this appointment, Ikhmas Jaya shall make a compensation of 1 month's salary for each year of service calculated from the commencement date save and except where such removal are due to reason of Siew Mun Lout committing wilful breach of the terms herein contained, wilful misconduct, neglect, being adjudged a bankrupt or being convicted of a criminal offence or security laws of Malaysia which may tend to affect the reputation of Ikhmas Jaya or his incapacity by reason of illness, accident, unsound mind or other cause rendering him unable to perform his duties for a continuous period of more than 60 days in a 12 month period.



**6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

- (d) The service agreement between Ikhmas Berhad and Siew Mun Lout dated 1 June 2015 for the appointment of Siew Mun Lout as the Executive Director for a period of three (3) years at a monthly basic salary of RM10,000. The Group shall pay to Siew Mun Lout a minimum of four (4) months basic salary of the Executive and a performance bonus based upon the performance and profitability of the company. Siew Mun Lout may resign by giving six (6) months written notice to the other party or by the payment of basic 6 months' salary of the Executive in lieu of such notice.
- (e) The service agreement between Ikhmas Jaya and Dato' Ir Dr Khoo Ping Sen dated 1 June 2015 for the appointment of Dato' Ir Dr Khoo Ping Sen for a period of 3 years commencing on 1 June 2015, with an extension of 3 years at a monthly basic salary of RM25,000. Ikhmas Jaya shall pay to Dato' Ir Dr Khoo Ping Sen a contractual annual bonus equivalent to minimum of 4 months' salary and a performance bonus based upon the performance and profitability of Ikhmas Jaya. Dato' Ir Dr Khoo Ping Sen may resign from the appointment by giving 6 months written notice in lieu of such notice. Upon Dato' Ir Dr Khoo Ping Sen's resignation or upon his retirement age or upon his death during the initial term or extended term, Ikhmas Jaya shall make an ex gratia payment of 1 month's salary for each full year of service calculated from the date he first joined Ikhmas Jaya which is since 24 September 1997. In the event that Ikhmas Jaya terminates this appointment, Ikhmas Jaya shall make a compensation of 1 month's salary for each year of service calculated from the commencement date save and except where such removal are due to reason of Dato' Ir Dr Khoo Ping Sen committing wilful breach of the terms herein contained, wilful misconduct, neglect, being adjudged a bankrupt or being convicted of a criminal offence or security laws of Malaysia which may tend to affect the reputation of Ikhmas Jaya or his incapacity by reason of illness, accident, unsound mind or other cause rendering him unable to perform his duties for a continuous period of more than 60 days in a 12 month period.
- (f) The service agreement between Ikhmas Berhad and Dato' Ir Dr Khoo Ping Sen dated 1 June 2015 for the appointment of Dato' Ir Dr Khoo Ping Sen as the Executive Director for a period of three (3) years at a monthly basic salary of RM10,000. The Group shall pay to Dato' Ir Dr Khoo Ping Sen a minimum of four (4) months basic salary of the Executive and a performance bonus based upon the performance and profitability of the company. Dato' Ir Dr Khoo Ping Sen may resign by giving six (6) months written notice to the other party or by payment of basic 6 months' salary of the Executive in lieu of such notice.
- (g) The service agreement between Ikhmas Jaya and Ang Wei Zhen dated 1 June 2015 for the appointment of Ang Wei Zhen for a period of 3 years commencing on 1 June 2015, with an extension of 3 years at a monthly basic salary of RM5,000. Ikhmas Jaya shall pay to Ang Wei Zhen a contractual annual bonus equivalent to minimum of 4 months' salary and a performance bonus based upon the performance and profitability of Ikhmas Jaya. Ang Wei Zhen may resign from the appointment by giving 6 months written notice in lieu of such notice. Upon Ang Wei Zhen's resignation or upon his retirement age or upon his death during the initial term or extended term, Ikhmas Jaya shall make an ex gratia payment of 1 months' salary for each full year of service calculated from the date he first joined Ikhmas Jaya which is since 30 August 2014. In the event that Ikhmas Jaya terminates this appointment, Ikhmas Jaya shall make a compensation of 1 month's salary for each year of service calculated from the commencement date save and except where such removal are due to reason of Ang Wei Zhen committing wilful breach of the terms herein contained, wilful misconduct, neglect, being adjudged a bankrupt or being convicted of a criminal offence or security laws of Malaysia which may tend to affect the reputation of Ikhmas Jaya or his incapacity by reason of illness, accident, unsound mind or other cause rendering him unable to perform his duties for a continuous period of more than 60 days in a 12 month period.

## 6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

- (h) The service agreement between Ikhmas Berhad and Ang Wei Zhen dated 1 June 2015 for the appointment of Ang Wei Zhen as the Executive Director for a period of three (3) years at a monthly basic salary of RM10,000. The Group shall pay to Ang Wei Zhen a minimum of four (4) months basic salary of the Executive and a performance bonus based upon the performance and profitability of the company Ang Wei Zhen may resign by giving six (6) months written notice to the other party or by payment of basic 6 months' salary of the Executive in lieu of such notice.

### 6.8 EMPLOYEES

As at the LPD, we have a total workforce of 693 employees, which consists of permanent and contractual employees. Malaysians accounted for approximately 46.32% of total employees while the remaining 53.68% were foreign nationals. All of our foreign employees have valid working permits.

The breakdown of our employees is as follows:-

#### 6.8.1 Employee Segmentation by Job Functions

Category of Employees	As at 31.12.2011	As at 31.12.2012	As at 31.12.2013	As at 31.12.2014	As at the LPD
Management and professionals #	9	10	15	17	16
Technical and supervisory	79	90	120	132	135
- Engineers	22	28	37	40	37
- Quantity Surveyors	14	13	17	15	19
- Health, Safety and Environmental personnel	9	9	16	20	21
- Site Managers/ Managers	9	6	7	11	9
- Site Supervisors	25	34	43	46	49
Clerical and administrative	40	30	37	39	38
Construction site workers	243	297	385	532	494
Factory workers	-	9	11	10	10
<b>Total</b>	<b>371</b>	<b>436</b>	<b>568</b>	<b>730</b>	<b>693</b>

Note:-

# Include Directors.

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## 6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 6.8.2 Employee Segmentation by Local and Foreign Workers

As at the LPD, our employee segmentation by local and foreign workers is as follows:-

Category of Employees	As at the LPD		
	Local	Foreign	Grand Total
Management and professionals #	16	-	16
Technical personnel and supervisory	135	-	135
- Engineers	37	-	37
- Quantity Surveyors	19	-	19
- Health, Safety and Environmental personnel	21	-	21
- Site Managers/ Managers	9	-	9
- Site Supervisors	49	-	49
Clerical and administrative	38	-	38
Construction site workers	129	365	494
Factory workers	3	7	10
<b>Total</b>	<b>321</b>	<b>372</b>	<b>693</b>

Note:-

# Include Directors.

### 6.8.3 Employee Segmentation by Companies

As at the LPD, our employee segmentations by companies are as follows:-

Company	As at the LPD
Ikhmas Jaya	667
MM2 Building System	23
Rekavista	3
Ikhmas Equipment	-
IJ Geotechnic	-
MM2 Builders	-
Rekavista Sarawak	-
<b>Total</b>	<b>693</b>

### Training and Development

Our management views our employees as key assets that play a pivotal role in our continuous growth and recognise the importance of retaining quality employees. It is our policy to develop and train employees to improve their skill sets and professionalism in order to enhance productivity and operational efficiencies. As training and development is a continuing process, we encourage our employees to constantly improve their skills and knowledge through hands-on training.

The management of our Group has, from time to time, arranged internal and external courses to train our employees. The ongoing training and development programmes cover technical and functional courses for our employees. We also observe safety and precaution practices.

## 6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

The key training and development programmes attended by our employees for the FYE 2013 and up to the LPD are set out below:-

Month/ Year	Training and Development Programmes Undertaken
April 2015	<ul style="list-style-type: none"> <li>• ISO 9001:2008 Awareness &amp; Requirements (Internal)</li> <li>• Project Management Using P6 (Primavera) (External)</li> </ul>
March 2015	<ul style="list-style-type: none"> <li>• One Day Seminar On "Pile Foundation- Testing Methods And Best Practice (External)</li> </ul>
December 2014	<ul style="list-style-type: none"> <li>• Awareness Programme: Implementation of Malaysian Standard (MS) Eurocodes For Structural Design In Malaysia (External)</li> <li>• Safety Induction for Construction Workers (SICW) course (External)</li> </ul>
August 2014	<ul style="list-style-type: none"> <li>• Half Day Seminar: "Inclinometer Measurements and Errors" &amp; "Ground Anchors-From Design to Construction" (External)</li> </ul>
July 2014	<ul style="list-style-type: none"> <li>• One Day Short Course on Design &amp; Construction of Pile Foundations (External)</li> </ul>
June 2014	<ul style="list-style-type: none"> <li>• Workshop on Drafting of Questions for the Accreditation of Construction Personnel - Piling (Bengkel Penggubalan Soalan bagi Ujian Akreditasi Personel Binaan - Piling) (External)</li> </ul>
April 2014	<ul style="list-style-type: none"> <li>• Project Management In P6 Client Server (External)</li> </ul>
March 2014	<ul style="list-style-type: none"> <li>• 2-Day Course on "Contract Management for Construction Projects" (External)</li> <li>• Workshop on Drafting of Questions for the Accreditation of Construction Personnel - Piling (Bengkel Penggubalan Soalan bagi Ujian Akreditasi Personel Binaan - Piling) (External)</li> </ul>
January 2014	<ul style="list-style-type: none"> <li>• ISO 9001:2008 - Awareness and Requirements (Internal)</li> <li>• Goods and Services Tax Awareness Programme (External)</li> </ul>
December 2013	<ul style="list-style-type: none"> <li>• ISO 9001:2008 - Awareness and Requirements (Internal)</li> </ul>
November 2013	<ul style="list-style-type: none"> <li>• Empowering Ergonomics in Construction Sectors(External)</li> <li>• 2014 Budget Seminar: Key Budget Changes and Their Implications (External)</li> <li>• Spring-Nanyang SME Hi-Potential Leadership Programme (People) (External)</li> </ul>
October 2013	<ul style="list-style-type: none"> <li>• Spring-Nanyang SME Hi-Potential Leadership Programme (Process and Performance) (External)</li> <li>• Workshop on Employers' Responsibility Towards Employees (Bengkel Tanggungjawab Majikan Terhadap Pekerja) (External)</li> <li>• Masters Builders Association Malaysia On-The-Job Training to Kementerian Kerja Raya Tower 2 (External)</li> </ul>
September 2013	<ul style="list-style-type: none"> <li>• Spring-Nanyang SME Hi-Potential Leadership Programme (Planning) (External)</li> <li>• 9<sup>th</sup> Malaysian Occupational Safety and Health Professionals' Association National Occupational Safety &amp; Health Conference 2013 (External)</li> <li>• Train the Trainer (External)</li> </ul>
July 2013	<ul style="list-style-type: none"> <li>• Course on Pile Foundation Design (External)</li> <li>• Seminar on "Safety and Health Occupation" (Seminar KKP) (External)</li> </ul>
May 2013	<ul style="list-style-type: none"> <li>• Revision Course on Confined Space for Authorised Entrant and Stand-By Person (Kursus Ulangkaji Ruang Terkurung Untuk Orang Yang Dibenarkan Masuk dan Orang Menjaga) (External)</li> </ul>

## 6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Month/ Year	Training and Development Programmes Undertaken
April 2013	<ul style="list-style-type: none"> <li>• Basic Rigging and Slings (External)</li> <li>• 13<sup>th</sup> International Convention "Occupational Safety and Health Culture Towards Inspiring World Class Quality in an Organisation" (External)</li> </ul>
March 2013	<ul style="list-style-type: none"> <li>• ISO 9001:2008 - Quality Management System Lead Auditor Course (External)</li> </ul>
January 2013	<ul style="list-style-type: none"> <li>• Project Management In P6 Client Server (External)</li> </ul>

### Management Succession Plan

The management of our Group recognises the importance of management succession planning to ensure business continuity and the ability of our Group to not only survive but to thrive in the event of changes to our key management line-up. Such changes may naturally arise due to evolving developments within our industry, or alternatively be of an unforeseen nature due to occurrences of sudden events. Our Group's management is mindful of being prepared for either possibility and in view thereof, we have taken the necessary steps to ensure the implementation of succession planning in every department. At the strategic level, we possess essential degrees of overlaps in certain knowledge and experience due to the similar backgrounds of some of our key management team members. In terms of top-down management, we encourage constant information-sharing and grooming by our senior management for the lower and middle management staff to gradually assume higher responsibilities. In addition, our middle management are continuously immersed in various operations of our Group and actively participate in decision-making discussions to cultivate better understanding of our Group's operations and to equip themselves with the necessary knowledge and skills to succeed in more senior management roles. This forms part of our employees' career development plans, as developed internally.

Our Directors and key management are involved in the process of reviewing potential successors' readiness and in identifying key competencies and requirements for managerial and key senior positions for succession planning. Appropriate job functions and candidate profiles are reviewed and matched for management positions in line with our business goals, strategies and culture. Our Group's management succession planning is not entirely inward-looking, as our Group's human resource function is also geared towards keeping track of external industry-related talents if such hiring needs do potentially arise as our Group grows in the future.

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## 7. APPROVALS AND CONDITIONS

### 7.1 APPROVALS AND CONDITIONS

The listing of our Company on the Main Market of Bursa Securities was approved by the relevant authorities as follows:-

Authority	Date
SC	2 April 2015
MITI	13 May 2015
SAC	26 June 2015
Bursa Securities	26 June 2015

#### 7.1.1 SC

The SC had via its letter dated 4 August 2014 granted its conditional approval for the relief sought by us from complying with the following paragraphs set out in the Prospectus Guidelines issued by the SC:-

No.	Relief sought	SC's Decision	Status of Compliance
(1)	Relief from complying with Paragraph 12.10 of Part I, Division 1 of the Prospectus Guidelines	<p>Approved, subject to the following conditions:-</p> <p>(i) Submission of the latest audited financial statements should not exceed nine (9) months from the most recent financial year;</p> <p>(ii) A copy of the interim unaudited financial statements (if any) as well as the management's discussion and analysis on the said statements should be separately provided at the submission stage for the SC's information only;</p> <p>(iii) The interim audited financial statements and the updated prospectus should be submitted to the SC two (2) weeks prior to the confirmation of registration of the said prospectus; and</p> <p>(iv) Material deviations, if any, between the interim unaudited financial statements and the interim audited financial statements should be highlighted and clarified to the SC, upon submission of the required information under paragraph (iii) above.</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Not applicable as there were no material deviations between the interim unaudited and audited financial statements.</p>
(2)	Relief from complying with paragraph 13.10 of the Prospectus Guidelines, from including the audit reports in respect of the audited financial statements of Ikhmas Berhad and its subsidiaries in the Accountants' Report.	Approved, as proposed.	-

**7. APPROVALS AND CONDITIONS (Cont'd)**

The SC had approved our Listing Scheme under Subsection 214(1) of the CMSA and the equity requirement for public companies via its letter dated 2 April 2015. The conditions imposed by the SC and the status of compliance are as follows:-

No.	Conditions Imposed by the SC	Status of Compliance
(1)	Ikhmas Berhad to appoint an additional independent director prior to registration of the prospectus;	Complied
(2)	Ikhmas Berhad to comply with the following conditions relating to the structures and ancillary buildings that were constructed without the approval from Majlis Daerah Kuala Langat on Ikhmas Berhad's industrial land being postal address Lot 4907, Jalan Segenting, Batu 11, Kuala Langat, 42500 Teluk Panglima Garang, Selangor Darul Ehsan:-	
	(a) Ikhmas Berhad to include a status update in its annual report on the details of the non-compliance, actions that have been taken, actions to be taken and expected timeframe to rectify the non-compliance; and	To be complied
	(b) Ikhmas Berhad to update the SC when such status updates are made;	To be complied
(3)	Ikhmas Berhad to allocate share equivalent to at least 12.5% of its enlarged issued and paid-up share capital at the point of listing to Bumiputera investors. This includes the shares offered under the balloted public offer portion of which 50% are to be offered to Bumiputera investor. In the event that MITI is unable to allocate the shares to Bumiputera investors, the unsubscribed shares shall be offered to Bumiputera public investors via balloting; and	To be complied
(4)	AmInvestment Bank Berhad and Ikhmas Berhad to fully comply with the requirements of the SC's Equity Guidelines and Prospectus Guidelines-Equity pertaining to the implementation of the Listing.	To be complied

The SC had via its letter dated 2 April 2015 noted the effects of the Listing on the shareholding structure of Ikhmas Berhad before and after the Listing as follows:-

Category of Shareholders	Before Listing		After Listing	
	No. of Shares	(%)	No. of Shares	(%)
Bumiputera				
- To be approved by MITI	-	-	52,000,000	10.00
- Public balloting	-	-	13,000,000	2.50
Total Bumiputera	-	-	65,000,000	12.50
Non-Bumiputera/ Foreigners	100	100.0	455,000,000	87.50
<b>Total</b>	<b>100</b>	<b>100.0</b>	<b>520,000,000</b>	<b>100.00</b>

**7.1.2 MITI**

The MITI had via its letter dated 13 May 2015, taken note and has no objection to the listing of our Company on the Main Market of Bursa Securities. There were no conditions imposed by MITI.

**7.1.3 SAC**

Our Company has voluntarily submitted an application to the SAC for a Shariah compliance review to be carried out. The SAC, has via its letter dated 26 June 2015, classified our Shares as Shariah-compliant based on our audited financial statements for the FYE 2014.

## 7. APPROVALS AND CONDITIONS (Cont'd)

### 7.1.4 Bursa Securities

Bursa Securities had via its letter dated 26 June 2015, approved in-principle the listing of and quotation for the entire enlarged issued and paid-up share capital of Ikhmas Berhad of RM130,000,000 comprising 520,000,000 Shares on the "Construction" sector of the Main Market of Bursa Securities.

The conditions imposed by Bursa Securities and the status of the compliance with the conditions are as follows:-

No.	Conditions Imposed by Bursa Securities	Status of Compliance
(1)	Make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Practice Note 21 of Listing Requirements;	To be complied
(2)	To furnish Bursa Securities a copy of the schedule of distribution showing compliance to the share spread requirements based on the entire issued and paid-up share capital of Ikhmas Berhad on the first day of listing; and	To be complied
(3)	Submission prior to Listing, the following information in respect of the moratorium on the shareholdings of promoters to Bursa Securities and Bursa Depository:-  (a) Name of shareholders;  (b) Number of shares; and  (c) Date of expiry of the moratorium of each block of shares.	To be complied

## 7.2 MORATORIUM ON SHARES

In accordance with Paragraph 5.29 of the SC Guidelines, our Promoters will not be allowed to sell, transfer or assign any of their shareholdings in our Company for six (6) months from the date of Admission to the Official List of the Main Market of Bursa Securities ("**Moratorium Period**") as follows:-

Name	No. of Shares Held Upon Admission <sup>(a)</sup>			
	Direct	(%)	Indirect	(%)
IJ Holdings	338,000,000	65.00	-	-
Dato' Ang Cheng Siong	-	-	<sup>(b)</sup> 338,000,000	65.00
Aura Perdana	-	-	<sup>(c)</sup> 338,000,000	65.00
Dato' Ir Dr Khoo Ping Sen	-	-	<sup>(c)</sup> 338,000,000	65.00
Siew Mun Lout	-	-	-	-
Ang Wei Zhen	<sup>(d)</sup> 1,000,000	0.19	-	-

Notes:-

- (a) Based on our enlarged issued and paid-up share capital of 520,000,000 Shares.
- (b) Deemed interested by virtue of his shareholdings in IJ Holdings and Aura Perdana pursuant to Section 6A of the Act.
- (c) Deemed interested by virtue of its/ his shareholding in IJ Holdings pursuant to Section 6A of the Act.
- (d) Includes his entitlement to the Pink Form Shares.



**7. APPROVALS AND CONDITIONS (Cont'd)**

The Promoters have provided written undertakings that they will not sell, transfer or assign their shareholdings under moratorium during the Moratorium Period.

The moratorium shall also apply to the shareholders and/or beneficial shareholders of the following parties, who have also provided their respective written undertakings that they will not sell, transfer or assign their shareholdings under moratorium during the Moratorium Period:-

- (a) IJ Holdings
  - (i) Dato' Ang Cheng Siong;
  - (ii) Aura Perdana;
  - (iii) Dato' Ir Dr Khoo Ping Sen;
  - (iv) Siew Mun Lout;
  - (v) Yap Yoon Fatt;
  - (vi) Yap Beng Teck; and
  - (vii) Woo Chee Meng.
- (b) Aura Perdana
  - (i) Dato' Ang Cheng Siong; and
  - (ii) Datin Kun Haw Choy.

The moratorium is specifically endorsed on the share certificates representing the shareholdings of our Promoters to ensure that our registrars do not register any transfer not in compliance with the moratorium restrictions.

## 8. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTERESTS

### 8.1 EXISTING AND PROPOSED RPT AND CONFLICT OF INTERESTS

Save as disclosed below, for the past four (4) financial years from FYE 2011 to FYE 2014 and up to the LPD, we do not have any other existing and/or proposed RPT, subsisting contract or arrangement entered into which involves the interest, direct or indirect, of our Directors, substantial shareholders and/or key management and/or persons connected to them as defined under Section 122A of the Act:-

#### 8.1.1 Non-Recurrent RPT

No.	Related Party	Interested Promoter/ Director/ Substantial Shareholder	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Transaction Value (RM'000)				
						FYE				LPD
						2011	2012	2013	2014	
1.	Aura Perdana	Dato' Ang Cheng Siong	Promoter, Director and substantial shareholder	Director and substantial shareholder	Management fee for the project administration and project management services rendered by Aura Perdana.  The project administration and project management services were mainly consultancy services provided by Dato' Ang Cheng Siong which included, but not limited to, advising on design and technical issues on projects including projects execution and costing and tendering of projects in view of his vast technical expertise in the construction sector	85	85	90	-	-
		Ang Wei Zhen	Promoter, Director and shareholder	Ang Wei Zhen is the son of Dato' Ang Cheng Siong. Hence, Ang Wei Zhen and Dato' Ang Cheng Siong are persons connected with each other						
2.	Ikhtisas Emas Sdn Bhd	IJ Holdings	Promoter and substantial shareholder	Substantial shareholder	Progress billing for building and infrastructure works <sup>(1)</sup>	5,376	-	-	-	-
		Dato' Ang Cheng Siong	Promoter, Director and substantial shareholder	Director and substantial shareholder						
		Aura Perdana	Promoter and substantial shareholder	Substantial shareholder						
		Dato' Ir Dr Khoo Ping Sen	Promoter, Director and substantial shareholder	Director and substantial shareholder						

## 8. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)

No.	Related Party	Interested Promoter/ Director/ Substantial Shareholder	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Transaction Value (RM'000)				
						FYE				LPD
						2011	2012	2013	2014	
		Ang Wei Zhen	Promoter, Director and shareholder	Ang Wei Zhen is the son of Dato' Ang Cheng Siong. Hence, Ang Wei Zhen and Dato' Ang Cheng Siong are persons connected with each other						
3.	Dato' Ang Cheng Siong  Aura Perdana  Dato' Ir Dr Khoo Ping Sen  Siew Mun Lout	Dato' Ang Cheng Siong  Aura Perdana  Dato' Ir Dr Khoo Ping Sen  Siew Mun Lout  Ang Wei Zhen	Promoter, Director and substantial shareholder  Promoter and substantial shareholder  Promoter, Director and substantial shareholder  Promoter and Director  Promoter, Director and shareholder	-  -  -  Ang Wei Zhen is the son of Dato' Ang Cheng Siong. Hence, Ang Wei Zhen and Dato' Ang Cheng Siong are persons connected with each other	Disposal of 1,000,000 ordinary shares of RM1.00 in Ikhtisas Emas Sdn Bhd representing its entire issued and paid-up share capital <sup>(2)</sup>	-	-	-	-	10,131
4.	IJ Holdings	Dato' Ang Cheng Siong  Aura Perdana  Dato' Ir Dr Khoo Ping Sen  Siew Mun Lout	Promoter, Director and substantial shareholder  Promoter and substantial shareholder  Promoter, Director and substantial shareholder  Promoter and Director	Director and substantial shareholder  Substantial shareholder  Director and substantial shareholder  Director and substantial shareholder	Disposal of 100,000 ordinary shares of RM1.00 in Anjung Baiduri Development Sdn Bhd representing its entire issued and paid-up share capital <sup>(3)</sup>	-	-	-	-	76

**8. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)**

No.	Related Party	Interested Promoter/ Director/ Substantial Shareholder	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Transaction Value (RM'000)				
						FYE				LPD
						2011	2012	2013	2014	
		Ang Wei Zhen	Promoter, Director and shareholder	Ang Wei Zhen is the son of Dato' Ang Cheng Siong. Hence, Ang Wei Zhen and Dato' Ang Cheng Siong are persons connected with each other						

## Notes:-

- (1) Ikhtisas Emas Sdn Bhd had via its letter of award dated 18 November 2008 engaged Re kavista as its sub-contractor to undertake building and infrastructure works for a contract sum of approximately RM16.53 million for the contract period from 18 November 2008 to 17 March 2010. The contract sum was subsequently increased to approximately RM21.81 million by three (3) variation orders and the contract period was correspondingly extended from 17 March 2010 to 25 January 2011.
- (2) Ikhmas Jaya had on 3 June 2015 declared a dividend-in-specie amounting to RM10,131,181 for FYE 2014 by way of transferring the entire equity interest of Ikhtisas Emas Sdn Bhd to the Vendors in proportion of their percentage of shareholdings in Ikhmas Jaya based on the consolidated NTA of Ikhtisas Emas Sdn Bhd as at 31 December 2013 after taking into account the adjustment to the fair value (net of deferred taxation) of the properties of Ikhtisas Emas Sdn Bhd of RM7,367,841, as appraised by the Independent Registered Valuers as set out below:-

	RM
Consolidated NTA of Ikhtisas Emas Sdn Bhd as at 31 December 2013	2,763,340
Add: Fair value adjustment to the properties of Ikhtisas Emas Sdn Bhd (net of deferred taxation)	7,367,841
<b>Adjusted consolidated NTA of Ikhtisas Emas Sdn Bhd as at 31 December 2013</b>	<b>10,131,181</b>

The dividend-in-specie was completed on 3 June 2015. The shares of Ikhtisas Emas Sdn Bhd were subsequently transferred to IJ Holdings as nominated by the Vendors.

- (3) Please refer to Section 13.5 (h) of this Prospectus for further details.

Our Directors are of the view that the above RPTs were conducted on an arm's length basis and on terms not more favourable to the related parties than those generally available to the public. Our Audit and Risk Management Committee will supervise the terms of RPTs and the Directors of our Company will report such RPTs, if any, annually in our Company's annual report.

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**8. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)****8.1.2 Recurrent RPT of Revenue or Trading Nature**

Pursuant to Paragraph 10.09 of the Listing Requirements, a listed issuer may seek a mandate from its shareholders for recurrent RPTs subject to the following:-

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related-party than those generally available to the public;
- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under paragraph 10.09(1) of the Listing Requirements;
- (c) the listed issuer's circular to shareholders for the shareholder mandate includes the information as may be prescribed by Bursa Securities. The draft circular must be submitted to Bursa Securities together with a checklist showing compliance with such information;
- (d) in a meeting to obtain shareholders' mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution to approve the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
- (e) the listed issuer immediately announces to the Bursa Securities when the actual value of a recurrent RPT entered into by the listed issuer, exceeds the estimated value of the recurrent RPT disclosed in the circular by 10% or more and must include the information as may be prescribed by the Bursa Securities in its announcement.

Due to the time-sensitive nature of commercial transactions, the shareholders mandate will enable us, in our normal course of business, to enter into the categories of RPTs, provided such related-party transactions are made at arm's length and on normal commercial terms.

Transactions that do not fall within the ambit of the shareholders' mandate shall be subject to the relevant provisions of the Listing Requirements.

Upon Listing, our Audit and Risk Management Committee will supervise the terms of RPTs and our Directors will report RPTs, if any, annually in our Company's annual report. In the event there are any proposed RPTs that involve the interest, direct or indirect, of our Directors, the interested Director(s) shall disclose his interest to our Board, of the details of the nature and extent of his interest, including all matters in relation to the proposed RPTs that he is aware or should reasonably be aware of, which is not in our best interests. The interested Director(s) shall also abstain from any Board deliberation and voting on the relevant resolution(s) in respect of such proposed RPTs.

In the event there are any proposed RPTs that require the prior approval of shareholders, the Directors, major shareholders and/or persons connected with a Director or major shareholder, which have any interest, direct or indirect, in the proposed RPT 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 RPTs, 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 RPT at the general meeting.

**8. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)****8.2 TRANSACTIONS THAT ARE UNUSUAL IN THEIR NATURE OR CONDITIONS**

Our Directors have confirmed that there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Company and/or any of our subsidiaries was a party for the past four (4) financial years from FYE 2011 to FYE 2014 and up to the LPD.

**8.3 OUTSTANDING LOANS (INCLUDING GUARANTEES OF ANY KIND) MADE BY US OR ANY OF OUR SUBSIDIARIES TO/ FOR THE BENEFIT OF RELATED PARTIES**

Save as disclosed below, there are no outstanding loans (including guarantees of any kind) made by our Company and/or any of our subsidiaries to/ for the benefit of any related parties as at the end of each of the past four (4) financial years from FYE 2011 to FYE 2014 and up to the LPD.

No.	Related Party	Interested Promoter/ Director/ Substantial Shareholder	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Amount Due from/ (to) Related Party as at (RM'000)				
						FYE				LPD
						2011	2012	2013	2014	
1.	Ikhtisas Emas Sdn Bhd	IJ Holdings	Promoter and substantial shareholder	Substantial shareholder	Advances made by Ikhmas Jaya to Ikhtisas Emas Sdn Bhd to meet the operational obligations of Ikhtisas Emas Sdn Bhd	3,500	2,633	1,873	2,006	-
		Dato' Ang Cheng Siong	Promoter, Director and substantial shareholder	Director and substantial shareholder						
		Aura Perdana	Promoter and substantial shareholder	Substantial shareholder						
		Dato' Ir Dr Khoo Ping Sen	Promoter, Director and substantial shareholder	Director and substantial shareholder						
		Ang Wei Zhen	Promoter, Director and shareholder	Ang Wei Zhen is the son of Dato' Ang Cheng Siong. Hence, Ang Wei Zhen and Dato' Ang Cheng Siong are persons connected with each other						
2.	Ikhtisas Emas Sdn Bhd	IJ Holdings	Promoter and substantial shareholder	Substantial shareholder	Advances made by Rekavista to Ikhtisas Emas Sdn Bhd to meet the operational obligations of Ikhtisas Emas Sdn Bhd	11	10	11	11	-
		Dato' Ang Cheng Siong	Promoter, Director and substantial shareholder	Director and substantial shareholder						
		Aura Perdana	Promoter and substantial shareholder	Substantial shareholder						

**8. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)**

No.	Related Party	Interested Promoter/ Director/ Substantial Shareholder	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Amount Due from/ (to) Related Party as at (RM'000)				
						FYE				LPD
						2011	2012	2013	2014	
		Dato' Ir Dr Khoo Ping Sen	Promoter, Director and substantial shareholder	Director and substantial shareholder						
		Ang Wei Zhen	Promoter, Director and shareholder	Ang Wei Zhen is the son of Dato' Ang Cheng Siong. Hence, Ang Wei Zhen and Dato' Ang Cheng Siong are persons connected with each other						
3.	Lingkaran Ikhlas Sdn Bhd	IJ Holdings	Promoter and substantial shareholder	Substantial shareholder	Advances made by Ikhmas Jaya to Lingkaran Ikhlas Sdn Bhd to meet the operational obligations of Lingkaran Ikhlas Sdn Bhd	4	253	330	457	-
		Dato' Ang Cheng Siong	Promoter, Director and substantial shareholder	Director and substantial shareholder						
		Aura Perdana	Promoter and substantial shareholder	Substantial shareholder						
		Dato' Ir Dr Khoo Ping Sen	Promoter, Director and substantial shareholder	Director and substantial shareholder						
		Ang Wei Zhen	Promoter, Director and shareholder	Ang Wei Zhen is the son of Dato' Ang Cheng Siong. Hence, Ang Wei Zhen and Dato' Ang Cheng Siong are persons connected with each other						
4.	Anjung Baiduri Development Sdn Bhd	Dato' Ang Cheng Siong	Promoter, Director and substantial shareholder	Director	Advances made (by)/ to Anjung Baiduri Development Sdn Bhd (to)/ by Ikhmas Jaya to meet the operational obligations of Anjung Baiduri Development Sdn Bhd	(2)	0.2	6	-	-
		Ang Wei Zhen	Promoter, Director and shareholder	Director and son of Dato' Ang Cheng Siong. Hence, Ang Wei Zhen and Dato' Ang Cheng Siong are persons connected with each other						

**8. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)**

No.	Related Party	Interested Promoter/ Director/ Substantial Shareholder	Interest in Our Group	Nature of Interest in Related Party	Nature of Transaction	Amount Due from/ (to) Related Party as at (RM'000)				
						FYE				LPD
						2011	2012	2013	2014	
5.	Ikhmas Land Sdn Bhd	IJ Holdings	Promoter and substantial shareholder	Substantial shareholder	Advances made by Ikhmas Jaya to Ikhmas Land Sdn Bhd for the payment of deposits and expenses in relation to its property development project	416	581	694	6,714	-
		Dato' Ang Cheng Siong	Promoter, Director and substantial shareholder	Director and substantial shareholder						
		Aura Perdana	Promoter and substantial shareholder	Substantial shareholder						
		Dato' Ir Dr Khoo Ping Sen	Promoter, Director and substantial shareholder	Director and substantial shareholder						
		Ang Wei Zhen	Promoter, Director and shareholder	Ang Wei Zhen is the son of Dato' Ang Cheng Siong. Hence, Ang Wei Zhen and Dato' Ang Cheng Siong are persons connected with each other						
6.	Ikhmas Land Sdn Bhd	IJ Holdings	Promoter and substantial shareholder	Substantial shareholder	Advances made by Ikhmas Jaya to Ikhmas Land Sdn Bhd to meet the operational obligations of Ikhmas Land Sdn Bhd	19	25	33	52	-
		Dato' Ang Cheng Siong	Promoter, Director and substantial shareholder	Director and substantial shareholder						
		Aura Perdana	Promoter and substantial shareholder	Substantial shareholder						
		Dato' Ir Dr Khoo Ping Sen	Promoter, Director and substantial shareholder	Director and substantial shareholder						
		Ang Wei Zhen	Promoter, Director and shareholder	Ang Wei Zhen is the son of Dato' Ang Cheng Siong. Hence, Ang Wei Zhen and Dato' Ang Cheng Siong are persons connected with each other						



**8. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)****8.4 INTERESTS IN SIMILAR BUSINESSES**

As at the LPD, save as disclosed below, to the best knowledge and belief of our Directors, none of our other Directors and substantial shareholders has any interest, direct and/or indirect, in other businesses and/or corporations carrying on a similar trade as our Group which would give rise to a conflict of interest situation.

No.	Name of Interested Promoters/ Directors/ Substantial Shareholders	Name of Company	Principal Activities	Nature of Interest	% of Equity Shareholdings	
					Direct	Indirect
1.	IJ Holdings	Ikhtisas Emas Sdn Bhd	Construction and property development	Substantial shareholder	100.00	-
2.	Dato' Ang Cheng Siong	IJ Holdings	Investment holding of shares in companies and provision of management services	Director and substantial shareholder	30.58	<sup>(a)</sup> 28.04
		Ikhtisas Emas Sdn Bhd	Construction and property development	Director and substantial shareholder	-	<sup>(b)</sup> 30.58
3.	Aura Perdana	IJ Holdings	Investment holding of shares in companies and provision of management services	Substantial shareholder	28.04	-
		Ikhtisas Emas Sdn Bhd	Construction and property development	Substantial shareholder	-	<sup>(c)</sup> 28.04
4.	Dato' Ir Dr Khoo Ping Sen	IJ Holdings	Investment holding of shares in companies and provision of management services	Director and substantial shareholder	23.86	-
		Ikhtisas Emas Sdn Bhd	Construction and property development	Director and substantial shareholder	-	<sup>(c)</sup> 23.86
5.	Siew Mun Lout	IJ Holdings	Investment holding of shares in companies and provision of management services	Director and substantial shareholder	8.95	-
6.	Ang Wei Zhen	IJ Holdings	Investment holding of shares in companies and provision of management services	Ang Wei Zhen is the son of Dato' Ang Cheng Siong. Hence, Ang Wei Zhen and Dato' Ang Cheng Siong are persons connected with each other	-	-
		Ikhtisas Emas Sdn Bhd	Construction and property development	Ang Wei Zhen is the son of Dato' Ang Cheng Siong. Hence, Ang Wei Zhen and Dato' Ang Cheng Siong are persons connected with each other	-	-

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**8. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)**

Notes:-

- (a) Deemed interested by virtue of his shareholding in Aura Perdana pursuant to Section 6A of the Act.
- (b) Deemed interested by virtue of his shareholding in IJ Holdings and Aura Perdana pursuant to Section 6A of the Act.
- (c) Deemed interested by virtue of its/ his shareholding in IJ Holdings pursuant to Section 6A of the Act.

Save as disclosed below, our Board is of the opinion that there is no existing or potential conflict of interest situation arising from the shareholdings and directorships of the Directors and/or substantial shareholders of our Group in the following companies:-

- (a) Ikhtisas Emas Sdn Bhd ("Ikhtisas Emas")

Ikhtisas Emas is principally involved in construction and property development and is a wholly-owned subsidiary of IJ Holdings, which is our holding company.

As at the LPD, Ikhtisas Emas owned the following properties:-

No.	Title Identification/ Postal Address	Type of Property	Land Area (square metres)	Market Value as at 21 May 2014 (RM' 000)
1.	GRN 17898, Lot No. 5136, Town and District of Kuala Terengganu and State of Terengganu Darul Iman/ Lot No. 5136, Jalan Sultan Sulaiman, 20000 Kuala Terengganu, Terengganu Darul Iman	An end unit of a three (3)-storey shop/ office	125	900
2.	GRN 22504, Lot No. 60073, Bandar Kuala Terengganu, Daerah Kuala Terengganu	Vacant land	3,702	14,925
3.	HSD 8753, Lot PT 3927, Town and District of Kuala Terengganu and State of Terengganu Darul Iman	Vacant land	1,135	
4.	HSD 9838, Lot PT 4149, Town and District of Kuala Terengganu and State of Terengganu Darul Iman	Vacant land	160	
5.	GRN 21386, Lot No. 60078, Town and District of Kuala Terengganu and State of Terengganu Darul Iman	Vacant land	130	
6.	GRN 21457, Lot No. 60074, Town and District of Kuala Terengganu and State of Terengganu Darul Iman	Vacant land	130	
7.	GRN 17928, Lot No. 5165, Town and District of Kuala Terengganu and State of Terengganu Darul Iman	Vacant land	100	
8.	GRN 17927, Lot No. 5164, Town and District of Kuala Terengganu and State of Terengganu Darul Iman	Vacant land	95	
9.	GRN 17939, Lot No. 5177, Town and District of Kuala Terengganu and State of Terengganu Darul Iman	Vacant land	59	
10.	GRN 9704, Lot No. 4007, Town and District of Kuala Terengganu and State of Terengganu Darul Iman	Vacant land	58	
11.	GRN 20072, Lot No. 55129, Town and District of Kuala Terengganu and State of Terengganu Darul Iman	Vacant land	37	
12.	GRN 20073, Lot No. 55130, Town and District of Kuala Terengganu and State of Terengganu Darul Iman	Vacant land	20	
13.	GRN 21277, Lot No. 60050, Town and District of Kuala Terengganu and State of Terengganu Darul Iman	Vacant land	13	
14.	GRN 20267, Lot No. 55131, Town and District of Kuala Terengganu and State of Terengganu Darul Iman	Vacant land	8	
15.	GRN 17926, Lot No. 5167, Town and District of Kuala Terengganu and State of Terengganu Darul Iman	Vacant land	7	
<b>TOTAL</b>				<b>15,825</b>

## 8. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)

Ikhtisas Emas' principal activities of construction and property development are similar to the principal activities of our Group. Ikhtisas Emas had in 2012 completed a property development project in Kuala Terengganu, namely KT Prima Business Centre consisting of thirty (30) units of three (3)-storey shop offices. The construction of the said project was awarded to Rekavista as disclosed in item (1) of Section 4.5.3.2 of this Prospectus.

Ikhtisas Emas is presently inactive and does not have any project in hand and thus, there is no potential conflict of interests arising from the similarity of its principal activities with those of our Group. However, a situation of conflict of interests may arise in the event Ikhtisas Emas plans to undertake the development and construction on the pieces of land that it owns, as tabulated above.

Save for Dato' Ang Cheng Siong and Dato' Ir Dr Khoo Ping Sen, both of whom are the Directors of Ikhtisas Emas, no individual is under the employment of Ikhtisas Emas as at the LPD. As such, in the event Ikhtisas Emas plans to undertake or secure any construction and development activities, Ikhtisas Emas will outsource the construction activities to our Group pursuant to the undertakings as provided in the ensuing paragraph.

To mitigate any potential situation of conflict of interests, the Directors and shareholder of Ikhtisas Emas have on 1 December 2014 provided the following undertakings:-

- (i) that all the construction projects undertaken and/or to be undertaken by Ikhtisas Emas and/or its subsidiaries have been and will be subcontracted to our Group including the planning and management and any other matter relating to the said projects; and
- (ii) that all business transactions entered and/or to be entered into between Ikhtisas Emas and/or its subsidiaries and/or persons connected to them, and our Group shall be negotiated on and agreed at arm's length basis, normal commercial terms which are not more favourable to Ikhtisas Emas and/or its subsidiaries and/or persons connected to them than those generally available to the public and not to the detriment to our minority shareholders, our Group and Ikhtisas Emas and/or its subsidiaries.

Our Board has proposed to undertake the following measures to mitigate any possible conflict of interests that may potentially arise as a result of our Promoters', Directors' and/or substantial shareholders' interests in these businesses:-

- (i) to safeguard our interest and to avoid a potential conflict of interest situation, our Audit and Risk Management Committee comprising a majority of Independent Directors will, amongst others, monitor and review any transaction which we will enter into with our Promoters, Directors and/or substantial shareholders and/or persons connected to them; and
- (ii) all our Promoters, Directors and/or substantial shareholders are required to declare and disclose any transaction in which they are deemed interested and such transactions must be subject to the scrutiny of Audit and Risk Management Committee. In addition, our Promoters, Directors and/or substantial shareholders will ensure that all business transactions entered into between our Group and themselves and/or persons connected to them shall be negotiated on and agreed at arm's length basis, normal commercial terms which are not more favourable to the related parties than those generally available to the public and not to the detriment of our minority shareholders.

**8. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)****8.5 INTERESTS IN OTHER BUSINESSES OR CORPORATIONS WHICH ARE CUSTOMERS OR SUPPLIERS OF OUR GROUP**

As at the LPD, to the best of the knowledge and belief of our Directors, none of our Directors and/or substantial shareholders has any interest, direct and/or indirect in other businesses and/or corporations which are the customers or suppliers of our Group.

**8.6 CONTRACTS OR ARRANGEMENTS IN WHICH OUR DIRECTORS OR SUBSTANTIAL SHAREHOLDERS ARE INTERESTED AND SIGNIFICANT IN RELATION TO OUR BUSINESS**

Save as disclosed in Section 8.1 of this Prospectus, none of our Directors and/or substantial shareholders of our Company has interest in any contracts or arrangements, which is significant in relation to the business of our Group.

**8.7 DECLARATION BY THE ADVISERS**

- (1) As at the LPD, AmBank, a wholly-owned subsidiary of AMMB Holdings Berhad and a related company to AmInvestment Bank, had provided our Group credit facilities with a limit of up to approximately RM124.10 million (of which approximately RM53.85 million are outstanding) ("**AmBank Credit Facilities**"). The AmBank Credit Facilities amounting to approximately RM124.10 million constitutes approximately 0.86% of the audited consolidated net assets of AMMB Holdings Berhad and its subsidiaries as at 31 March 2015 of approximately RM14.45 billion. It should be noted that part of the proceeds from the Public Issue may be utilised for the repayment of credit facilities extended by AmBank.

Save as disclosed above, AmInvestment Bank wishes to advise that it does not, as at the LPD has any equity interest or other financial interest in the Group.

AmInvestment Bank confirms that there is no existing/ potential conflict of interest in respect of its capacity as Principal Adviser, Underwriter and Placement Agent to the Group for the IPO on the basis that:-

- (a) AmInvestment Bank is a licensed investment bank and its appointment as Principal Adviser, Underwriter and Placement Agent for the Listing is in the ordinary course of business;
  - (b) AmBank is a licensed commercial bank and the granting of the AmBank Credit Facilities is in the ordinary course of business;
  - (c) The conducts of AmInvestment Bank and AmBank are regulated strictly by the Financial Services Act, 2013 and by their own internal controls and checks; and
  - (d) The lines of business of AmInvestment Bank and AmBank are distinct and their operations are independent of one another.
- (2) Messrs Lee Hishammuddin Allen & Gledhill has given their confirmation that there is no existing or potential conflict of interest in respect of their capacity as Solicitors for the IPO.
- (3) Messrs KPMG has given their confirmation that there is no existing or potential conflict of interest in respect of their capacity as Reporting Accountants and Auditors for the IPO.

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**8. RELATED-PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)**

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- (4) Vital Factor Consulting Sdn Bhd has given their confirmation that there is no existing or potential conflict of interest in respect of their capacity as Independent Market Researcher for the IPO.
  
- (5) Messrs Rahim & Co (Sel) Sdn Bhd has given their confirmation that there is no existing or potential conflict of interest in respect of their capacity as Independent Registered Valuers for the IPO.

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## 9. FINANCIAL INFORMATION

### 9.1 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

*(Prepared for inclusion in the Prospectus)*



**KPMG (Firm No. AF 0758)**  
Chartered Accountants  
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8, First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388  
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Internet [www.kpmg.com.my](http://www.kpmg.com.my)

The Board of Directors  
Ikhmas Jaya Group Berhad  
Unit 621, 6<sup>th</sup> Floor, Block A  
Kelana Centre Point  
No. 3, Jalan SS17/19, Kelana Jaya  
47301 Petaling Jaya  
Selangor Darul Ehsan

15 June 2015

Dear Sirs

**Ikhmas Jaya Group Berhad (“the Company”)  
Report on the Compilation of Pro Forma Consolidated Financial Information Included  
in a Prospectus for the listing of and quotation for the shares of the Company on the  
Main Market of Bursa Malaysia Securities Berhad**

We have completed our assurance engagement to report on the compilation of the pro forma consolidated financial information of Ikhmas Jaya Group Berhad (“Ikhmas Berhad” or “the Company”) and its subsidiaries (collectively defined as “Ikhmas Group”) by the Board of Directors of the Company. The pro forma consolidated financial information consists of the pro forma consolidated statement of financial position as at 31 December 2014, pro forma consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2011, 2012, 2013 and 2014 and pro forma consolidated statement of cash flows for the year ended 31 December 2014, together with the accompanying notes, as set out in Appendix I, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the Board of Directors has compiled the pro forma consolidated financial information are specified in the Securities Commission’s *Prospectus Guidelines* in respect of an initial public offering (“Guidelines”) and stated in Note 1 of Appendix I.

The pro forma consolidated financial information has been compiled by the Board of Directors of the Company to illustrate the impact of the Company’s acquisition of Ikhmas Jaya Sdn. Bhd. (“Ikhmas Jaya”) and its subsidiaries, MM2 Building System Sdn. Bhd. (“MM2 Building System”) and its subsidiary, the reorganisation of Ikhmas Group and the Initial Public Offering (“IPO”) on Ikhmas Group’s financial position as at 31 December 2014 as if the events had taken place at 31 December 2014, and Ikhmas Group’s financial performance for the years ended 31 December 2011, 2012, 2013 and 2014 and cash flows for the year ended 31 December 2014 as if the events had taken place before the beginning of the respective financial years. As part of this process, information about the Ikhmas Group’s financial position, financial performance and cash flows have been extracted by the Board of Directors from the financial statements of Ikhmas Berhad and its subsidiaries for the financial years/period ended 31 December 2011, 2012, 2013 and 2014, on which audit reports have been issued.

#### **Directors’ Responsibility for the Pro Forma Consolidated Financial Information**

The Board of Directors of the Company is responsible for compiling the pro forma consolidated financial information on the basis stated in Note 1 of Appendix I as required by the Guidelines.

KPMG, a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

**9. FINANCIAL INFORMATION (Cont'd)**

*Ikhmas Jaya Group Berhad*  
*Report on the Compilation of Pro Forma Consolidated*  
*Financial Information Included in a Prospectus for the listing*  
*of and quotation for the shares of the Company on the Main*  
*Market of Bursa Malaysia Securities Berhad*  
*15 June 2015*

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion as required by the Guidelines, about whether the pro forma consolidated financial information has been compiled, in all material respects, by the Board of Directors of the Company on the basis stated in Note 1 of Appendix I.

We conducted our engagement in accordance with International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of the Company has compiled, in all material respects, the pro forma consolidated financial information on the basis stated in Note 1 of Appendix I.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated financial information.

The purpose of the pro forma consolidated financial information included in a prospectus is solely to illustrate the impact of any significant events or transactions on unadjusted financial information of the entity as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions, when they occur, would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors of the Company in the compilation of the pro forma consolidated financial information provides a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the events or transactions in respect of which the pro forma consolidated financial information have been compiled, and other relevant engagement circumstances.

9. FINANCIAL INFORMATION (Cont'd)



*Ikhmas Jaya Group Berhad*  
*Report on the Compilation of Pro Forma Consolidated*  
*Financial Information Included in a Prospectus for the listing*  
*of and quotation for the shares of the Company on the Main*  
*Market of Bursa Malaysia Securities Berhad*  
*15 June 2015*

**Reporting Accountants' Responsibilities (continued)**

The engagement also involves evaluating the overall presentation of the pro forma consolidated financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion,

- (a) the pro forma consolidated financial information has been compiled, in all material respects, on the basis stated in Note 1 of Appendix I of the pro forma consolidated financial information using the audited financial statements of Ikhmas Berhad and its subsidiaries for the years/period ended 31 December 2011, 2012, 2013 and 2014 prepared in accordance with the approved accounting standards as defined in the Financial Reporting Act 1997, and in a manner consistent with the format of the statements of financial position, profit or loss and other comprehensive income and cash flows and the accounting policies of the Company and, where appropriate, of its subsidiaries; and
- (b) each material adjustment made to the information used in the preparation of the pro forma consolidated financial information is appropriate for the purpose of preparing the pro forma consolidated financial information.

**Other Matters**

Our report on the pro forma consolidated financial information has been prepared for inclusion in the prospectus in connection with the listing of and quotation for the shares of Ikhmas Berhad on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and should not be relied upon for any other purposes.

Yours faithfully

**KPMG**  
Firm Number: AF 0758  
Chartered Accountants

**Foong Mun Kong**  
Approval Number: 2613/12/16(J)  
Chartered Accountant



**IKHMAS JAYA GROUP BERHAD (“IKHMAS BERHAD”)  
AND ITS SUBSIDIARIES (“IKHMAS GROUP”)**

**PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**

**1. Basis of preparation**

The pro forma consolidated financial information consists of the following:

- (a) The pro forma consolidated statement of financial position of Ikhmas Group as at 31 December 2014;
- (b) The pro forma consolidated statement of profit or loss and other comprehensive income of Ikhmas Group for the years ended 31 December 2011, 2012, 2013 and 2014; and
- (c) The pro forma consolidated statement of cash flows of Ikhmas Group for the year ended 31 December 2014.

The pro forma consolidated financial information has been prepared on the basis stated below using the audited financial statements of Ikhmas Berhad and its subsidiaries for the years/period ended 31 December 2011, 2012, 2013 and 2014 prepared in accordance with the approved accounting standards as defined in the Financial Reporting Act 1997, and in a manner consistent with the format of the statements of financial position, profit or loss and other comprehensive income and cash flows and the accounting policies adopted by Ikhmas Berhad and its subsidiaries. The subsidiaries of Ikhmas Berhad adopted MFRS and IFRS on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively to the comparative information presented in the financial statements for the year ended 31 December 2012. The transition to MFRS did not have a material financial impact to the financial statements of the subsidiaries. There was no material difference in the financial information prepared under MFRS and Private Entity Reporting Standards (“PERS”).

The auditors’ reports of all audited financial statements for the relevant financial years/periods under review were not subject to any qualification, modification or disclaimer of opinion other than the auditors’ report on the financial statements of MM2 Builders Sdn. Bhd. (formerly known as Reka Concrete Products Sdn. Bhd.) (“MM2 Builders”) for the financial year ended 31 December 2012 which contained an emphasis on the company’s dependency on the financial support from the shareholders/ultimate holding company to enable the company to fulfil its obligations as and when they fall due. The shareholders/ultimate holding company had indicated their willingness to provide continuous financial support to the company.

The pro forma consolidated statement of financial position as at 31 December 2014 is prepared for illustrative purposes and only to show the effects of the transactions, as described below, with the assumption that these transactions were completed on 31 December 2014.



**IKHMAS JAYA GROUP BERHAD (“IKHMAS BERHAD”)  
AND ITS SUBSIDIARIES (“IKHMAS GROUP”)**

**PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**

**1. Basis of preparation (continued)**

For the purposes of the pro forma consolidated statement of profit or loss and comprehensive income for the years ended 31 December 2011, 2012, 2013 and 2014 and the pro forma consolidated statement of cash flows for the year ended 31 December 2014, Ikhmas Group is assumed to have been in existence throughout the periods under review.

**Pro forma I – Subdivision of shares, issuance of share capital and reorganisation of Ikhmas Group (“Reorganisation”)**

The Company will undertake a subdivision of its issued and paid-up share capital of one hundred (100) ordinary shares of RM1.00 each into four hundred (400) new ordinary shares of RM0.25 each (“Ikhmas Berhad Share(s)” or “Share(s)”) on the basis of four (4) new Shares for every one (1) existing ordinary share of RM1.00 each held.

On 17 June 2014, pursuant to a Conditional Share Sale Agreement signed between Ikhmas Jaya Sdn. Bhd. (“Ikhmas Jaya”) and Rekavista Sdn. Bhd. (“Rekavista”), Ikhmas Jaya acquired from Rekavista the entire issued and paid-up share capital of Ikhmas Equipment Sdn. Bhd. (formerly known as RV Equipment Sdn. Bhd.) (“Ikhmas Equipment”) comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM1,480,000.

On 17 June 2014, pursuant to a Conditional Share Sale Agreement signed between MM2 Building System Sdn. Bhd. (“MM2 Building System”) and Rekavista, MM2 Building System acquired from Rekavista the entire issued and paid-up share capital of MM2 Builders comprising 100,000 ordinary shares of RM1.00 each for a cash consideration of RM2.

On 17 June 2014, pursuant to a Conditional Share Sale Agreement signed between Ikhmas Berhad and Ikhmas Jaya, Ikhmas Berhad acquired from Ikhmas Jaya 60% of the issued and paid-up share capital of MM2 Building System comprising 240,600 ordinary shares of RM1.00 each for a cash consideration of RM260,000.



## 9. FINANCIAL INFORMATION (Cont'd)

Appendix I

**IKHMAS JAYA GROUP BERHAD (“IKHMAS BERHAD”)  
AND ITS SUBSIDIARIES (“IKHMAS GROUP”)**

**PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**

## 1. Basis of preparation (continued)

**Pro forma I – Subdivision of shares, issuance of share capital and reorganisation of Ikhmas Group (“Reorganisation”) (continued)**

Pursuant to a Conditional Share Sale Agreement dated 17 June 2014 and a Supplemental Share Sale Agreement dated 29 August 2014 signed between Ikhmas Berhad and Dato’ Ang Cheng Siong, Aura Perdana Malaysia Sdn. Bhd., Dato’ Ir. Dr. Khoo Ping Sen, Siew Mun Lout, Yap Yoon Fatt, Yap Beng Teck and Woo Chee Meng (“the Vendors”), Ikhmas Berhad acquired from the Vendors the entire issued and paid-up share capital of Ikhmas Jaya comprising 30,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM98,499,900, satisfied wholly by the issuance of 393,999,600 Shares at an issue price of RM0.25 per Share. The purchase consideration of Ikhmas Jaya was based on the adjusted proforma consolidated net tangible assets (“NTA”) of Ikhmas Jaya (comprising Ikhmas Jaya, Rekavista, IJ Geotechnic Sdn. Bhd. (“IJ Geotechnic”) and Rekavista (Sarawak) Sdn. Bhd. (“Rekavista Sarawak”)) as at 31 December 2013 after taking into account the dividend payment and adjustment to the fair value (net of deferred taxation) of certain properties of Ikhmas Jaya of RM13,169,076 as set out below:-

	<b>RM</b>
Proforma consolidated NTA of Ikhmas Jaya as at 31 December 2013	96,241,241
Payment of dividend-in-specie by transferring the equity interest of Ikhtisas Emas Sdn Bhd	(10,131,181)
Provision for real property gain tax arising from real property company shares in relation to the payment of dividend-in-specie	(456,465)
Add: Fair value adjustment to certain properties of Ikhmas Jaya (net of deferred taxation)	13,169,076
	98,822,671
Adjusted proforma consolidated NTA of Ikhmas Jaya as at 31 December 2013	98,822,671

In conjunction with the Reorganisation, Ikhmas Berhad acquired the following companies:

Name of company	Equity interest acquired %	No. of ordinary shares issued	Cash consideration RM	Purchase consideration RM
Ikhmas Jaya <sup>(1)</sup>	100	393,999,600	-	98,499,900
MM2 Building System <sup>(2)</sup>	60	-	260,000	260,000
<b>Total</b>		393,999,600	260,000	98,759,900

(1) Includes 3 direct wholly owned subsidiary companies, namely Rekavista, IJ Geotechnic and Ikhmas Equipment and an indirect wholly owned subsidiary company, Rekavista Sarawak.

(2) Includes a wholly owned subsidiary company, MM2 Builders.



## 9. FINANCIAL INFORMATION (Cont'd)

*Appendix I*

**IKHMAS JAYA GROUP BERHAD (“IKHMAS BERHAD”)  
AND ITS SUBSIDIARIES (“IKHMAS GROUP”)**

**PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**

**1. Basis of preparation (continued)**

**Pro forma I – Subdivision of shares, issuance of share capital and reorganisation of Ikhmas Group (“Reorganisation”) (continued)**

Following the proposed subdivision and reorganisation of Ikhmas Group, the shareholders of Ikhmas Berhad propose to transfer their respective Shares in Ikhmas Berhad to Ikhmas Jaya Holdings Sdn. Bhd. (“IJ Holdings”), an investment holding company.

**Pro forma II – Public issue and offer for sale (“IPO”)**

*Public issue*

Pro forma II is prepared after incorporating transactions as described in Pro forma I and the Public Issue of 126,000,000 new Ikhmas Berhad Shares at the issue price of RM0.57 per Share (“Public Issue Shares”) in conjunction with the listing of and quotation for 520,000,000 Ikhmas Berhad Shares on the Main Market of Bursa Securities and will be allocated and allotted in the following manner:-

(a) Malaysian Public

26,000,000 Public Issue Shares representing 5.0% of the enlarged issued and paid-up share capital will be made available for application by Malaysian Public, of which at least 50.0% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

(b) Eligible Directors, Employees and Business Associates of Ikhmas Group

26,000,000 Public Issue Shares representing 5.0% of the enlarged issued and paid-up share capital will be reserved for the eligible Directors, employees and business associates (which include the suppliers, sales agents, customers and others) of the Group.

(c) Private Placement

74,000,000 Public Issue Shares representing approximately 14.23% of the enlarged issued and paid-up share capital will be reserved by way of private placement to selected investors (who are deemed public).



9. FINANCIAL INFORMATION (Cont'd)

*Appendix I*

**IKHMAS JAYA GROUP BERHAD (“IKHMAS BERHAD”)  
AND ITS SUBSIDIARIES (“IKHMAS GROUP”)**

**PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**

**1. Basis of preparation (continued)**

**IPO (continued)**

**Pro forma II – Public issue and offer for sale (“IPO”) (continued)**

*Offer for sale*

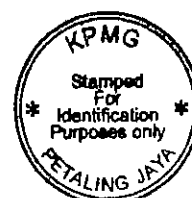
As part of this exercise, IJ Holdings will offer 56,000,000 Ikhmas Berhad Shares representing approximately 10.77% of the enlarged issued and paid-up share capital at the offer price of RM0.57 per Share (“Offer Shares”) and will be allocated and allotted in the following manner:-

(a) Bumiputera Investors

52,000,000 Offer Shares representing 10.0% of the enlarged issued and paid-up share capital will be reserved for Bumiputera investors approved by the Ministry of International Trade and Industry (“MITI”).

(b) Private Placement

4,000,000 Offer Shares representing approximately 0.77% of the enlarged issued and paid-up share capital will be reserved by way of private placement to selected investors (who are deemed public).



## 9. FINANCIAL INFORMATION (Cont'd)

## Appendix I

**IKHMAS JAYA GROUP BERHAD (“IKHMAS BERHAD”)  
AND ITS SUBSIDIARIES (“IKHMAS GROUP”)**

**PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**

**1. Basis of preparation (continued)**

**Pro forma III – Utilisation of proceeds from IPO**

Pro forma III is prepared after incorporating transactions as described in Pro forma I and II and the estimated proceeds from the IPO which will be utilised as follows:-

<b>Purpose</b>	<b>Amount (RM'000)</b>
<b>Estimated listing expenses:</b>	
Fees to authorities	550
Printing, advertising and other expenses in relation to the listing	300
Professional fees	2,000
Underwriting, placement fees and brokerage fees	2,000
Other miscellaneous expenses	150
	5,000
<b>Purchase of plant and machinery for manufacturing of prefabricated building system</b>	5,000
<b>Purchase of construction equipment</b>	31,820
<b>Repayment of bank borrowings</b>	12,000
<b>Working capital</b>	18,000
	71,820



**IKHMAS JAYA GROUP BERHAD (“IKHMAS BERHAD”)  
AND ITS SUBSIDIARIES (“IKHMAS GROUP”)**

**PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**

**2. Basis of consolidation**

In the preparation of the pro forma consolidated financial information, the following basis of consolidation has been applied.

**(i) Subsidiaries**

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

Subsidiaries that were acquired from common controlling shareholders under the reorganisation are consolidated using the pooling-of-interests method of accounting. Under the pooling-of-interests method of accounting, the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the date that common control was established. The assets and liabilities acquired are measured at the carrying amounts recognised in the consolidated statement of financial position prior to the reorganisation. The difference between the cost of acquisition and the nominal value of the shares acquired together with the share premium are taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences).

**(ii) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial information.



## 9. FINANCIAL INFORMATION (Cont'd)

## Appendix I

IKHMAS JAYA GROUP BERHAD ("IKHMAS BERHAD")  
AND ITS SUBSIDIARIES ("IKHMAS GROUP")

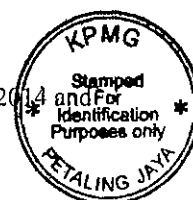
## PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

## 3. Pro forma consolidated statement of financial position

		(I)	(II)	(III)	
	Note	Audited statement of financial position at 31 December 2014 RM'000	After Reorganisation (Pro forma I) RM'000	After Pro forma I and IPO (Pro forma II) RM'000	After Pro forma II and utilisation of proceeds from IPO (Pro forma III) RM'000
<b>Assets</b>					
Property, plant and equipment	4a.	-	79,466	79,466	116,286
Investment properties		-	2,162	2,162	2,162
Other investments		-	226	226	226
Deferred tax assets		-	19	19	19
<b>Total non-current assets</b>		-	81,873	81,873	118,693
Trade and other receivables	4b.	4	178,190	178,190	178,190
Inventories		-	245	245	245
Current tax assets		-	82	82	82
Cash and cash equivalents	4c.	2	27,060	98,880	45,060
<b>Total current assets</b>		6	205,577	277,397	223,577
<b>Total assets</b>		6	287,450	359,270	342,270
<b>Equity</b>					
Share capital	4d.	*	98,500	130,000	130,000
Share premium	4e.	-	-	40,320	36,858
Merger deficit	4f.	-	(68,500)	(68,500)	(68,500)
(Accumulated losses)/Retained earnings	4g.	(13)	65,946	65,946	64,408
<b>Total equity attributable to equity holders of the Company</b>		(13)	95,946	167,766	162,766
Non-controlling interests		-	199	199	199
<b>Total equity</b>		(13)	96,145	167,965	162,965
<b>Liabilities</b>					
Loans and borrowings	4h.	-	19,880	19,880	19,880
Deferred tax liabilities		-	5,561	5,561	5,561
<b>Total non-current liabilities</b>		-	25,441	25,441	25,441
Trade and other payables	4i.	19	102,480	102,480	102,480
Loans and borrowings	4h.	-	57,317	57,317	45,317
Current tax liabilities		-	6,067	6,067	6,067
<b>Total current liabilities</b>		19	165,864	165,864	153,864
<b>Total liabilities</b>		19	191,305	191,305	179,305
<b>Total equity and liabilities</b>		6	287,450	359,270	342,270
No. of shares in issue ('000)	**		394,000	520,000	520,000
Net (liabilities) / assets per share attributable to equity holders of the Company (RM)		(32.5)	0.24	0.32	

\* Represents RM100

\*\* Represents 400 shares calculated after taking into account the issuance of 98 shares on 25 April 2014 and the subdivision of shares in Pro forma I





## 9. FINANCIAL INFORMATION (Cont'd)

Appendix I

**IKHMAS JAYA GROUP BERHAD ("IKHMAS BERHAD")  
AND ITS SUBSIDIARIES ("IKHMAS GROUP")**

**PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**

## 4. Effect on the pro forma consolidated statement of financial position

## a. Movement in property, plant and equipment

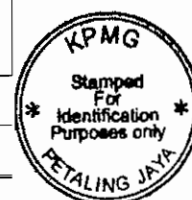
	RM'000
Balance at 31 December 2014	-
Effects of Pro forma I:-	
Reorganisation	79,466
Balance after Pro forma I and II	79,466
Effects of Pro forma III:-	
Utilisation of proceeds from IPO	
- Purchase of plant and machinery for manufacturing of prefabricated building system	5,000
- Purchase of construction equipment	31,820
	36,820
Balance after Pro forma I, II and III	116,286

## b. Movement in trade and other receivables

	RM'000
Balance at 31 December 2014	4
Effects of Pro forma I:-	
Reorganisation	178,186
Balance after Pro forma I, II and III	178,190

## c. Movement in cash and cash equivalents

	RM'000
Balance at 31 December 2014	2
Effects of Pro forma I:-	
Reorganisation	27,058
Balance after Pro forma I	27,060
Effects of Pro forma II:-	
IPO	71,820
Balance after Pro forma I and II	98,880
Effects of Pro forma III:-	
Utilisation of proceeds from IPO	
- Purchase of plant and machinery for manufacturing of prefabricated building system	(5,000)
- Purchase of construction equipment	(31,820)
- Repayment of bank borrowings	(12,000)
- Estimated listing expenses	(5,000)
	(53,820)
Balance after Pro forma I, II and III	45,060



## 9. FINANCIAL INFORMATION (Cont'd)

Appendix I

**IKHMAS JAYA GROUP BERHAD (“IKHMAS BERHAD”)  
AND ITS SUBSIDIARIES (“IKHMAS GROUP”)**

**PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**

## 4. Effect on the pro forma consolidated statement of financial position (continued)

## d. Movement in share capital

	RM'000
Balance at 31 December 2014	*
Effects of Pro forma I:-	
Reorganisation	98,500
Balance after Pro forma I	98,500
Effects of Pro forma II:-	
IPO	31,500
Balance after Pro forma I, II and III	130,000

\* Represents RM100

## e. Movement in share premium

	RM'000
Balance at 31 December 2014/after Pro forma I	-
Effects of Pro forma II:-	
IPO	40,320
Balance after Pro forma I and II	40,320
Effects of Pro forma III:-	
Utilisation of proceeds from IPO – Estimated listing expenses	(3,462)
Balance after Pro forma I, II and III	36,858

## f. Movement in merger deficit

	RM'000
Balance at 31 December 2014	-
Effects of Pro forma I:-	
Reorganisation	(68,500)
Balance after Pro forma I, II and III	(68,500)



## 9. FINANCIAL INFORMATION (Cont'd)

Appendix I

IKHMAS JAYA GROUP BERHAD ("IKHMAS BERHAD")  
AND ITS SUBSIDIARIES ("IKHMAS GROUP")

## PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

## 4. Effect on the pro forma consolidated statement of financial position (continued)

## g. Movement in (accumulated losses)/retained earnings

	RM'000
Balance at 31 December 2014	(13)
Effects of Pro forma I:- Reorganisation	<u>65,959</u>
Balance after Pro forma I and II	65,946
Effects of Pro forma III:- Utilisation of proceeds from IPO – Estimated listing expenses	<u>(1,538)</u>
Balance after Pro forma I, II and III	<u>64,408</u>

## h. Movement in loans and borrowings

## (i) Non-current

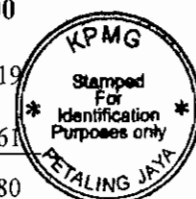
	RM'000
Balance at 31 December 2014	-
Effects of Pro forma I:- Reorganisation	<u>19,880</u>
Balance after Pro forma I, II and III	<u>19,880</u>

## (ii) Current

	RM'000
Balance at 31 December 2014	-
Effects of Pro forma I:- Reorganisation	<u>57,317</u>
Balance after Pro forma I and II	57,317
Effects of Pro forma III:- Utilisation of proceeds from IPO – Repayment of bank borrowings	<u>(12,000)</u>
Balance after Pro forma I, II and III	<u>45,317</u>

## i. Movement in trade and other payables

	RM'000
Balance at 31 December 2014	19
Effects of Pro forma I:- Reorganisation	<u>102,461</u>
Balance after Pro forma I, II and III	<u>102,480</u>



## 9. FINANCIAL INFORMATION (Cont'd)

Appendix I

IKHMAS JAYA GROUP BERHAD ("IKHMAS BERHAD")  
AND ITS SUBSIDIARIES ("IKHMAS GROUP")

## PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

## 5. Pro forma consolidated statement of profit or loss and other comprehensive income

	← Year ended 31 December →			
	2014 RM'000	2013 RM'000	2012 RM'000	2011 RM'000
Revenue	293,505	205,335	202,868	145,403
Cost of sales	(235,605)	(151,760)	(165,234)	(118,051)
<b>Gross profit</b>	<b>57,900</b>	<b>53,575</b>	<b>37,634</b>	<b>27,352</b>
Other income	259	216	1,458	1,487
Administrative expenses	(8,980)	(6,615)	(7,073)	(6,863)
Other operating expenses*	(15,753)	(15,145)	(12,755)	(9,525)
<b>Results from operating activities</b>	<b>33,426</b>	<b>32,031</b>	<b>19,264</b>	<b>12,451</b>
Finance income	686	532	333	249
Finance costs	(5,277)	(3,535)	(2,262)	(1,250)
Fair valuation gain arising from distribution of non-cash assets to owners*	-	-	-	-
<b>Profit before tax</b>	<b>28,835</b>	<b>29,028</b>	<b>17,335</b>	<b>11,450</b>
Tax expense	(7,426)	(7,568)	(3,849)	(3,072)
<b>Profit and total comprehensive income for the year</b>	<b>21,409</b>	<b>21,460</b>	<b>13,486</b>	<b>8,378</b>
<b>Profit attributable to:</b>				
Owners of the Company	21,546	21,435	13,335	8,378
Non-controlling interests	(137)	25	151	-
<b>Profit and total comprehensive income for the year</b>	<b>21,409</b>	<b>21,460</b>	<b>13,486</b>	<b>8,378</b>

\* The impact of payment of dividend-in-specie in conjunction with the reorganisation exercise as stated in Note 1 – pro forma I above is not reflected in the pro forma consolidated statement of profit or loss and other comprehensive income.



## 9. FINANCIAL INFORMATION (Cont'd)

## Appendix I

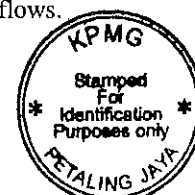
IKHMAS JAYA GROUP BERHAD ("IKHMAS BERHAD")  
AND ITS SUBSIDIARIES ("IKHMAS GROUP")

## PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

## 6. Pro forma consolidated statement of cash flows

	Year ended 31 December 2014 RM'000
<b>Cash flows from operating activities</b>	
Profit before tax	28,835
<i>Adjustments for:</i>	
Depreciation of property, plant and equipment	8,863
Gain on disposal of property, plant and equipment	(79)
Finance income	(686)
Finance costs	5,277
Fair valuation gain arising from distribution of non-cash assets to owners*	-
<b>Operating profit before changes in working capital</b>	42,210
Inventories	543
Trade and other receivables	(59,560)
Trade and other payables*	38,365
<b>Cash generated from operations</b>	21,558
Tax paid	(5,341)
Tax refund	115
Interest paid	(5,277)
<b>Net cash from operating activities</b>	11,055
<b>Cash flows from investing activities</b>	
Acquisition of property, plant and equipment	(4,167)
Acquisition of investment property	(1,579)
Proceeds from disposal of property, plant and equipment	584
Interest received	686
<b>Net cash used in investing activities</b>	(4,476)
<b>Cash flows from financing activities</b>	
Proceeds from bankers' acceptances and trust receipts	5,575
Proceeds from issuance of shares	160
Proceeds from loans and other borrowings	7,479
Repayment of hire purchase payables	(19,201)
Increase in pledged fixed deposits	(151)
Dividend paid	-
<b>Net cash used in financing activities</b>	(6,138)
<b>Net increase in cash and cash equivalents</b>	441
<b>Cash and cash equivalents at 1 January</b>	(10,287)
<b>Cash and cash equivalents at 31 December</b>	(9,846)

\* The impact of payment of dividend-in-specie in conjunction with the reorganisation exercise as stated in Note 1 – pro forma I above is not reflected in the pro forma consolidated statements of cash flows.



## 9. FINANCIAL INFORMATION (Cont'd)

## Appendix I

**IKHMAS JAYA GROUP BERHAD ("IKHMAS BERHAD")  
AND ITS SUBSIDIARIES ("IKHMAS GROUP")**

**PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**

## 6. Pro forma consolidated statement of cash flows (continued)

## Cash and cash equivalents

Cash and cash equivalents included in the pro forma consolidated statement of cash flows comprise the following pro forma consolidated statement of financial position amounts:

	31 December 2014 RM'000
Fixed deposits with licensed banks	26,484
Cash and bank balances	576
	27,060
Less: Pledged deposits	(23,706)
Less: Bank overdrafts	(13,200)
	(9,846)



## 9. FINANCIAL INFORMATION (Cont'd)

### 9.2 HISTORICAL FINANCIAL INFORMATION

The following table sets out a summary of the proforma consolidated results of our Group for the past four (4) FYE 2011 to FYE 2014. The proforma consolidated results should be read in conjunction with the Accountants' Report and the Reporting Accountant's letter on the proforma consolidated financial information as set out in Sections 9.1 and 10 of this Prospectus, respectively.

	Proforma			
	FYE 2011	FYE 2012	FYE 2013	FYE 2014
	RM'000	RM'000	RM'000	RM'000
Revenue	145,403	202,868	205,335	293,505
Cost of sales	(118,051)	(165,234)	(151,760)	(235,605)
GP	27,352	37,634	<sup>(a)</sup> 53,575	57,900
Other income	1,487	1,458	216	259
Administrative expenses	(6,863)	(7,073)	(6,615)	(8,980)
Other operating expenses	(9,525)	(12,755)	(15,145)	(15,753)
Result from operating activities	12,451	19,264	32,031	33,426
Finance income	249	333	532	686
Finance costs	(1,250)	(2,262)	(3,535)	(5,277)
Fair valuation gain arising from distribution of non-cash assets to owners	-	-	-	-
PBT	11,450	17,335	29,028	28,835
Taxation	(3,072)	(3,849)	(7,568)	(7,426)
PAT	8,378	13,486	21,460	21,409
Attributable to:-				
- Owners of our Company	8,378	13,335	21,435	21,545
- Non-controlling interest	-	151	25	(136)
	8,378	13,486	21,460	21,409
No. of Shares in issue ('000) <sup>(b)</sup>	394,000	394,000	394,000	394,000
Gross EPS (sen) <sup>(c)</sup>	2.91	4.40	7.37	7.32
Net EPS (sen) <sup>(d)</sup>	2.13	3.38	5.44	5.47
Fully diluted net EPS (sen) <sup>(e)</sup>	1.61	2.56	4.12	4.14
EBITDA	16,101	23,976	39,306	42,026
Effective tax rate (%)	26.83	22.20	26.07	25.75
GP margin (%)	18.81	18.55	<sup>(a)</sup> 26.09	19.73
PBT margin (%)	7.87	8.54	14.14	9.82
PAT margin (%)	5.76	6.65	10.45	7.29

Notes:-

- The proforma consolidated GP for the FYE 2013 has taken into consideration a reversal of provisions amounting to approximately RM7.18 million. Consequently, the proforma consolidated GP and GP margin of our Group for the FYE 2013 would be approximately RM46.40 million and 22.59% respectively without the incorporating the said reversal of provisions as further disclosed in Section 9.4.2.3(c) of this Prospectus.
- Based on the issued and paid-up share capital of 394,000,000 Shares after Subdivision, Acquisitions and Transfer.
- Gross EPS is computed based on PBT divided by the issued and paid-up share capital of 394,000,000 Shares after Subdivision, Acquisitions and Transfer.
- Net EPS is computed based on PAT attributable to owners of our Company divided by the issued and paid-up share capital of 394,000,000 Shares after Subdivision, Acquisitions and Transfer.
- Fully diluted EPS is computed based on PAT attributable to owners of our Company divided by the issued and paid-up share capital of 520,000,000 Shares after the Public Issue.

**9. FINANCIAL INFORMATION (Cont'd)****9.3 CAPITALISATION AND INDEBTEDNESS**

The following table summarised our cash and cash equivalents, capitalisation and indebtedness:-

- (a) as at 31 December 2014 based on our proforma consolidated statement of financial position after the Subdivision, Acquisitions and Transfer; and
- (b) as adjusted for the net proceeds arising from the issue of the Public Issue and the utilisation of proceeds as set out in Section 2.7 of this Prospectus.

	Proforma as at 31 December 2014 After Subdivision, Acquisitions and Transfer RM'000	After Public Issue and Utilisation of Proceeds RM'000
Cash and cash equivalents	27,060	45,060
Indebtedness		
<u>Short-term indebtedness</u>		
<u>Secured:-</u>		
- Finance lease liabilities	12,999	12,999
- Bank overdrafts	13,200	5,733
- Term loans	890	-
<u>Unsecured:-</u>		
- Bankers' acceptance, trust receipt and factoring	30,228	26,585
Total short-term indebtedness	57,317	45,317
<u>Long-term indebtedness</u>		
<u>Secured:-</u>		
- Finance lease liabilities	13,611	13,611
- Term loans	6,269	6,269
Total long-term indebtedness	19,880	19,880
Total indebtedness	77,197	65,197
Total shareholders' equity #	95,946	162,766
Total capitalisation and indebtedness	173,143	227,963
Gearing Ratio (times)	0.80	0.40

Note:-

# Excluding non-controlling interest.



## 9. FINANCIAL INFORMATION (Cont'd)

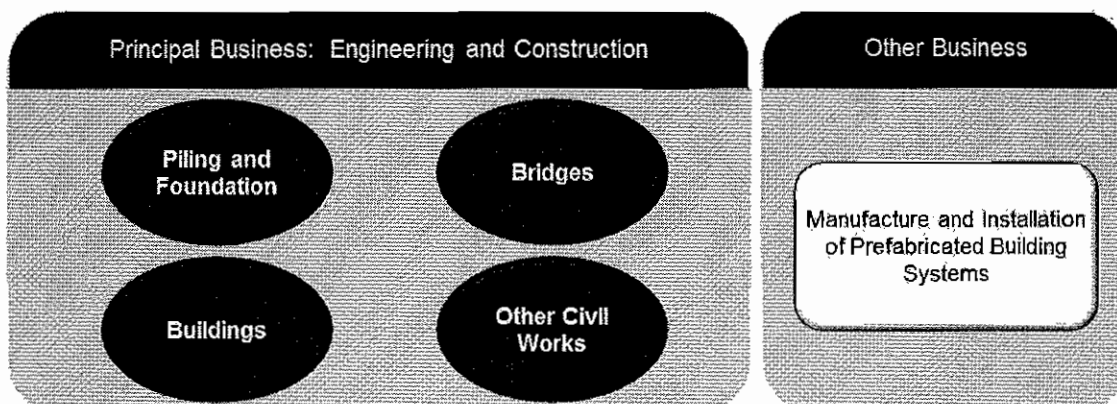
### 9.4 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS

The following management's discussion and analysis of our Group's financial performance and results of operations should be read in conjunction with the Accountants' Report and Reporting Accountants' letter on proforma consolidated financial information and the related notes thereon for the past four (4) FYE 2011 to FYE 2014 as set out in Section 9.1 and 10 of this Prospectus respectively.

The discussion and analysis contains data derived from our audited financial statements as well as forward-looking statements that involve risks and uncertainties. The results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those anticipated in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 3 of this Prospectus.

#### 9.4.1 OVERVIEW

Our Group's principal business activities are in engineering and construction, where we are involved in piling and foundation works, bridge construction, building construction and other civil works. Our other business activity is in the manufacture and installation of prefabricated building system. Over the years, we have established ourselves as a bore piling specialist. As at the LPD, all our business operations are located in Malaysia.



For FYE 2014, we did not record any revenue from other civil works.

Please refer to Section 4.3 of this Prospectus for information on the business of our Group.

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## 9. FINANCIAL INFORMATION (Cont'd)

### (a) Revenue

Our main revenue stream comes from engineering and construction activities which consist of:-

- (i) piling and foundation works;
- (ii) bridge construction;
- (iii) building construction; and
- (iv) other civil works.

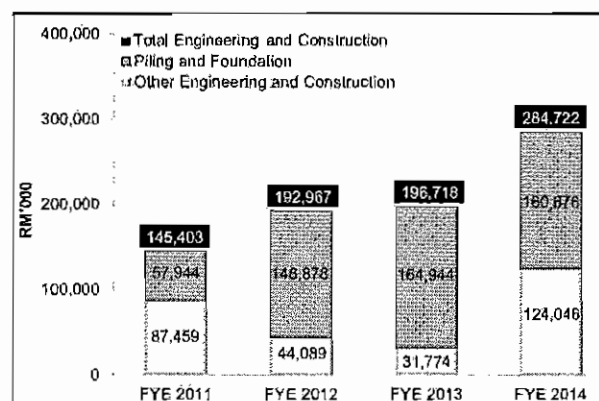
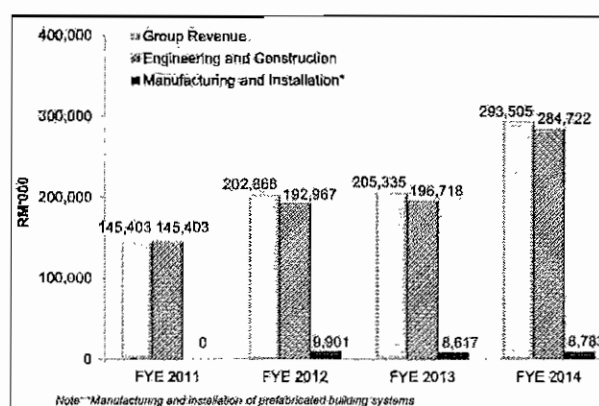
Other revenue stream comes from manufacturing and installation of prefabricated building systems.

Revenue from our engineering and construction activities is recognised based on the percentage of completion method where the outcome of the engineering and construction can be reliably estimated and is in respect of the finalised contracts and/or awards by the end of the reporting period. The percentage of completion is assessed by reference to the sums certified by surveyors for work performed.

Our Group's total revenue grew from approximately RM145.40 million for FYE 2011 to approximately RM293.51 million for FYE 2014, which represented a CAGR of approximately 26.38%.

We are engineering and construction group of companies as revenue from engineering and construction activities contributed approximately RM284.72 million or 97.01% of our Group's total revenue for FYE 2014. Revenue from engineering and construction grew from approximately RM145.40 million for FYE 2011 to approximately RM284.72 million for FYE 2014, which represented a CAGR of approximately 25.11%.

Revenue from other activities, derived from the manufacturing and installation of prefabricated building systems which commenced in 2012 accounted for approximately RM9.90 million in FYE 2012. Revenue from prefabricated building systems declined to approximately RM8.78 million in FYE 2014.



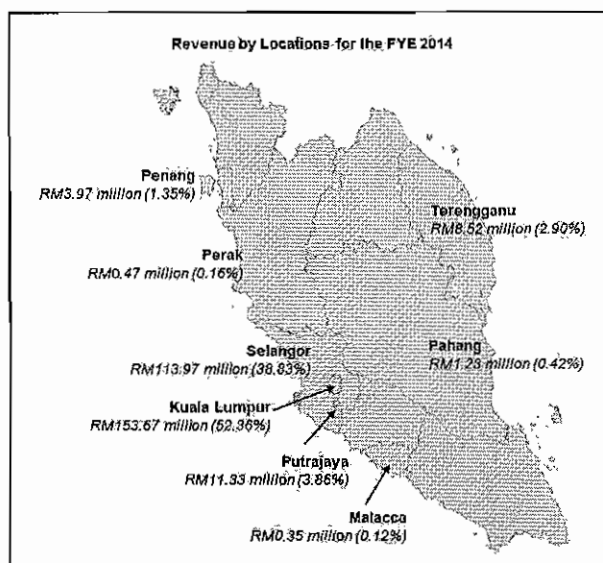
Within engineering and construction, we are a specialist in bore piling where revenue from piling and foundation works accounted for the largest revenue contributor at approximately RM160.68 million or 54.75% for FYE 2014. Our piling and foundation business grew from approximately RM57.94 million for FYE 2011 to approximately RM160.68 million for FYE 2014, which represented a CAGR of approximately 40.50%.

## 9. FINANCIAL INFORMATION (Cont'd)

Revenue from other engineering and construction business comprising mainly bridge construction and building construction grew from approximately RM87.46 million for FYE 2011 to approximately RM124.05 million for FYE 2014, which represented a CAGR of approximately 12.36%.

For FYE 2014, the large majority of our Group's total revenue was derived from Kuala Lumpur and Selangor, which collectively accounted for approximately 91.19% of our Group's total revenue as disclosed in Section 4.5(d) of this Prospectus.

Please refer to Section 9.4.2.1 of this Prospectus for a year-on-year analysis of our Group's total revenue for FYE 2011 to FYE 2014.



### (b) Cost of Sales

In tandem with our business growth, our Group's total cost of sales grew from approximately RM118.05 million for FYE 2011 to approximately RM235.61 million for FYE 2014, which represented a CAGR of approximately 25.90% over the same period.

- (i) Cost of sales for our engineering and construction operations mainly consists of building and construction materials, subcontractor costs, hiring of plant and machinery with and without operators, site management overheads, mobilisation costs and other preliminary and miscellaneous expenses such as diesel and hardware materials. Cost of sales for our engineering and construction operations constituted approximately 81.19%, 81.01%, 73.41% and 79.97% of our Group's total revenue from engineering and construction operations for FYE 2011, FYE 2012, FYE 2013 and FYE 2014 respectively
- (ii) Cost of sales for our manufacturing and installation of prefabricated building systems consists of subcontractor costs for on-site construction and installation works, raw materials, direct labour costs and production overheads. The cost of sales for our manufacturing and installation of prefabricated building systems constituted approximately 90.04%, 85.33% and 90.11% of our Group's total revenue from manufacturing operations for FYE 2012, FYE 2013 and FYE 2014 respectively.

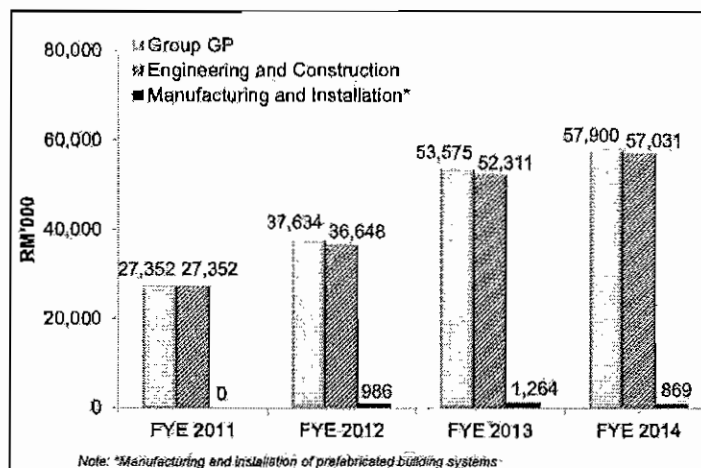
Please refer to Section 9.4.2.2 of this Prospectus for a year-on-year analysis of our Group's cost of sales for the past four (4) FYE 2011 to FYE 2014.

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## 9. FINANCIAL INFORMATION (Cont'd)

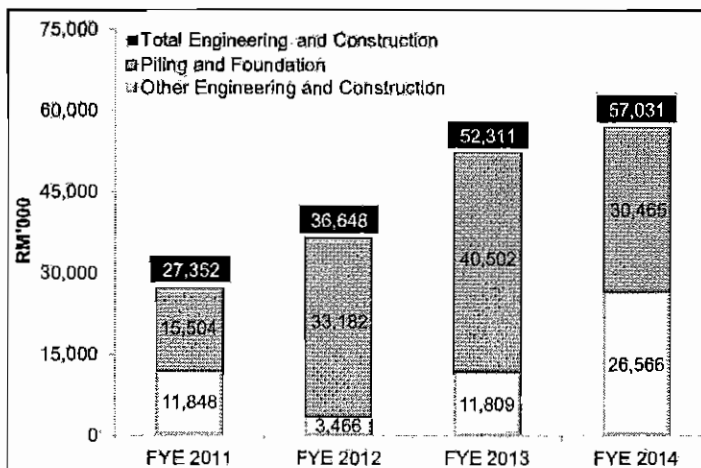
### (c) GP

Our Group's total GP grew from approximately RM27.35 million for FYE 2011 to approximately RM57.90 million for FYE 2014, representing a CAGR of approximately 28.40% over the same period. GP from our engineering and construction increased from approximately RM27.35 million for FYE 2011 to approximately RM57.03 million for FYE 2014. This represented a CAGR of approximately 27.76% between FYE 2011 and FYE 2014.



GP from our manufacturing and installation of prefabricated building systems decreased from approximately RM0.99 million for FYE 2012 to approximately RM0.87 million for FYE 2014.

Within the engineering and construction operations, GP from our piling and foundation works represented the largest GP contributor at approximately RM30.47 million or approximately 52.62% of our total GP for FYE 2014. The GP from piling and foundation works grew from approximately RM15.50 million for FYE 2011 to approximately RM30.47 million for FYE 2014. This represented a CAGR of approximately 25.27% during the financial years under review.



GP derived from other engineering and construction grew at a CAGR of approximately 30.89% from approximately RM11.85 million for FYE 2011 to approximately RM26.57 million for FYE 2014.

Please refer to Section 9.4.2.3 of this Prospectus for a year-on-year analysis of our Group's GP for FYE 2011 to FYE 2014.

### (d) Other Income

Our other income mainly comprises gains on disposal of property, plant and equipment, and motor vehicles, rental income and others. Other income constituted approximately 1.02%, 0.72%, 0.11% and 0.09% of our Group's total revenue for FYE 2011, FYE 2012, FYE 2013 and FYE 2014 respectively.

## 9. FINANCIAL INFORMATION (Cont'd)

### (e) Administrative Expenses

Our administrative expenses mainly consist of staff costs including, among others, wages, salaries, bonuses, employee contributions and other staff related expenses, as well as other administrative expenses. Other administrative expenses includes auditors' remuneration, stamping fees, professional fees, transportation and travelling expenses, training and seminar, telecommunication charges, utilities, office supplies and printing charges, and upkeep and maintenance. Administrative expenses constituted approximately 4.72%, 3.49%, 3.22% and 3.06% of our Group's total revenue for FYE 2011, FYE 2012, FYE 2013 and FYE 2014 respectively.

### (f) Other operating expenses

Other operating expenses mainly consist of amortisation and depreciation of property, plant and equipment, upkeep and maintenance of plant and machinery, and other operating expenses include travelling and accommodation expenses, and tender expenses. Other operating expenses constituted approximately 6.55%, 6.29%, 7.38% and 5.37% of our Group's total revenue for FYE 2011, FYE 2012, FYE 2013 and FYE 2014 respectively.

### (g) Finance Costs

Finance costs mainly comprised interest charged on bank and trade facilities granted by financial institutions. Our bank and trade facilities consist of hire purchase facilities, bank overdrafts, term loans, banker acceptances, trust receipts and factoring. Our finance costs constituted approximately 0.86%, 1.12%, 1.72% and 1.80% of our Group's total revenue for FYE 2011, FYE 2012, FYE 2013 and FYE 2014 respectively.

### (h) Finance Income

Finance income mainly comprised interest income derived from fixed deposit and sinking fund placed with licensed banks and financial institutions. Fixed deposits were pledged to licensed banks and financial institutions as securities for bankers' guarantees issued as requirements for new secured projects as well as securities for other banking facilities obtained from licensed banks and financial institutions. Our finance income constituted approximately 0.17%, 0.16%, 0.26% and 0.23% of our Group's total revenue for FYE 2011, FYE 2012, FYE 2013 and FYE 2014 respectively.

### (i) Taxation

Our Group is subject to income tax at the applicable statutory rates in Malaysia. For the past four (4) financial years under review, all of our Group's total revenue was derived from business operations in Malaysia. As such, the statutory tax rates and effective tax rates applicable to our Group in Malaysia for the past four (4) FYE 2011 to FYE 2014 are as set out below:-

	FYE 2011	FYE 2012	FYE 2013	FYE 2014
	%	%	%	%
Statutory tax rate	25.00	25.00	25.00	25.00
Effective tax rate	26.83	22.20	26.07	25.75

Our Group was principally subject to the income tax rate of 25.0% for the past four (4) FYE 2011 to FYE 2014. Our effective tax rates were approximately 26.83%, 22.20%, 26.07% and 25.75% for FYE 2011, FYE 2012, FYE 2013 and FYE 2014 respectively.

**9. FINANCIAL INFORMATION (Cont'd)****9.4.2 Results of Operations**

The following is a segmental analysis of our results for the past four (4) FYE 2011 to FYE 2014 based on the assumption that our current Group structure has been in existence throughout the financial years under review.

**9.4.2.1 Segmental Analysis of Revenue****(a) Revenue by Companies**

The table below sets forth the breakdown of our Group's total revenue by companies:-

Revenue	FYE 2011		FYE 2012		FYE 2013		FYE 2014	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Ikhmas Jaya	139,837	93.91	198,235	77.72	198,108	68.14	290,746	87.37
Rekavista	5,376	3.61	45,210	17.72	85,304	29.34	31,244	9.39
MM2 Building System	-	-	9,546	3.74	5,298	1.82	8,532	2.56
Ikhmas Equipment	1,343	0.90	1,878	0.74	1,998	0.69	2,121	0.64
IJ Geotechnic	190	0.13	194	0.08	-	-	-	-
Rekavista Sarawak	2,156	1.45	-	-	30	0.01	-	-
MM2 Builders	-	-	-	-	-	-	134	0.04
	<b>148,902</b>	<b>100.00</b>	<b>255,063</b>	<b>100.00</b>	<b>290,738</b>	<b>100.00</b>	<b>332,777</b>	<b>100.00</b>
Consolidation adjustment	(3,499)		(52,195)		(85,403)		(39,272)	
<b>Total</b>	<b>145,403</b>		<b>202,868</b>		<b>205,335</b>		<b>293,505</b>	

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## 9. FINANCIAL INFORMATION (Cont'd)

### (b) Revenue by Business Activities

The table below sets forth the breakdown of our Group's total revenue by business activities and products:-

Revenue	FYE 2011		FYE 2012		FYE 2013		FYE 2014	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Engineering and Construction</b>	145,403	100.00	192,967	95.12	196,718	95.80	284,722	97.01
Piling and foundation works	57,944	39.85	148,878	73.39	164,944	80.33	160,676	54.75
- Building	39,710	27.31	136,387	67.23	125,691	61.21	109,525	37.32
- Infrastructure	18,234	12.54	12,491	6.16	39,253	19.12	51,151	17.43
Bridge construction	45,504	31.30	18,806	9.27	17,317	8.43	74,579	25.41
Building construction	41,665	28.65	24,720	12.18	14,457	7.04	49,467	16.85
Others	290	0.20	563	0.28	-	-	-	-
<b>Other Activities</b>								
Manufacturing and installation *	-	-	9,901	4.88	8,617	4.20	8,783	2.99
<b>Total</b>	<b>145,403</b>	<b>100.00</b>	<b>202,868</b>	<b>100.00</b>	<b>205,335</b>	<b>100.00</b>	<b>293,505</b>	<b>100.00</b>

Note:-

\* Manufacturing and installation of prefabricated building systems.

### (c) Commentaries on Revenue

#### FYE 2011

##### (A) *Engineering and Construction*

For FYE 2011, all of our Group's total revenue was derived from engineering and construction which amounted to approximately RM145.40 million.

##### (i) **Piling and Foundation Works**

Of this, piling and foundation works represented the largest revenue contributor at approximately RM57.94 million or approximately 39.85% of our Group's total revenue for FYE 2011. This was mainly contributed by the following projects during the FYE 2011:-

##### (l) Piling and Foundation for Building Projects

- (aa) Commencement of piling and foundation works for the 5000-T/D Clinker Production Cement Plant, Gopeng ("**Cement Clinker Plant - Gopeng**") where the revenue derived accounted for approximately RM28.26 million or 19.43% of our Group's total revenue for FYE 2011. This project commenced in January 2011 and was subsequently completed within a nine-month period in September 2011.

## 9. FINANCIAL INFORMATION (Cont'd)

- (bb) Ongoing piling and foundation works for the Bandar Sri Damansara serviced apartment project where revenue generated was approximately RM5.58 million or 3.84% of our Group's total revenue for FYE 2011. This project commenced in December 2010 and was completed in August 2011. During the FYE 2011, this project was approximately 89% completed since its commencement in December 2010.
- (cc) Commencement of a new piling and foundation works project for the Tabung Haji office complex in Putrajaya, in which its revenue accounted for approximately RM3.25 million or approximately 2.24% of our Group's total revenue for FYE 2011. During the FYE 2011, the project was approximately 8% completed since its commencement in September 2011. This project was completed in 2013.
- (dd) Commencement of a new piling and foundation works project for the NSCI Bahau Second Clinker Production Line of 5000TPD ("**Cement Clinker Plant - Bahau**") where the revenue derived accounted for approximately RM1.03 million or 0.71% of our Group's total revenue for FYE 2011. During the FYE 2011, the project was about approximately 13% completed since its commencement in November 2011. The project was completed in 2012.

### (II) Piling and Foundation for Infrastructure Projects

- (aa) Commencement of a new piling and foundation works project for the Kelana Jaya Line Light Rail Transit Extension - Package 1A and 1B ("**Kelana Jaya Line LRT Extension**") in May 2011, in which its revenue accounted for approximately RM11.92 million or 8.20% of our Group's total revenue for FYE 2011. During the FYE 2011, the progress of this project was approximately 35% completed since its commencement in May 2011. The project was completed in 2014.
- (bb) We have been carrying out piling and foundation works for the railway electrification and double tracking project in various packages since 2008. For FYE 2011, revenue derived from the railway electrification and double tracking - Package N4, Sub-package S15 accounted for approximately RM4.69 million or 3.22% of our Group's total revenue. The project was approximately 85% completed since its commencement in February 2011 and the package was completed in February 2012.

### (ii) **Bridge Construction**

Bridge construction segment was the next largest revenue contributor, which accounted for approximately RM45.50 million or 31.30% of our Group's total revenue for FYE 2011. This was mainly contributed by the following projects:-

- (aa) Construction of the railway electrification and double tracking - Prai Swing Bridge project, in which the revenue generated accounted for approximately RM36.29 million or 24.96% of our Group's total revenue for FYE 2011. During the FYE 2011, the construction of this project was approximately 52% completed since its commencement in February 2010. The construction of the project was completed within a period of three (3) years in August 2013.
- (bb) Construction of a bridge for the JB-Nusajaya highway - Section 2 ("**JB-Nusajaya Highway**") project where the revenue derived accounted for approximately RM9.21 million or 6.33% of our Group's total revenue for FYE 2011. This project commenced in July 2009 and the physical construction was subsequently completed in June 2011.



## 9. FINANCIAL INFORMATION (Cont'd)

### (iii) Building Construction

Revenue from building construction segment was approximately RM41.67 million or 28.65% of our Group's total revenue for FYE 2011, which was mainly contributed by the following projects:-

- (aa) Ongoing design-and-build police training centre (PULAPOL) project in Terengganu where the revenue generated accounted for approximately RM25.58 million or 17.59% of our Group's total revenue for FYE 2011. This project commenced in April 2009 and the project was completed in October 2011.
- (bb) Revenue from the commencement of a new project for the construction of a hangar at Jalan Lapangan Terbang Subang which contributed approximately RM9.60 million or 6.60% of our Group's total revenue for FYE 2011. During the FYE 2011, this project was approximately 25% completed since its commencement in July 2011. The physical construction of the building was completed in March 2013.
- (cc) Revenue from the completion of the construction of shop offices in KT Prima Business Centre, Terengganu which accounted for approximately RM5.38 million or 3.70% of our Group's total revenue. This was the finalisation of revenue recognition of the project as the physical construction was completed in July 2012.

### (iv) Others

Within the engineering and construction segment, revenue derived from other civil works was approximately RM0.29 million or 0.20% of our Group's total revenue for FYE 2011. This was attributed by the Jade Hills project, which was for the upgrading of access road from Sistem Lingkaran-Lebuhraya Kajang (SILK) highway to a residential property development in Kajang.

### (B) Other Activities

There was no contribution from the other business activities to our Group's total revenue for the FYE 2011.

## **FYE 2012**

For FYE 2012, our Group's total revenue increased by approximately 39.53% from approximately RM145.40 million for FYE 2011 to approximately RM202.87 million for FYE 2012. This was mainly contributed by the increase in revenue from our engineering and construction segment namely piling and foundation works as well as the commencement of a new business segment, namely manufacturing and installation of prefabricated building systems.

### (A) Engineering and Construction

Our engineering and construction business continued to be our largest revenue contributor, which accounted for approximately 95.12% of our Group's total revenue for FYE 2012. Revenue from the engineering and construction segment increased by approximately 32.72% from approximately RM145.40 million for FYE 2011 to approximately RM192.97 million for FYE 2012.

#### (i) Piling and Foundation Works

Of this, revenue derived from piling and foundation increased by approximately 156.96% from approximately RM57.94 million for FYE 2011 to approximately RM148.88 million for FYE 2012. The increase in revenue was mainly attributed to the following piling and foundation works:-

## 9. FINANCIAL INFORMATION (Cont'd)

### (I) Piling and Foundation for Building Projects

- (aa) Revenue from the commencement of piling and foundation works for the Parcel C of the KL Eco City project which accounted for approximately RM45.21 million or 22.29% of our Group's total revenue for FYE 2012. During the FYE 2012, this project was approximately 27% completed since its commencement in June 2012. This project was completed in May 2014.
- (bb) Revenue from ongoing piling and foundation works for the Tabung Haji office complex in Putrajaya increased by approximately 808.92% from approximately RM3.25 million for FYE 2011 to approximately RM29.54 million for FYE 2012. This was mainly due to the higher proportion of completion at approximately 75% for FYE 2012 compared to about 8% completion in the FYE 2011. The entire project was approximately 83% completed since its commencement in September 2011 during the FYE 2012. Revenue contribution from the project was approximately RM29.54 million or 14.56% of our Group's total revenue for FYE 2012. This project was completed in 2013.
- (cc) Commencement of piling and foundation works for the Damai 88, Ampang project, in which its revenue accounted for approximately RM27.78 million or 13.69% of our Group's total revenue for FYE 2012. This project was approximately 77% completed during the FYE 2012 since its commencement in March 2012 and was subsequently completed in 2013.
- (dd) Completion of piling and foundation works for the Cement Clinker Plant – Bahau project where the revenue generated increased from approximately RM1.03 million for FYE 2011 to approximately RM17.47 million for FYE 2012, representing approximately 8.61% of our Group's total revenue for FYE 2012. This was mainly due to the finalisation of revenue recognition of this project which was completed in September 2012.
- (ee) Commencement of piling and foundation works for a commercial building under the DA:Men, USJ project where the revenue derived accounted for approximately RM12.80 million or 6.31% of our Group's total revenue. This project was approximately 67% completed for FYE 2012 since its commencement in May 2012. The project was completed by 2013.

### (II) Piling and Foundation for Infrastructure Projects

The increase in piling and foundation for building projects was partially offset by the decrease in revenue from piling and foundation works for infrastructure. Revenue from the piling and foundation for infrastructure projects decreased by approximately 31.49% from approximately RM18.23 million for FYE 2011 to approximately RM12.49 million for FYE 2012. The decline in revenue from the segment was mainly attributed by the following projects:-

- (aa) Revenue from piling and foundation works for the Kelana Jaya Line LRT Extension project decreased by approximately 6.96% from approximately RM11.92 million for FYE 2011 to approximately RM11.09 million for FYE 2012. This was mainly due to the rock and soil conditions which resulted in a slower progress in piling and foundation works. As a result, the completion of piling and foundations achieved approximately 36% completion for FYE 2012 as compared to approximately 39% completion in the previous financial year. Despite the lower completion, this entire project was approximately 75% completed since its commencement in May 2011. The project was completed in April 2014.

## 9. FINANCIAL INFORMATION (Cont'd)

- (bb) Revenue from piling and foundation works for the railway electrification and double tracking - Package N4, Sub-package S15 project decreased by approximately 82.94% from approximately RM4.69 million for FYE 2011 to approximately RM0.80 million for FYE 2012. This was mainly due to the finalisation of the project as the piling and foundation works was completed in February 2012.

### (ii) Building Construction

The increase in our Group's total revenue was partially offset by a fall in revenue from our building construction segment. For FYE 2012, revenue from our building construction segment decreased by approximately 40.68% from approximately RM41.67 million for FYE 2011 to approximately RM24.72 million for FYE 2012. This was mainly attributed to the completion of the design-and-build police training centre (PULAPOL) project in Terengganu. Revenue from the project decreased by approximately 95.97% from approximately RM25.58 million for FYE 2011 to approximately RM1.03 million for FYE 2012 due to the finalisation of revenue recognition as this project was completed in October 2011.

The decline in revenue from our building construction segment was partially compensated by an increase in revenue from the construction of the hangar at Jalan Lapangan Terbang Subang. The revenue of this project increased by approximately 140.21% from approximately RM9.60 million for FYE 2011 to approximately RM23.06 million for FYE 2012. This project was approximately 82% completed since its commencement in July 2011.

### (iii) Bridge Construction

Growth in our Group's total revenue was partially offset by a decline in revenue from our bridge construction segment. Revenue from the bridge construction segment declined by approximately 58.66% from approximately RM45.50 million for FYE 2011 to approximately RM18.81 million for FYE 2012. The decline in revenue from our bridge construction segment was mainly attributed by the following projects:-

- (aa) Finalisation of revenue from the construction of a bridge for the JB-Nusajaya Highway project where its revenue decreased by approximately 88.60% from approximately RM9.21 million for FYE 2011 to approximately RM1.05 million for FYE 2012, as this project was completed in June 2011.
- (bb) Revenue from the construction of the railway electrification and double tracking - Prai Swing Bridge project decreased by approximately 51.09% from approximately RM36.29 million for FYE 2011 to approximately RM17.75 million for FYE 2012. This was mainly due to the lower percentage of completion at approximately 24% for FYE 2012 as compared to approximately 53% completion in the previous financial year. Nevertheless, this entire project was approximately 77% completed during the FYE 2012 since its commencement in February 2010.

### (iv) Others

Revenue derived from other civil works increased from approximately RM0.29 million for FYE 2011 to approximately RM0.56 million for FYE 2012. The increase was attributed to the additional revenue recorded from the temporary earth drain diversion for the control building of the Prai Swing Bridge for flood prevention purposes and the upgrading of access road for the Jade Hills project.

## 9. FINANCIAL INFORMATION (Cont'd)

### (B) Other Activities

Revenue from a new business venture where we manufacture and install prefabricated building systems accounted for approximately RM9.90 million or 4.88% of our Group's total revenue for FYE 2012. The revenue was mainly derived from the following projects:-

- (i) Design, manufacture and installation of prefabricated building systems for 160 units of 5-storey flats in Pulau Redang, Terengganu where its revenue accounted for approximately RM6.29 million or 3.10% of our Group's total revenue for FYE 2012. For FYE 2012, this project was approximately 22% completed since its commencement in April 2012.
- (ii) Design, manufacture and installation of prefabricated building systems for 200 units of 5-storey flats in Pulau Perhentian, Terengganu, in which its revenue accounted for approximately RM3.30 million or 1.63% of our Group's total revenue for FYE 2012. During the FYE 2012, this project was approximately 10% completed since its commencement in April 2012.

### FYE 2013

For FYE 2013, our Group's total revenue increased marginally by approximately 1.22% from approximately RM202.87 million for FYE 2012 to approximately RM205.34 million for FYE 2013. The marginal increase in revenue was mainly from our piling and foundation works.

### (A) Engineering and Construction

Our engineering and construction business continued to be our largest revenue contributor, which accounted for approximately 95.80% of our Group's total revenue for FYE 2013. Revenue from engineering and construction business increased marginally by approximately 1.94% from approximately RM192.97 million for FYE 2012 to approximately RM196.72 million for FYE 2013.

#### (i) Piling and Foundation Works

Revenue derived from piling and foundation works increased by approximately 10.79% from approximately RM148.88 million for FYE 2012 to approximately RM164.94 million for FYE 2013. The overall increase in the revenue was mainly attributed to the following piling and foundation works for building projects:-

##### (I) Piling and Foundation for Building Projects

- (aa) Increase in revenue from the ongoing Parcel C of the KL Eco City project by approximately 88.68% from approximately RM45.21 million for FYE 2012 to approximately RM85.30 million for FYE 2013. Revenue from this project contributed approximately 41.54% of our Group's total revenue for FYE 2013. During the FYE 2013, the project achieved approximately 51% completion since its commencement in June 2012.
- (bb) Commencement of piling and foundation works under Parcel D of the KL Eco City where the revenue from this new project contributed approximately RM17.56 million or 8.55% of our Group's total revenue for FYE 2013. This project commenced in December 2012 and achieved approximately 16% completion during the FYE 2013.

## 9. FINANCIAL INFORMATION (Cont'd)

However, the increase in revenue from the KL Eco City projects was partially offset by the following piling and foundation works for building projects, which contributed to the overall decline within the segment:-

- (1) Revenue from the piling and foundation works for Tabung Haji office complex in Putrajaya declined by approximately 82.13% from approximately RM29.54 million for FYE 2012 to approximately RM5.28 million for FYE 2013. This was mainly due to the physical completion of the project in February 2013 as the bulk of the piling and foundation works was carried out in the FYE 2012.
- (2) Revenue derived from the Damai 88, Ampang project was approximately RM15.68 million or 7.64% of our Group's total revenue for FYE 2013. Of this, approximately RM8.29 million was from the piling and foundation works and the remaining approximately RM7.39 million was from building construction. Revenue derived from piling and foundation works for the project decreased by approximately 70.16% from approximately RM27.78 million for FYE 2012 to approximately RM8.29 million for FYE 2013. This was mainly due to the physical completion of the piling and foundation works for the project in March 2013.
- (3) Revenue from the DA:Men, USJ project decreased by approximately 53.44% from approximately RM12.80 million for FYE 2012 to approximately RM5.96 million for FYE 2013. This was mainly due to the physical completion of the project in June 2013.

### (II) Piling and Foundation for Infrastructure Projects

The increase in revenue within the overall piling and foundation works was also partially due to the commencement of piling and foundation works for two (2) infrastructure packages under the KVMRT Sungai Buloh - Kajang Line projects, which contributed approximately RM33.60 million or 16.36% of our Group's total revenue for FYE 2013. This includes the following:-

- (aa) Piling and foundation works for infrastructure project namely Package V8 of the Klang Valley Mass Rapid Transit ("**KVMRT**") Sungai Buloh - Kajang Line, in which its revenue accounted for approximately RM32.50 million or 15.83% of our Group's total revenue. The project was approximately 33% completed during the FYE2013.
- (bb) Revenue of approximately RM1.10 million or 0.54% of our Group's total revenue from piling and foundation works for the Elevated Station Packages S3 and S7 of the KVMRT Sungai Buloh - Kajang Line projects which were approximately 17% and 26% completed respectively since the commencement of the projects during the FYE 2013.

The increase in revenue from the piling and foundation works for infrastructure projects was partially offset by the decrease in revenue from the Kelana Jaya LRT Line Extension project. Revenue from the project decreased by approximately 74.12% from approximately RM11.09 million for FYE 2012 to approximately RM2.87 million for FYE 2013. This was mainly due to the slower completion of the project which achieved approximately 8% completion during the FYE 2013 compared to approximately 32% completion in the FYE 2012. However, for FYE 2013, the entire project achieved approximately 75% completion since its commencement in May 2011.

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**9. FINANCIAL INFORMATION (Cont'd)****(ii) Building Construction**

Revenue from the building construction segment contributed approximately RM14.46 million or 7.04% of our Group's total revenue for FYE 2013. The increase in our Group's total revenue was partially offset by a decrease in revenue from our building construction segment. For FYE 2013, revenue from the building construction segment decreased by approximately 41.50% from approximately RM24.72 million for FYE 2012 to approximately RM14.46 million for FYE 2013. The decline was mainly due contributed by the finalisation of revenue recognition from the completion of the construction of the hangar at Jalan Lapangan Terbang Subang. Revenue from this project decreased by approximately 68.47% from approximately RM23.06 million for FYE 2012 to approximately RM7.27 million for FYE 2013. The project was completed in March 2013.

The decrease in revenue was partially compensated by the revenue contribution from the commencement of building construction for the Damai 88, Ampang project, which accounted for approximately RM7.40 million or 3.60% of our Group's total revenue for FYE 2013.

**(iii) Bridge Construction**

Revenue from the bridge construction segment was approximately RM17.32 million or 8.43% of our Group's total revenue for FYE 2013, which was from the construction of the railway electrification and double tracking - Prai Swing Bridge project. Revenue from the bridge construction segment decreased by approximately 7.92% from approximately RM18.81 million for FYE 2012 to approximately RM17.32 million for FYE 2013, which was mainly due to the completion of the project in August 2013.

**(iv) Others**

There was no revenue contribution from other civil works under engineering and construction for FYE 2013.

**(B) Other Activities**

Revenue from other activities was from the manufacturing and installation of prefabricated building systems, which accounted for approximately RM8.62 million or 4.20% of our Group's total revenue for FYE 2013. Revenue from this segment decreased by approximately 12.93% from approximately RM9.90 million for FYE 2012 to approximately RM8.62 million for FYE 2013. This was mainly attributed to the following:-

- (aa) Decline in the revenue from the design, manufacture and installation of prefabricated building systems for the 5-storey flats in Pulau Perhentian. Revenue from this project decreased from approximately RM3.30 million for FYE 2012 to approximately RM0.34 million for FYE 2013 as a result of the slow progress of completion of approximately 1% during FYE 2013. The project was temporarily halted due to the rock and soil conditions of the site which resulted in a change of design to incorporate an additional scope of work to construct an elevated platform for the building. This entire project, which commenced in April 2012, achieved approximately 11% completion since project commencement in FYE 2013.
- (bb) The decrease in revenue was partially compensated by a new project for the supply of prefabricated building systems for construction of several buildings in Jasin, Malacca. This project recorded revenue of approximately RM2.22 million or 1.08% of our Group's total revenue for FYE 2013. This project commenced in September 2012 and was subsequently completed in March 2013.

## 9. FINANCIAL INFORMATION (Cont'd)

### **FYE 2014**

For FYE 2014, our Group's total revenue grew by approximately 42.94% from approximately RM205.34 million for FYE 2013 to approximately RM293.51 million for FYE 2014. The increase in revenue was attributed to bridge and building construction works under our engineering and construction business.

#### **(A) Engineering and Construction**

Our engineering and construction business continued to be our largest revenue contributor, which accounted for approximately 97.01% of our Group's total revenue for FYE 2014. Revenue from engineering and construction business grew by approximately 44.73% from approximately RM196.72 million for FYE 2013 to approximately RM284.72 million for FYE 2014.

#### **(i) Piling and Foundation Works**

Revenue derived from piling and foundation works decreased by approximately 2.58% from approximately RM164.94 million for FYE 2013 to approximately RM160.68 million for FYE 2014.

##### **(l) Piling and Foundation for Building Projects**

The decrease in revenue was mainly attributed to the piling and foundation works for the following building projects:-

- (aa) Decrease in revenue from the ongoing Parcel C of the KL Eco City project by approximately 63.38% from approximately RM85.30 million for FYE 2013 to approximately RM31.24 million for FYE 2014. This was due to the finalisation of revenue recognition as the project was physically completed in May 2014. For FYE 2014, revenue from this project contributed approximately 10.64% of our Group's total revenue.
- (bb) Revenue from the piling and foundation works for Tabung Haji office complex in Putrajaya declined by approximately 60.42% from approximately RM5.28 million for FYE 2013 to approximately RM2.09 million for FYE 2014. This was due to the finalisation of revenue recognition as the project was physically completed in February 2013.
- (cc) Revenue from the piling and foundation works for the Damai 88, Ampang project declined by approximately 99.95% from approximately RM8.29 million for FYE 2013 to approximately RM4,000 for FYE 2014. This was due to the finalisation of revenue recognition as this project was physically completed in March 2013.

However, the decrease in revenue from the above projects was partially offset by the following piling and foundation works for building projects:-

- (1) Commencement of the 9 Seputeh mixed development project in June 2014. Revenue from this project was RM17.85 million or approximately 6.08% of our Group's total revenue for FYE 2014.
- (2) Commencement of the piling and foundation works for Putrajaya (Precinct 16) civil servant high-rise apartment project in March 2014. Revenue from this project recognised in FYE 2014 was RM9.25 million, which accounted for approximately 3.15% of our Group's total revenue for FYE 2014.

## 9. FINANCIAL INFORMATION (Cont'd)

- (3) Increase in revenue from the ongoing piling and foundation work for Parcel D of the KL Eco City project for FYE 2014. Revenue from this project increased by approximately 83.20% from RM17.56 million in FYE 2013 to reach approximately RM32.17 million for FYE 2014. For FYE 2014, the aggregated revenue of this project represented approximately 46% of the contract value since the commencement of revenue recognition in FYE 2013.
- (4) Revenue from the ongoing Bukit Jalil commercial development project increased from approximately RM2.88 million for FYE 2013 to approximately RM8.99 million for FYE 2014. This was due to the recognition of the bulk of revenue during the FYE 2014 as the construction of this project was completed in September 2014. The project contributed approximately 3.06% of our Group's total revenue for FYE 2014.

### (II) Piling and Foundation for Infrastructure Projects

The decrease in revenue from piling and foundation works for building projects was partially offset by revenue from piling and foundation works for infrastructure projects, which increased by approximately 30.32% from approximately RM39.25 million for FYE 2013 to approximately RM51.15 million for FYE 2014. This business segment accounted for approximately 17.43% of our Group's total revenue for FYE 2014. The increase in revenue was mainly attributed to the following piling and foundation works for infrastructure projects:-

- (aa) Commencement of piling and foundation works for the Tun Razak Link and Sri Damansara Link of the Duke 2 Expressway project in February 2014 and April 2014 respectively. The combined revenue from the two parcels of the Duke 2 Expressway project which accounted for approximately RM10.85 million or 3.70% of our Group's total revenue for FYE 2014.
- (bb) Revenue from piling and foundation works for Package V8 of the Klang Valley Mass Rapid Transit ("KVMRT") Sungai Buloh - Kajang Line, which increased by approximately 7.05% in FYE 2014. Revenue from this project accounted for approximately RM34.79 million or 11.85% of our Group's total revenue for FYE 2014.
- (cc) Revenue from piling and foundation works for the Kelana Jaya LRT Extension project, which increased by approximately 33.45% in FYE 2014. This was due to the finalisation of revenue recognition as the project was physically completed April 2014. Revenue from this project accounted for approximately RM3.83 million or 1.30% of our Group's total revenue for FYE 2014.

### (ii) **Building Construction**

Revenue from the building construction segment contributed approximately RM49.47 million or 16.85% of our Group's total revenue for FYE 2014. The increase in our Group's total revenue was partially contributed by the increase in revenue from our building construction segment. For FYE 2014, revenue from the building construction segment increased by approximately 242.12% from approximately RM14.46 million for FYE 2013 to approximately RM49.47 million for FYE 2014. This was mainly due to higher revenue recognition from building construction works for the Damai 88, Ampang project during the FYE 2014. The revenue from this project increased by approximately 545.54% from approximately RM7.40 million for FYE 2013 to approximately RM47.77 million for FYE 2014. Since its commencement in April 2013, the aggregated revenue of approximately RM55.17 million has been recognised which represented approximately half of the total contract value of the said project.



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**9. FINANCIAL INFORMATION (Cont'd)**


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**(iii) Bridge Construction**

Revenue from the bridge construction segment was approximately RM74.58 million or 25.41% of our Group's total revenue for FYE 2014. Revenue from this segment increased by approximately 330.60% from approximately RM17.32 million for FYE 2013 to approximately RM74.58 million for FYE 2014. This was mainly due to revenue derived from commencement of Subang-Skypark Terminal Railway Track project in November 2013. For FYE 2014, the revenue contributed by the Subang-Skypark Terminal Railway Track project represented approximately 26% of the total contract value of the said project.

**(iv) Others**

There were no revenue contribution from other civil works under engineering and construction for FYE 2014.

**(B) Other Activities**

Revenue from other activities was from the manufacturing and installation of prefabricated building systems, which accounted for approximately RM8.78 million or 2.99% of our Group's total revenue for FYE 2014. Revenue from this segment increased marginally by approximately 1.86% from approximately RM8.62 million for FYE 2013 to approximately RM8.78 million for FYE 2014. This was mainly attributed to the following:-

- (aa) Increase in revenue from the design, manufacture and installation of prefabricated building systems for the 5-storey flats in Pulau Perhentian. Revenue from this project increased from approximately RM0.34 million for FYE 2013 to approximately RM4.27 million for FYE 2014. This was due to the recommencement of the 5-storey flats project in Pulau Perhentian after the project was temporarily halted.
- (bb) The increase in revenue from the Pulau Perhentian project as mentioned above was partially offset by decrease in revenue for the design, manufacture and installation of prefabricated building systems for the 5-storey flats in Pulau Redang and the supply of prefabricated building systems for construction of several buildings in Jasin, Malacca.

Revenue from the Pulau Redang project decreased by approximately 51.98% from approximately RM6.06 million for FYE 2013 to approximately RM2.91 million for FYE 2014. The progress of this project was slow due to drought conditions on the island which temporarily halted the installation of prefabrication building systems due to the shortage of water for concreting purposes. The project resumed after one (1) month of work stoppage.

The revenue from the Jasin project decreased by approximately 84.23% from approximately RM2.22 million for FYE 2013 to approximately RM0.35 million for FYE 2014. This was mainly due to finalisation of revenue recognition of the said project.

**9. FINANCIAL INFORMATION (Cont'd)****9.4.2.2 Segmental Analysis of Cost of Sales****(a) Cost of Sales by Companies**

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

Cost of Sales	FYE 2011		FYE 2012		FYE 2013		FYE 2014	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Ikhmas Jaya	117,691	96.76	165,977	76.32	151,135	63.71	235,017	85.48
Rekavista	1,456	1.20	41,084	18.89	80,197	33.81	30,092	10.95
MM2 Building System	-	-	8,747	4.02	4,351	1.83	7,986	2.90
Ikhmas Equipment	779	0.64	1,500	0.69	1,540	0.65	1,718	0.62
IJ Geotechnic	(19)	(0.02)	40	0.02	-	-	-	-
Rekavista Sarawak	1,724	1.42	141	0.06	-	-	-	-
MM2 Builders	-	-	-	-	-	-	124	0.05
	<b>121,631</b>	<b>100.00</b>	<b>217,489</b>	<b>100.00</b>	<b>237,223</b>	<b>100.00</b>	<b>274,937</b>	<b>100.00</b>
Consolidation adjustment	(3,580)		(52,255)		(85,463)		(39,332)	
<b>Total</b>	<b>118,051</b>		<b>165,234</b>		<b>151,760</b>		<b>235,605</b>	

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**9. FINANCIAL INFORMATION (Cont'd)****(b) Cost of Sales by Composition**

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

Cost of Sales	FYE 2011		FYE 2012		FYE 2013		FYE 2014	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Engineering and Construction</b>	<b>118,051</b>	<b>100.00</b>	<b>156,319</b>	<b>94.60</b>	<b>144,407</b>	<b>95.15</b>	<b>227,691</b>	<b>96.64</b>
- Building and construction materials <sup>(1)</sup>	46,531	39.42	70,646	42.75	85,842	56.56	95,049	40.34
- Subcontractor costs <sup>(2)</sup>	48,602	41.17	58,736	35.55	39,218	25.84	88,647	37.63
- Hiring of plant and machinery and related costs	10,473	8.87	12,044	7.29	8,192	5.40	20,331	8.63
- Site management overhead <sup>(3)</sup>	5,940	5.03	6,564	3.97	7,039	4.64	11,289	4.79
- Mobilisation <sup>(4)</sup>	1,295	1.10	1,335	0.81	1,083	0.71	4,245	1.80
- Others <sup>(5)</sup>	5,210	4.41	6,994	4.23	3,033	2.00	8,130	3.45
<b>Other Activities</b>								
<b>Manufacturing and installation <sup>(6)</sup></b>	<b>-</b>	<b>-</b>	<b>8,915</b>	<b>5.40</b>	<b>7,353</b>	<b>4.85</b>	<b>7,914</b>	<b>3.36</b>
- On-site construction and installation <sup>(7)</sup>	-	-	8,694	5.26	6,160	4.06	7,619	3.24
- Raw materials <sup>(8)</sup>	-	-	144	0.09	983	0.65	152	0.06
- Others <sup>(9)</sup>	-	-	77	0.05	210	0.14	143	0.06
<b>Total</b>	<b>118,051</b>	<b>100.00</b>	<b>165,234</b>	<b>100.00</b>	<b>151,760</b>	<b>100.00</b>	<b>235,605</b>	<b>100.00</b>

Notes:-

- (1) Includes steel and other metal materials, concrete and cement, wood materials, scaffolding and beams, piling tools, diesel and other materials.
- (2) Includes subcontractors that provide labour as well as labour and materials.
- (3) Includes salaries, bonuses and other staff-related costs for employees/ workers who are directly involved in piling and foundation works.
- (4) Include transportation of machineries, materials and tools.
- (5) Others are general preliminary and miscellaneous expenses comprise costs incurred for project insurance and levy, utilities costs, other expenses incurred for the preparation of construction sites including general repairs and maintenance, and other project-related costs.
- (6) Manufacturing and installation of prefabricated building systems.
- (7) Includes construction materials used for on-site construction and installation, mobilisation charges, site management overhead and hiring of plant and machinery with and without operators, as well as subcontractor cost.
- (8) Includes galvanised and steel wire and polystyrene materials.
- (9) Include factory overhead and labour costs.

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**9. FINANCIAL INFORMATION (Cont'd)**

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**Cost of Sales for Engineering and Construction**

Our cost of sales for engineering and construction to facilitate piling and foundation works, construction of bridge and building commonly consists the following:-

- (i) Building and construction materials constitute the largest component of our cost of sales, which commonly include steel and other metal materials, concrete and cement, wood materials, scaffolding and beams, piling tools and other building and construction materials.
- (ii) We engaged various third party subcontractors for the supply of services and materials, including supply of labours for various works such as bar bending works, carpentry, brickworks, formwork and concreting works, and subcontracted works such as structural works for road and road access, fabrication of steel cages for bore piles, platform work, as well as structural works for car park.
- (iii) Other components of our cost of sales include hiring cost of plant and machinery with/ without operators, mobilisation cost include cost of mobilisation and demobilisation such as transportation of personnel, equipment and operating supplies to the site, establishment of temporary site facilities at the sites and other demobilisation cost encompassed disassembly, removal and site clean-up of equipment and facilities assembled previously on the site, as well as other site overhead.

**Cost of Sales for Manufacturing and Installation of Prefabricated Building Systems**

Cost of sales for our manufacturing and installation of prefabricated building systems include:-

- (i) subcontractor cost comprising cost in engaging third party subcontractors for the supply of labour to facilitate on-site construction and installation works such as installation and joining works of prefabricated building systems and spray concreting works, cabling and installation of cable conduits and sockets, piping and roofing works, and others such as site overhead, hiring of plant and machinery and mobilisation cost.
- (ii) raw materials cost mainly consist of galvanised and steel wire, as well as polystyrene materials used for the manufacturing process and others which include direct labour costs and factory overheads.

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**9. FINANCIAL INFORMATION (Cont'd)****(c) Cost of Sales by Business Activities and Products**

The table below sets forth the breakdown of our Group's cost of sales by business activities and products:-

Cost of Sales	FYE 2011		FYE 2012		FYE 2013		FYE 2014	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Engineering and Construction</b>	<b>118,051</b>	<b>100.00</b>	<b>156,319</b>	<b>94.60</b>	<b>144,407</b>	<b>95.15</b>	<b>227,691</b>	<b>96.64</b>
Piling and foundation works	42,440	35.95	115,696	70.02	124,442	82.00	130,211	55.27
- Building	28,604	24.23	105,688	63.96	101,118	66.63	93,726	39.78
- Infrastructure	13,836	11.72	10,008	6.06	23,324	15.37	36,485	15.49
Bridge construction	37,326	31.62	14,287	8.65	10,944	7.21	51,847	22.00
Building construction	37,986	32.18	25,581	15.48	9,021	5.94	45,578	19.35
Others	299	0.25	755	0.45	-	-	55	0.02
<b>Other Activities</b>								
Manufacturing and installation *	-	-	8,915	5.40	7,353	4.85	7,914	3.36
<b>Total</b>	<b>118,051</b>	<b>100.00</b>	<b>165,234</b>	<b>100.00</b>	<b>151,760</b>	<b>100.00</b>	<b>235,605</b>	<b>100.00</b>

Note:-

\* Manufacturing and installation of prefabricated building systems.

**(d) Commentaries on Cost of Sales****FYE 2011****(A) Engineering and Construction**

For FYE 2011, the cost of sales from engineering and construction operations amounted to approximately RM118.05 million.

**(i) Piling and Foundation**

Cost of sales from piling and foundation operations was approximately RM42.44 million, which represented approximately 35.95% of our Group's total cost of sales. This was mainly contributed by the following projects:-

**(l) Piling and Foundation Works for Building**

- (aa) Commencement of a new piling and foundation works for the Cement Clinker Plant - Gopeng project.
- (bb) Ongoing piling and foundation works for the Bandar Sri Damansara serviced apartment project.

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**9. FINANCIAL INFORMATION (Cont'd)**


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- (cc) Commencement of a new piling and foundation works project for the Tabung Haji office complex in Putrajaya.
- (dd) Commencement of a new piling and foundation works for the Cement Clinker Plant – Bahau project.
- (II) Piling and Foundation Works for Infrastructure
- (aa) Commencement of a new piling and foundation works for the Kelana Jaya LRT Line Extension project in May 2011.
- (bb) Ongoing piling and foundation works for the railway electrification and double tracking - Package N4, Sub-package S15 project.

**(ii) Building Construction**

The cost of sales from the building construction segment of approximately RM37.99 million, which represented approximately 32.18% of our Group's total cost of sales for FYE 2011, was mainly contributed by the following projects:-

- (aa) Design-and-build police training centre (PULAPOL) project in Terengganu.
- (bb) Construction of the hangar on the Jalan Lapangan Terbang Subang.
- (cc) Completed project of construction of shop offices in KT Prima Business Centre, Terengganu. This was due to the finalisation of the cost of sales for the project as the construction was completed in March 2010.

**(iii) Bridge Construction**

The cost of sales of approximately RM37.33 million for the bridge construction segment, accounted for approximately 31.62% of our Group's total cost of sales for FYE 2011 was mainly contributed by the following projects:-

- (aa) Railway electrification and double tracking - Prai Swing Bridge project.
- (bb) Bridge construction for the JB-Nusajaya Highway project.

**(iv) Others**

Within the engineering and construction segment, cost of sales from other civil works was approximately RM0.30 million, which represented approximately 0.25% of our Group's total cost of sales for FYE 2011. This was contributed by the upgrading of access road for the Jade Hills project.

**(B) Other Activities**

There was no contribution from the other business activities to our Group's total cost of sales for the FYE 2011.

## 9. FINANCIAL INFORMATION (Cont'd)

### **FYE 2012**

For FYE 2012, our Group's total cost of sales increased by approximately 39.97% from approximately RM118.05 million for FYE 2011 to approximately RM165.23 million for FYE 2012. The increase in the Group's total cost of sales was in tandem with the growth of our engineering and construction business namely piling and foundation works, and the commencement of our new business in manufacturing and installation of prefabricated building systems.

#### **(A) Engineering and Construction**

Cost of sales from the engineering and construction business accounted for approximately 94.60% of our Group's total cost of sales for FYE 2012. Cost of sales from engineering and construction increased by approximately 32.42% from approximately RM118.05 million for FYE 2011 to approximately RM156.32 million for FYE 2012.

#### **(i) Piling and Foundation**

The cost of sales from our piling and foundation operations increased by approximately 172.62% from approximately RM42.44 million for FYE 2011 to approximately RM115.70 million for FYE 2012.

##### **(l) Piling and Foundation Works for Building Projects**

For FYE 2012, the increase in the cost of sales from our piling and foundation operations was mainly attributed by the piling and foundation for building projects as follows:-

- (aa) Commencement of piling and foundation works for the Parcel C of the KL Eco City project, where the major components of the cost of sales for this project were building and construction materials and subcontractor cost, which accounted for approximately 60% and 27% of the cost of sales for this project respectively for FYE 2012. During the FYE2012, this project was approximately 27% completed since its commencement in June 2012.
- (bb) Increase in the cost of sales from piling and foundation works for Tabung Haji office complex in Putrajaya, which was largely contributed by subcontractor costs and building and construction materials. This was due to a higher proportion of work completed with approximately 75% completion for FYE 2012 as compared to approximately 8% completion in the FYE2011. This entire project achieved approximately 83% completion since its commencement in September 2011.
- (cc) Commencement of piling and foundation works for service apartments under the Damai 88, Ampang project where the subcontractor costs and the cost of building and construction materials accounted for approximately 50% and 38% of the cost of sales for this project respectively. This project was approximately 77% completed during the FYE 2012 following its commencement in March 2012.
- (dd) Cost of sales from the completion of piling and foundation works for the Cement Clinker Plant -Bahau project increased significantly for FYE 2012. This was mainly due to the finalisation of the cost of sales as this project was completed in September 2012. Our building and construction materials of approximately 67%, as well as hiring cost of plant and machinery, and related costs of approximately 21%, accounted for a major portion of our cost of sales for this project.

## 9. FINANCIAL INFORMATION (Cont'd)

- (ee) Commencement of piling and foundation works for commercial building under the DA:Men, USJ project. This entire project was approximately 67% completed in FYE 2012 since its commencement in May 2012.

### (II) Piling and Foundation Works for Infrastructure Projects

The increase in our piling and foundation works for building projects was partially offset by the decrease in cost of sales from piling and foundation works for infrastructure, which decreased by approximately 27.67% from approximately RM13.84 million for FYE 2011 to approximately RM10.01 million for FYE 2012. This was mainly attributed to the following projects:-

- (aa) Cost of sales for the piling and foundation works for the Kelana Jaya LRT Line Extension project declined by approximately 13.50% for FYE 2012. This was mainly due to the slightly slower rate of completion of approximately 36% for FYE 2012 as compared to approximately 39% completion in the FYE 2011. This entire project achieved approximately 75% completion since its commencement in May 2011.
- (bb) Cost of sales from the piling and foundation works for the railway electrification and double tracking - Package N4, Sub-package S15 project decreased by approximately 20.42% for FYE 2012. This was mainly due to the finalisation of the project and cost of sales as the piling and foundation works was completed in February 2012.

### (ii) **Building Construction**

The increase in our Group's total cost of sales was partially offset by approximately 32.67% fall in the cost of sales from our building construction segment from approximately RM37.99 million for FYE 2011 to approximately RM25.58 million for FYE 2012. This was mainly attributed to the completion of the design-and-build police training centre (PULAPOL) project in Terengganu. The cost of sales fell by approximately 89.94% for FYE 2012 mainly due to the finalisation of the cost of sales as this project was completed in October 2011.

The decline in the cost of sales from our building construction segment was partially compensated by an increase in the cost of sales from the construction of the hangar at Jalan Lapangan Terbang Subang. The cost of sales of this project increased by approximately 174.57% for FYE 2012. This was mainly attributed to the increase in the subcontractor cost as well as building and construction materials. During the FYE 2012, this entire project was about approximately 82% completed since its commencement in July 2011.

### (iii) **Bridge Construction**

The cost of sales from our bridge construction segment decreased by approximately 61.72% from approximately RM37.33 million for FYE 2011 to approximately RM14.29 million for FYE 2012. This was mainly attributed to the following projects:-

- (aa) Finalisation of cost of sales for the bridge construction for the JB-Nusajaya Highway project, where its cost of sales decreased by approximately 87.44% for FYE 2012 as this project was completed in June 2011.



**9. FINANCIAL INFORMATION (Cont'd)**

(bb) Cost of sales from the construction of the railway electrification and double tracking - Prai Swing Bridge project decreased by approximately 51.74%. This was mainly due to the lower completion rate in the construction work at approximately 24% for FYE 2012 as compared to approximately 48% completion in the FYE 2011. The decrease in the cost of sales was reflected in its decline in building and construction materials cost, and subcontractor cost as compared to the FYE 2011. Nevertheless, this entire project achieved approximately 77% completion since its commencement in February 2010.

**(iv) Others**

Cost of sales from other civil works increased from approximately RM0.30 million for FYE 2011 to approximately RM0.76 million for FYE 2012. The increase was contributed by the temporary earth drain diversion for the control building of the Prai Swing Bridge for flood prevention purposes and the upgrading of access road for the Jade Hills project.

**(B) Other Activities**

The increase in our Group's total cost of sales was also contributed by the commencement of a new business segment in the manufacturing and installation of prefabricated building system. The cost of sales for this new business segment was approximately RM8.92 million, which represented approximately 5.40% of our Group's total cost of sales for FYE 2012 mainly contributed by the following projects:-

- (i) Cost of sales for the 5-storey flats project in Pulau Redang, Terengganu, which was largely from subcontractor costs for on-site construction and installation as well as construction materials. For FYE 2012, this entire project was approximately 22% completed since its commencement in April 2012.
- (ii) Cost of sales for the 5-storey flats project in Pulau Perhentian, Terengganu, which was largely from the subcontractor costs for on-site construction and installation as well as construction materials. During the FYE 2012, this entire project was approximately 10% completed since its commencement in April 2012.

**FYE 2013**

For FYE 2013, our Group's total cost of sales decreased by approximately 8.15% from approximately RM165.23 million for FYE 2012 to approximately RM151.76 million for FYE 2013.

**(A) Engineering and Construction**

Cost of sales from engineering and construction accounted for approximately 95.15% of our Group's total cost of sales for FYE 2013. The cost of sales from engineering and construction decreased by approximately 7.62% from approximately RM156.32 million for FYE 2012 to approximately RM144.41 million for FYE 2013. This was mainly attributed to the decrease in the cost of sales from building and bridge construction projects as well as our manufacturing operations.

## 9. FINANCIAL INFORMATION (Cont'd)

### (i) Piling and Foundation

The cost of sales from piling and foundation works increased by approximately 7.55% from approximately RM115.70 million for FYE 2012 to approximately RM124.44 million for FYE 2013. This was mainly contributed by the following projects:-

#### (I) Piling and Foundation Works for Infrastructure Projects

An increase in the cost of sales from piling and foundation works for infrastructure projects from approximately RM10.01 million for FYE 2012 to approximately RM23.32 million for FYE 2013. This was in line with the commencement of piling and foundation works for two packages under the KVMRT Sungai Buloh – Kajang Line projects. The increase in cost of sales was largely from building and construction materials, and subcontractor costs for the projects in FYE 2013.

However, the increase in the cost of sales of piling and foundation works for infrastructure projects was partially offset by the decrease in the cost of sales for the piling and foundation works under the Kelana Jaya LRT Line Extension project. The cost of sales of this project declined by approximately 97.77% for FYE 2013, which was mainly reflected in the decrease in the cost of sales from building and construction materials, as well as hiring cost of plant and machinery, and related costs. Similarly, this was mainly due to the slower completion of the project as this project achieved approximately 8% completion during FYE 2013 as compared to approximately 32% completion in the FYE 2012. However, for FYE 2013, the entire project was approximately 75% completed since its commencement in May 2011.

#### (II) Piling and Foundation Works for Building Projects

(aa) Cost of sales for piling and foundation works for building decreased by approximately 4.32% from approximately RM105.69 million for FYE 2012 to approximately RM101.12 million for FYE 2013. This was mainly attributed to the decline in the cost of sales for piling and foundation works for Tabung Haji office complex in Putrajaya which declined by approximately 71.13% for FYE 2013. This was mainly due to the completion of the project in March 2013 as the bulk of the piling and foundation works was carried out in the FYE 2012.

(bb) Cost of sales for piling and foundation works for the Damai 88, Ampang project decreased by approximately 69.45% for FYE 2013, which was from subcontractor costs and the cost of building and construction materials. The decline in the cost of sales was in line with the completion of the piling and foundation works for the project in March 2013.

(cc) Cost of sales for the DA:Men, USJ project also decreased by approximately 47.78% for FYE 2013. This was mainly due to the completion of the project in June 2013.

However, the decrease in the cost of sales for piling and foundation works for building was partially offset by the following projects:-

(1) Cost of sales from the ongoing Parcel C of the KL Eco City project increased by approximately 99.69% for FYE 2013. Cost of sales from this project mainly consisted of the cost of building and construction materials, subcontractor costs as well as hiring of plant and machinery with and without operators, and related costs. During the FYE 2013, the project was approximately 78% completed since its commencement in June 2012.

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**9. FINANCIAL INFORMATION (Cont'd)**

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- (2) Commencement of a new piling and foundation works under Parcel D of the KL Eco City project. This project commenced in December 2012 and since then, the entire project has achieved approximately 16% completion during the FYE 2013.

**(ii) Building Construction**

Cost of sales from the building construction segment amounted to approximately RM9.02 million, which represented approximately 5.94% of our Group's total cost of sales for FYE 2013. Cost of sales from this segment decreased by approximately 64.74% from approximately RM25.58 million for FYE 2012 to approximately RM9.02 million for FYE 2013. This was mainly due to the decrease of approximately 95.55% in the cost of sales for the construction of the hangar at Jalan Lapangan Terbang Subang for FYE 2013. This was in relation to the finalisation of the cost of sales for the project as the project was completed in March 2013.

In addition, the cost of sales for the design-and-build police training centre (PULAPOL) project decreased by approximately 54.71% for FYE 2013. This was due to the finalisation of the cost of sales of this project as it was completed earlier in October 2011.

The decrease in the cost of sales in the building construction segment was partially compensated by the recognition of the cost of sales from the commencement of the Damai 88, Ampang project, which mainly consisted of subcontractor costs and cost of building and construction materials.

**(iii) Bridge Construction**

The cost of sales from the bridge construction segment was approximately RM10.94 million, which represented approximately 7.21% of our Group's total cost of sales for FYE 2013, which was derived from the construction of the railway electrification and double tracking - Prai Swing Bridge project. The cost of sales of this project decreased by approximately 13.55% for FYE 2013, which was mainly due to the completion of the project in August 2013.

**(iv) Others**

There was no cost of sales recorded from other civil works under engineering and construction segment for FYE 2013.

**(B) Other Activities**

The cost of sales for the manufacturing and installation of prefabricated building systems amounted to approximately RM7.35 million. The cost of sales for this segment decreased by approximately 17.60% from approximately RM8.92 million for FYE 2012 to approximately RM7.35 million for FYE 2013. This was largely due to the decrease in the cost of sales for 5-storey flats under the Pulau Perhentian project. The main reason behind the decrease in the cost of sales was mainly due to the slow progress where the project was approximately 1% completed during the FYE 2013. This project was temporarily halted due to the rock and soil conditions which resulted in a change of design to incorporate additional scope of work to construct an elevated platform for the building.

The decrease in the cost of sales for this segment was partially compensated by a new project to supply prefabricated building system for the construction of several buildings in Jasin, Malacca. This project which commenced in September 2012 was subsequently completed in March 2013.

## 9. FINANCIAL INFORMATION (Cont'd)

### **FYE 2014**

For FYE 2014, our Group's total cost of sales increased by approximately 55.25% from approximately RM151.76 million for FYE 2013 to approximately RM235.61 million for FYE 2014. The increase in our Group's total cost of sales was in tandem with the growth of our engineering and construction business particularly from our bridge and building construction segment.

#### **(A) Engineering and Construction**

Cost of sales from engineering and construction accounted for approximately 96.64% of our Group's total cost of sales for FYE 2014. The cost of sales from engineering and construction increased by approximately 57.67% from approximately RM144.41 million for FYE 2013 to approximately RM227.69 million for FYE 2014. The increase in cost of sales was largely attributed to the increase in subcontractor costs, hiring of plant and machinery, and purchase of building and construction materials.

#### **(i) Piling and Foundation**

The cost of sales from piling and foundation works increased by approximately 4.64% from approximately RM124.44 million for FYE 2013 to approximately RM130.21 million for FYE 2014. The increase was mainly contributed by the following:-

##### **(I) Piling and Foundation Works for Infrastructure Projects**

The cost of sales from piling and foundation works for infrastructure projects increased by approximately 56.48% from approximately RM23.32 million for FYE 2013 to approximately RM36.49 million for FYE 2014. This was mainly attributed to the commencement of recognition of the cost of sales from the new piling and foundation works for two parcels of the Duke 2 Expressway project, namely the Tun Razak Link and Sri Damansara Link. The piling and foundation works for the Tun Razak Link and Sri Damansara Link commenced in February 2014 and April 2014 respectively.

In addition, the increase in cost of sales was also attributed to the finalisation of the project cost for the Kelana Jaya LRT Line Extension project as the project was physically completed in April 2014, as well as higher recognition of cost of sales from more works done for the Package V8 of the KVMRT Sungai Buloh - Kajang Line project during the FYE 2014.

##### **(II) Piling and Foundation Works for Building Projects**

The increase in overall cost of sales from piling and foundation works was partially offset by the decrease in cost of sales from piling and foundation works for building projects for FYE 2014. The cost of sales from piling and foundation works for building projects decreased by approximately 7.31% from approximately RM101.12 million for FYE 2013 to approximately RM93.73 million for FYE 2014. This was mainly attributed to the following projects:-

- (aa) Cost of sales for piling and foundation works for Parcel C of the KL Eco City project declined by approximately 58.26% or RM37.81 million for FYE 2014. This was mainly due to the finalisation of cost of sales as the project was physically completed in May 2014.

## 9. FINANCIAL INFORMATION (Cont'd)

- (bb) Cost of sales for piling and foundation works for the Tabung Haji office complex project, Damai 88, Ampang project and the DA:Men, USJ project also contributed to the decrease in our cost of sales, due to finalisation of cost of sales for the said projects for FYE 2014. The said three (3) projects were completed earlier in February 2013, March 2013 and June 2013 respectively.

Nevertheless, the decrease in cost of sales for piling and foundation works for building was partially set-off by the increase in cost of sales from the following projects:-

- (1) Cost of sales from the ongoing Parcel D of the KL Eco City project increased by approximately 118.33% or RM16.46 million for FYE 2014. For FYE 2014, the aggregated revenue recognised for this project represented approximately 46% of the contract value since the commencement of revenue recognition in FYE 2013. This project commenced in December 2012.
- (2) Cost of sales from the ongoing Bukit Jalil commercial development increased by approximately 374.69% or RM7.55 million for FYE 2014. This was due to the recognition of the bulk of cost of sales during the FYE 2014 as the project commenced in September 2013 and its construction was completed in September 2014.
- (3) The commencement in the recognition of the cost of sales for piling and foundation works of several projects including the 9 Seputeh mixed development project, Putrajaya (Precinct 16) civil servant high-rise apartment project, Bukit Tunku bungalow project as well as the Sri Kuala Lumpur School project.

### (ii) Building Construction

Cost of sales from the building construction segment amounted to approximately RM45.58 million, which represented approximately 19.35% of our Group's total cost of sales for FYE 2014. Cost of sales from this segment increased by approximately 405.32% from approximately RM9.02 million for FYE 2013 to approximately RM45.58 million for FYE 2014. This was largely attributed to ongoing construction of the Damai 88, Ampang project during the FYE 2014. The recognition of the aggregated revenue of this project represented approximately 50% of the contract value since the commencement of the project in 2013, while the remaining 50% of construction work is expected to be completed by third quarter of 2015.

### (iii) Bridge Construction

The cost of sales from the bridge construction segment was approximately RM51.85 million, which represented approximately 22.01% of our Group's total cost of sales for FYE 2014. Cost of sales from this segment increased by approximately 373.95% or RM40.91 million for the FYE 2014. This was mainly attributed to the commencement of the recognition of the cost of sales from the Subang-Skypark Terminal railway Track project. The said project commenced in November 2013. The increase in the cost of sales was partially offset by the decrease in the construction of the railway electrification and double tracking - Prai Swing Bridge project due to finalisation of the cost of sales as the said project was completed in July 2013.

### (iv) Others

Cost of sales from other civil works amounted to approximately RM0.06 million or 0.02% of our Group's total cost of sales for FYE 2014. This was in relation to the initial project costs incurred for the projects that did not materialise.

**9. FINANCIAL INFORMATION (Cont'd)****(B) Other Activities**

The cost of sales for the manufacturing and installation of prefabricated building systems amounted to approximately RM7.91 million or 3.36% of our Group's total cost of sales for FYE 2014. The cost of sales for this segment increased by approximately 7.62% from approximately RM7.35 million for FYE 2013 to approximately RM7.91 million for FYE 2014. This was mainly contributed by an increase in the cost of sales from the 5-storey flats project in Pulau Perhentian after the project resumed and partially contributed by the commencement of two (2) new projects for the design, manufacture and installation of prefabricated building systems in Pahang.

The increase in the cost of sales from other activities was partially offset by the decrease in cost of sales from the 160 units of 5-storey flats project in Pulau Redang, which was temporarily halted due to drought conditions, as well as finalisation of the cost of sales for the Jasin project.

**9.4.2.3 Segmental Analysis of GP and GP Margin****(a) GP and GP Margin by Companies**

The table below sets forth the breakdown of our Group's GP by companies:-

GP	FYE 2011		FYE 2012		FYE 2013		FYE 2014	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Ikhmas Jaya	22,146	81.21	32,258	85.85	*46,973	87.78	55,729	96.35
Rekavista	3,920	14.37	4,126	10.98	5,107	9.54	1,152	1.99
MM2 Building System	-	-	799	2.12	947	1.77	546	0.94
Ikhmas Equipment	564	2.07	378	1.01	458	0.85	403	0.70
IJ Geotechnic	209	0.77	154	0.41	-	-	-	-
Rekavista Sarawak	432	1.58	(141)	(0.37)	30	0.06	-	-
MM2 Builders	-	-	-	-	-	-	10	0.02
	27,271	100.00	37,574	100.00	53,515	100.00	57,840	100.00
Consolidation adjustment	81		60		60		60	
<b>Total</b>	<b>27,352</b>		<b>37,634</b>		<b>*53,575</b>		<b>57,900</b>	

Note:-

\* The GP of Ikhmas Jaya and the consequential proforma GP of our Group for the FYE 2013 have taken into consideration reversal of provisions amounting to approximately RM7.18 million. As such, for the FYE 2013, the GP of Ikhmas Jaya would be approximately RM39.79 million whilst the proforma GP of our Group would be approximately RM46.40 million without incorporating the said reversal of provisions as further disclosed in Section 9.4.2.3(c) of this Prospectus.

**9. FINANCIAL INFORMATION (Cont'd)**

GP Margin	FYE 2011	FYE 2012	FYE 2013	FYE 2014
Ikhmas Jaya	15.84%	16.27%	<sup>(1)</sup> 23.71%	19.17%
Rekavista	72.92%	9.13%	5.99%	3.69%
MM2 Building System	-	8.37%	17.87%	6.40%
Ikhmas Equipment	42.00%	20.13%	22.92%	19.00%
IJ Geotechnic	<sup>(2)</sup> 110.00%	79.38%	-	-
Rekavista Sarawak	20.04%	-	<sup>(2)</sup> 100.00%	-
MM2 Builders	-	-	-	7.46%
Total GP Margin	18.81%	18.55%	<sup>(1)</sup> 26.09%	19.73%

Notes:-

- (1) The GP of Ikhmas Jaya and the consequential proforma GP of our Group for the FYE 2013 have taken into consideration reversal of provisions amounting to approximately RM7.18 million. As such, for the FYE 2013, the GP of Ikhmas Jaya would be approximately RM39.79 million whilst the proforma GP of our Group would be approximately RM46.40 million without incorporating the said reversal of provisions as further disclosed in Section 9.4.2.3(c) of this Prospectus.
- (2) Additional recognition of revenue for projects that have been completed whereby all costs have been fully charged out/ expense off.

**(b) GP and GP Margin by Business Activities and Products**

The table below sets forth the breakdown of our Group's GP by business activities and products:-

GP	FYE 2011		FYE 2012		FYE 2013		FYE 2014	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Engineering and Construction</b>	<b>27,352</b>	<b>100.00</b>	<b>36,648</b>	<b>97.38</b>	<b>52,311</b>	<b>97.64</b>	<b>57,031</b>	<b>98.50</b>
Piling and foundation works	15,504	56.68	33,182	88.17	40,502	75.60	30,465	52.62
-Building	11,106	40.60	30,699	81.57	24,573	45.87	15,799	27.29
-Infrastructure	4,398	16.08	2,483	6.60	15,929	29.73	14,666	25.33
Bridge Construction	8,178	29.90	4,519	12.01	6,373	11.90	22,732	39.26
Building Construction	3,679	13.45	(861)	(2.29)	5,436	10.14	3,889	6.71
Others	(9)	(0.03)	(192)	(0.51)	-	-	(55)	(0.09)
<b>Other Activities</b>								
Manufacturing and installation <sup>(1)</sup>	-	-	986	2.62	1,264	2.36	869	1.50
<b>Total</b>	<b>27,352</b>	<b>100.00</b>	<b>37,634</b>	<b>100.00</b>	<sup>(2)</sup> <b>53,575</b>	<b>100.00</b>	<b>57,900</b>	<b>100.00</b>

**9. FINANCIAL INFORMATION (Cont'd)**

Notes:-

- (1) Manufacturing and installation of prefabricated building systems.
- (2) The proforma GP of our Group for the FYE 2013 has taken into consideration a reversal of provisions amounting to approximately RM7.18 million. Consequently, the proforma GP of our Group for the FYE 2013 would be approximately RM46.40 million without the incorporating the said reversal of provisions as further disclosed in Section 9.4.2.3(c) of this Prospectus.

GP Margin	FYE 2011	FYE 2012	FYE 2013	FYE 2014
<b>Engineering and Construction</b>	<b>18.81%</b>	<b>18.99%</b>	<b>26.59%</b>	<b>20.03%</b>
Piling and foundation works	26.76%	22.29%	24.56%	18.96%
- Building	27.97%	22.51%	19.55%	14.43%
- Infrastructure	24.12%	19.88%	40.58%	28.67%
Bridge Construction	17.97%	24.03%	36.80%	30.48%
Building Construction	8.83%	(3.48%)	37.60%	7.86%
Others	(3.10%)	(34.10%)	-	-
<b>Other Activities</b>				
Manufacturing and installation <sup>(1)</sup>	-	9.96%	14.67%	9.89%
<b>Total GP Margin</b>	<b>18.81%</b>	<b>18.55%</b>	<sup>(2)</sup> <b>26.09%</b>	<b>19.73%</b>

Notes:-

- (1) Manufacturing and installation of prefabricated building systems.
- (2) The proforma GP of our Group for the FYE 2013 has taken into consideration a reversal of provisions amounting to approximately RM7.18 million. Consequently, the proforma GP of our Group for the FYE 2013 would be approximately RM46.40 million without the incorporating the said reversal of provisions as further disclosed in Section 9.4.2.3(c) of this Prospectus.

**(c) Commentaries on GP and GP Margin****FYE 2011****(A) Engineering and Construction**

For FYE 2011, all of our Group's total GP was derived from engineering and construction operations amounting to approximately RM27.35 million, which represented a GP margin of approximately 18.81%.

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**9. FINANCIAL INFORMATION (Cont'd)**

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**(i) Piling and Foundation**

For FYE 2011, our piling and foundation works contributed the largest GP accounting for approximately RM15.50 million or 56.68% of our Group's total GP. This segment of our business achieved a GP margin of approximately 26.76% for FYE 2011.

**(I) Piling and Foundation Works for Building Projects**

The GP from piling and foundation works undertaken for building was approximately RM11.11 million or 40.60% of our Group's total GP, with a GP margin of approximately 27.97% in FYE 2011. The GP from the piling and foundation works for building projects were contributed by the following projects:-

- (aa) Commencement of piling and foundation works for the Cement Clinker Plant - Gopeng.
- (bb) Bandar Sri Damansara serviced apartment project which commenced in December 2010 and was completed in August 2011.
- (cc) Piling and foundation project for Tabung Haji office complex in Putrajaya which was approximately 8% completed by end of FYE 2011 since its commencement in September 2011.
- (dd) Piling and foundation works for the Cement Clinker Plant – Bahau which was approximately 6% completed by end of FYE 2011.

**(II) Piling and Foundation Works for Infrastructure Projects**

The GP from piling and foundation works for infrastructure projects accounted for approximately RM4.40 million or 16.08% of our Group's total GP for FYE 2011. This was mainly contributed by the following projects:-

- (aa) Piling and foundations works for the Kelana Jaya LRT Line Extension project.
- (bb) The railway electrification and double tracking - Package N4, Sub-package S15 project. The project commenced in February 2011 and by end of FYE 2011, the project was approximately 85% completed.

**(ii) Building Construction**

For FYE 2011, the GP from building construction was approximately RM3.68 million or 13.45% of our Group's total GP for FYE 2011. This business segment achieved a GP margin of approximately 8.83% for FYE 2011 and was mainly contributed by the following projects:-

- (aa) Finalisation of the construction of the shop offices in KT Prima Business Centre, Terengganu project which is near completion.
- (bb) Commencement in the construction of the hangar at Jalan Lapangan Terbang Subang in Selangor. The project commenced in July 2011 and was approximately 24% completed by end of FYE 2011.

## 9. FINANCIAL INFORMATION (Cont'd)

The GP derived from the building construction segment was partially offset by the gross loss recorded by the design-and-build police training centre (PULAPOL) project. This was mainly due to the higher construction costs recognised as the project was approximately 98% completed by the end of FYE 2011. Nevertheless, the entire police training centre (PULAPOL) project recorded a positive GP.

### (iii) Bridge Construction

For FYE 2011, our Group's GP from bridge construction was approximately RM8.18 million or 29.90% of our Group's total GP. This business segment achieved a GP margin of approximately 17.97% for FYE 2011. The GP from our bridge construction was mainly contributed by the construction of the railway electrification and double tracking - Prai Swing Bridge project. This project commenced in February 2010 and was approximately 53% completed by end of FYE 2011.

The GP from the bridge construction segment was partially offset by the gross loss recorded for the bridge construction for the JB-Nusajaya Highway project, which recorded gross loss for FYE 2011. This was mainly due to the recognition of the bulk of the remaining cost as the project was completed in June 2011. Overall, the bridge construction for the JB-Nusajaya Highway project recorded a positive GP and GP margin despite the length of the project duration which extended from July 2009 to June 2011.

### (iv) Others

Within the engineering and construction segment, other civil works recorded a gross loss of approximately RM9,000 with a gross loss margin of approximately 3.10% for FYE 2011, which was contributed by the upgrading of access road for the Jade Hills project.

### (B) Other Activities

There was no contribution from the other business activities to our Group's total GP for the FYE 2011.

## FYE 2012

For FYE 2012, our Group's total GP increased by approximately 37.59% from approximately RM27.35 million for FYE 2011 to approximately RM37.63 million for FYE 2012. Our Group's total GP margin decreased from approximately 18.81% for FYE 2011 to approximately 18.55% for FYE 2012. The increase in our Group's total GP was mainly attributed to increase in GP from our engineering and construction segment, mainly from piling and foundation, and commencement of our new business segment of manufacturing and installation of prefabricated building systems.

### (A) Engineering and Construction

Our engineering and construction segment continued to be our largest GP contributor, which accounted for approximately 97.38% of our Group's total GP for FYE 2012. GP from the engineering and construction segment increased by approximately 34.0% from approximately RM27.35 million for FYE 2011 to approximately RM36.65 million for FYE 2012. The GP margin of the segment also improved from approximately 18.81% for FYE 2011 to approximately 18.99% for FYE 2012.

**9. FINANCIAL INFORMATION (Cont'd)****(i) Piling and Foundation**

Within our engineering and construction segment, the GP derived from piling and foundation works increased by approximately 114.06% from approximately RM15.50 million for FYE 2011 to approximately RM33.18 million for FYE 2012. However, the GP margin from our piling and foundation works decreased from approximately 26.76% for FYE 2011 to approximately 22.29% for FYE 2012.

The growth in GP from our piling and foundation works was mainly attributed to the following:-

- (aa) Commencement of piling and foundation works for the Parcel C of the KL Eco City project. Since the commencement of the project in June 2012, this project was approximately 27% completed as at end of FYE 2012.
- (bb) Commencement of piling and foundation works for the service apartments under the Damai 88, Ampang project. The project commenced in March 2012 and was approximately 77% completed by the end of FYE 2012.
- (cc) Piling and foundation works for the Cement Clinker Plant – Bahau which recorded a higher growth for FYE 2012 mainly due to the finalisation of the project as it was completed in September 2012.
- (dd) Commencement of piling and foundation works for the commercial building under the DA:Men, USJ project for FYE 2012. The project commenced in May 2012 and was approximately 67% completed by end of FYE 2012.
- (ee) GP from our piling and foundation works for the Kelana Jaya LRT Line Extension project which increased by approximately 24.15% for FYE 2012. This was mainly due to the lower cost of sales recognised for the project for FYE 2012.

The increased in GP from our piling and foundation works was partially offset by the decrease in GP from the following projects:-

- (1) GP from the piling and foundation works for Tabung Haji office complex in Putrajaya decreased by approximately 43.08% for FYE 2012. The project also recorded a decrease in GP margin by 18.70% for FYE 2012. This was mainly due to higher cost of sales which increased by approximately 1,020.08% against growth in revenue of approximately 807.93% for FYE 2012. The higher cost of sales was mainly attributed to more work done for the project for FYE 2012 of approximately 75% as compared to approximately 8% for FYE 2011. The project commenced in September 2011 and by end of FYE 2012 the entire project was approximately 83% completed. In addition, this project required longer drilling time and encountered insufficient supply of labour.
- (2) GP from piling and foundation works for the railway electrification and double tracking - Package N4, Sub-package S15 project fell in FYE 2012. This was mainly due to the completion of the project in February 2012. Despite the decrease in GP for FYE 2012, the entire project generated an aggregate positive GP and GP margin.

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## 9. FINANCIAL INFORMATION (Cont'd)

The decrease in GP margin from our piling and foundation works from 26.76% for FYE 2011 to approximately 22.29% for FYE 2012 was mainly due to the increase in our cost of sales at a higher proportion as compared to increase in our revenue. This was mainly contributed by the Tabung Haji office complex in Putrajaya and the Gopeng clinker production cement plant projects. Other contributory factors include the railway electrification and double tracking - Package N4, Sub-package S15 project which recorded a gross loss for FYE 2012 and the commencement of the DA:Men, USJ project, which recorded low GP margin for FYE 2012.

The decrease in GP margin for the Tabung Haji office complex project in Putrajaya was partly because we undertook more structural works in FYE 2012 compared to FYE 2011, which was mainly for design, engineering and piling works. Structural works normally provide lower margin compared to design, engineering and piling works. The decrease in GP margin for the Gopeng clinker production cement plant project was mainly due to finalisation of the bulk of the project costs and additional costs incurred for rectification of our piling works. The railway electrification and double tracking - Package N4, Sub-package S15 project recorded a gross loss of approximately RM1.11 million for FYE 2012 due to finalisation of project costs and after taking into account the idling costs incurred for labour, machine as well as other fixed overheads. As for the low GP margin of the DA:Men, USJ project, it was mainly attributed to the additional costs incurred for the soil stabilisation work done during the FYE 2012.

### (ii) Building Construction

GP from our building construction segment decreased by approximately 123.37% from approximately RM3.68 million for FYE 2011 to a gross loss of approximately RM0.86 million for FYE 2012. This was mainly due to the following:-

- (aa) Our design-and-build police training centre (PULAPOL) project in Terengganu recorded a gross loss of approximately RM1.73 million for FYE 2012 mainly attributed to the finalisation of the remaining project cost as the project was completed in October 2011. Nevertheless, the entire project recorded a positive GP and GP margin.
- (bb) GP from the construction of hangar at Jalan Lapangan Terbang Subang dropped in FYE 2012. Despite the fall in GP for the project, it recorded a positive GP margin. The decrease in GP was mainly due to the finalisation and recognition of the bulk of the project cost as physical construction was completed in March 2013. Despite the decline in GP for FYE 2012, the entire project generated an aggregate positive GP and GP margin. The project commenced in July 2011 and was completed in March 2013.

### (iii) Bridge Construction

GP from bridge construction segment decreased by approximately 44.74% from approximately RM8.18 million for FYE 2011 to approximately RM4.52 million for FYE 2012. This was mainly attributed to the following:-

- (aa) GP from the construction of the railway electrification and double tracking - Prai Swing Bridge project decreased by approximately 49.17% for FYE 2012. This was mainly due to lesser work done at approximately 24% of the total project for FYE 2012 compared to approximately 48% of the total project for the FYE 2011. By end of FYE 2012, the entire project was approximately 77% completed since its commencement in February 2010. However, GP margin for the project improved marginally for FYE 2012.

## 9. FINANCIAL INFORMATION (Cont'd)

(bb) The bridge construction for JB-Nusajaya Highway project recorded a gross loss for FYE 2012. This was mainly due to finalisation of project cost as this project was completed in June 2011. The overall bridge construction for the JB-Nusajaya Highway project which stretched from July 2009 to June 2011 recorded a positive GP and GP margin.

### (iv) Others

Other civil works recorded a gross loss of approximately RM0.19 million for FYE 2012 compared to approximately RM9,000 for FYE 2011 mainly attributed to the gross loss recorded from the upgrading of access road for the Jade Hills project.

### (B) Other Activities

GP from the manufacturing and installation of prefabricated building systems was approximately RM0.99 million or 2.62% of our total GP for FYE 2012. We only commenced this business activity in FYE 2012. Our Group's GP from manufacturing and installation of prefabricated building systems was mainly contributed by the following projects:-

- (i) GP from the design, manufacture and installation of prefabricated building systems for 160 units of 5-storey flats in Pulau Redang, Terengganu. This project recorded a positive GP margin for FYE 2012. Since the commencement of the project in April 2012, this entire project was approximately 22% completed by end of FYE 2012.
- (ii) GP from the design, manufacture and installation of prefabricated building systems for the 160 units of 5-storey flats in Pulau Perhentian, Terengganu. This project also recorded a positive GP margin for FYE 2012. Since the commencement of the project in April 2012, this entire project was approximately 10% completed by end of FYE 2012.

## FYE 2013

For FYE 2013, our Group's total GP increased by approximately 42.39% from approximately RM37.63 million for FYE 2012 to approximately RM53.58 million for FYE 2013. Our Group's total GP margin also improved from approximately 18.55% for FYE 2012 to approximately 26.09% for FYE 2013.

### (A) Engineering and Construction

Our engineering and construction segment continued to be our largest GP contributor, which accounted for approximately 97.64% of our Group's total GP for FYE 2013. The GP from the engineering and construction segment increased by approximately 42.73% from approximately RM36.65 million for FYE 2012 to approximately RM52.31 million for FYE 2013. The GP margin of this business segment improved from approximately 18.99% for FYE 2012 to approximately 26.59% for FYE 2013. The significant improvement in GP margin was due to the increase in revenue for our engineering and construction segment on the back of lower cost of sales, mainly attributed to finalisation of project costs for the construction of the hangar at Jalan Lapangan Terbang Subang and the construction of the railway electrification and double tracking - Prai Swing Bridge. Commencement of the Elevated Station Package S3 and S7 of the KVMRT Sungai Buloh - Kajang Line projects also contributed to the higher GP margin for FYE 2013.

In addition, the improvement of GP margin was also attributed to the reversals of provision for contingency cost amounting to approximately RM9.92 million for three (3) projects, namely construction of the hangar at Jalan Lapangan Terbang Subang (RM4.63 million), construction of the railway electrification and double tracking - Prai Swing Bridge (RM1.19 million) and Package V8 of the KVMRT Sungai Buloh - Kajang Line project (RM4.10 million).

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**9. FINANCIAL INFORMATION (Cont'd)**

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**(i) Piling and Foundation**

The GP derived from piling and foundation works increased by approximately 22.06% from approximately RM33.18 million for FYE 2012 to approximately RM40.50 million for FYE 2013. Our piling and foundation works achieved a higher GP margin of approximately 24.56% for FYE 2013 compared to approximately 22.29% for FYE 2012. The increase in GP was mainly attributed to the following:-

- (aa) Ongoing Parcel C of the KL Eco City project increased by approximately 60.58% for FYE 2013. However, this project's GP margin for FYE 2013 declined by approximately 4.19% compared to the FYE 2012. This was due to relatively higher cost of sales, where cost of sales increased by approximately 99.68% for FYE 2013 compared to increase in revenue of approximately 88.68% for the same FYE 2013. This was due to the additional construction works that were carried out and accounted for during the FYE 2013. This project achieved approximately 51% completion for FYE 2013 compared to 27.0% in FYE 2012. Since its commencement in June 2012, the entire project was approximately 78% completed by end of FYE 2013.
- (bb) Commencement of piling and foundation works for Parcel D of the KL Eco City project. Since the commencement of the project in December 2012, this project was approximately 16% completed as at end of FYE 2013.
- (cc) Commencement of piling and foundation works the Elevated Station Package S3 and S7 of the KVMRT Sungai Buloh - Kajang Line project.
- (dd) The GP and GP margin of the Package V8 of the KVMRT Sungai Buloh – Kajang Line project for FYE 2013 has taken into effect a reversal of provision for contingency cost amounting to approximately RM4.10 million. As such, the GP margin of the Package V8 project was high at approximately 36.35%. This contributed to an overall increase in the Group's GP margin for FYE 2013.
- (ee) Piling and foundation works for the Kelana Jaya LRT Line Extension project increased by approximately 3.89% for FYE 2013. The improvement in GP and GP margin was mainly due to a relatively larger drop in cost of sales of approximately 97.73% compared to a decrease in revenue of approximately 74.17% for FYE 2013. The large drop in cost of sales and revenue was because the bulk of the construction was accounted for in the past two financial years.

The increase in GP from piling and foundation works was partially offset by the decrease in GP from the following projects:-

- (1) GP derived from piling and foundation works for the Damai 88, Ampang project decreased by approximately 68.22% for FYE 2013. The decrease was mainly due to completion of the piling and foundation works in March 2013.

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## 9. FINANCIAL INFORMATION (Cont'd)

- (2) Piling and foundation works for Tabung Haji office complex in Putrajaya recorded a gross loss of approximately RM3.15 million for FYE 2013 as compared to a GP of approximately RM0.37 million for FYE 2012. This was mainly attributed to soil conditions that required longer drilling time as well as insufficient supply of labour.
- (3) DA:Men, USJ project recorded a gross loss for FYE 2013, which was mainly attributed to an increase in the project cost due to the soil conditions that required longer time to carry out additional soil stabilisation works. This project recorded a gross loss of approximately RM0.38 million for FYE 2013 as compared to a GP of approximately RM0.66 million for FYE 2012. Despite the decrease in the GP and GP margin for FYE 2013, this entire project generated an aggregated positive GP and GP margin.

### (ii) Building Construction

Our building construction segment recorded a positive GP of approximately RM5.44 million or 10.15% of our Group's total GP for FYE 2013, compared to a gross loss of approximately RM0.86 million for the FYE 2012. GP margin for this business segment improved from a gross loss margin to a GP margin of approximately 37.60%.

The improvement in GP was mainly attributed to the following:-

- (aa) GP and GP margin for the construction of hangar at Jalan Lapangan Terbang Subang improved by approximately 671.13% and 82.87% respectively for FYE 2013. This was mainly due to lower cost of sales for FYE 2013 as the bulk of the construction cost was finalised and accounted for in the FYE 2012 as the physical construction was completed in March 2013. The improvement in GP and GP margin of this project was also due to reversal of provision for contingency cost of approximately RM4.63 million for FYE 2013.
- (bb) Commencement of building construction work for the Damai 88, Ampang project.

The improvement in GP was partially offset by the GP for the design-and-build police training centre (PULAPOL) project in Terengganu which recorded a gross loss for FYE 2013. This was mainly due to finalisation of cost during the FYE 2013 as this project was completed in October 2011. Despite the gross loss recorded for FYE 2013, this entire project generated an aggregate positive GP and GP margin.

### (iii) Bridge Construction

GP from bridge construction segment was approximately RM6.37 million or 11.90% of our total GP for FYE 2013, which represented an increase of approximately 40.93% from approximately RM4.52 million for FYE 2012. This was mainly contributed by GP generated from construction of the railway electrification and double tracking - Prai Swing Bridge project and improvement in GP margin for the project. The GP margin for the project also improved by approximately 8.45% from FYE 2012 to FYE 2013. This was mainly due to finalisation of the remaining project cost of approximately 20.0% as the bulk for the construction cost was recorded in the past two (2) FYE 2011 and FYE 2012. The improvement in GP and GP margin of this project was also due to reversal of provision for contingency cost of approximately RM1.19 million for FYE 2013.

### (iv) Others

There was no GP contribution from other civil works under engineering and construction segment for FYE 2013.

## 9. FINANCIAL INFORMATION (Cont'd)

### (B) Other Activities

GP from the manufacturing and installation of prefabricated building systems accounted for approximately RM1.26 million or 2.36% of our total GP for FYE 2013. GP from this business segment increased by approximately 27.27% from approximately RM0.99 million for FYE 2012 to approximately RM1.26 million for FYE 2013. GP margin from this business segment also improved from approximately 9.96% for FYE 2012 to approximately 14.67% for FYE 2013. This was mainly largely attributed by our new project for the supply of prefabricated building system for the construction of several buildings in Jasin, Malacca.

### FYE 2014

For FYE 2014, our Group's total GP increased by approximately 8.06% from approximately RM53.58 million for FYE 2013 to approximately RM57.90 million for FYE 2014. This increase in GP was mainly attributed to our bridge construction segment. However, our Group's overall GP margin declined from approximately 26.09% for FYE 2013 to approximately 19.73% for FYE 2014, which was attributable to all our business activities including piling and foundation works, bridge and building construction, as well as manufacturing and installation of prefabricated building systems, which recorded a decline in GP margin.

### (A) Engineering and Construction

Our engineering and construction segment continued to be our largest GP contributor, which accounted for approximately 98.50% of our Group's total GP for FYE 2014. The GP from the engineering and construction segment increased by approximately 9.02% from approximately RM52.31 million for FYE 2013 to approximately RM57.03 million for FYE 2014. The GP margin of this business segment declined from approximately 26.59% for FYE 2013 to approximately 20.03% for FYE 2014. This was mainly due to increase in cost of sales of approximately 57.67% compared to the disproportional increase in revenue of approximately 44.73% for FYE 2014.

#### (i) Piling and Foundation

The GP derived from piling and foundation works decreased by approximately 24.77% from approximately RM40.50 million for FYE 2013 to approximately RM30.47 million for FYE 2014. Furthermore, GP margin from our piling and foundation works achieved a lower GP margin of approximately 18.96% for FYE 2014 as compared to approximately 24.56% for FYE 2013. This was mainly attributed to the following projects:-

- (aa) GP for Parcel C of the KL Eco City project decreased by approximately 79.63% for FYE 2014 and its GP margin declined by approximately 10.61% for FYE 2014 compared to FYE 2013. This was mainly due to finalisation and recognition of the remaining project cost as the project was physically completed in May 2014.
- (bb) For FYE 2014, the GP and GP margin for Parcel D of the KL Eco City project decreased by approximately 50.41% and 15.16% respectively compared to FYE 2013. This was mainly attributed to the higher cost incurred due to the delay in the handover of the site by the project owner and halt in construction work for a few months due to detection of existing sewage and water piping, which was not in the original design. Furthermore, this project recorded an increase in cost of sales of approximately 118.33% compared to the disproportional increase in revenue of approximately 83.20% for FYE 2014.



## 9. FINANCIAL INFORMATION (Cont'd)

- (cc) GP derived from piling and foundation works for the Damai 88, Ampang project decreased by approximately 27.84% for FYE 2014. This was due to finalisation of the cost for the said project as it was completed in March 2013. The GP recorded for FYE 2014 has taken into consideration a reversal of provisions of approximately RM1.92 million.
- (dd) GP derived from piling and foundation works for the Bukit Jalil commercial development project recorded a gross loss of approximately RM0.57 million for FYE 2014. This was mainly attributed to finalisation and recognition of revenue and cost of sales as the project was completed in September 2014. Furthermore, there was an increase in cost of sales of approximately 374.69% compared to the disproportional increase in revenue of approximately 212.15% for FYE 2014 for the said project. Despite the gross loss recorded for FYE 2014, the entire project generated an aggregated positive GP and GP margin.
- (ee) Piling and foundation works for the Kelana Jaya LRT Line Extension project recorded a gross loss of approximately RM1.78 million for FYE 2014. This was mainly attributed to finalisation of the majority of the cost of sales for the project as it was physical completed in April 2014. Furthermore, there was an increase in cost of sales of approximately 2,805.70% compared to the disproportional increase in revenue of approximately 33.45% for FYE 2014 for the said project. Despite recording a gross loss for FYE 2014, the entire project generated an aggregated positive GP and GP margin.

The decrease in GP and GP margin from piling and foundation works were partially compensated by the GP and GP margin derived from various new projects. This included GP derived from the commencement of piling and foundation works for the 9 Seputeh mixed development project, the Sri Damansara Link of the Duta-Ulu Kelang Expressway 2 project and the Tun Razak Link of the Duta-Ulu Kelang Expressway 2 project.

### (ii) Building Construction

The GP derived from our building construction segment decreased by approximately 28.49% from approximately RM5.44 million for FYE 2013 to approximately RM3.89 million for FYE 2014. As a result, GP margin for this business segment also declined from approximately 37.60% for FYE 2013 to approximately 7.86% for FYE 2014. This was mainly due to increase in cost of sales of approximately 405.25% compared to the disproportional increase in revenue of approximately 242.12% for FYE 2014.

The decrease in GP and GP margin for FYE 2014 was partly due to the higher GP and GP margin recorded in FYE 2013 from the construction of hangar at Jalan Lapangan Terbang Subang due to reversal of provision for contingency cost of approximately RM4.63 million for FYE 2013. The decrease in GP and GP margin from building construction works were partially compensated by the increase in GP and GP margin from the following projects:-

- (1) GP derived from building construction works for the Damai 88, Ampang project increased by approximately 525.0% or approximately RM3.15 million for FYE 2014. Nonetheless, GP margin for this project remained approximately the same.
- (2) Positive GP recorded from the finalisation of the remaining project cost for the design-and-build police training centre (PULAPOL) project in Terengganu, which contributed to the GP of our Group for FYE 2014. The project was completed in October 2011.

## 9. FINANCIAL INFORMATION (Cont'd)

### (iii) Bridge Construction

GP from bridge construction segment increased from RM6.37 million for FYE 2013 to approximately RM22.73 million for FYE 2014. The increase was mainly due to GP derived from the commencement of Subang-Skypark Terminal Railway project in November 2013. GP from this business segment accounted for approximately 39.26% of our Group's total GP for FYE 2014, which consisted of GP generated from construction of the railway electrification and double tracking - Prai Swing Bridge project, as well as the Subang-Skypark Terminal Railway Track project.

Despite the increase in GP, our GP margin for this business segment declined from approximately 36.80% for FYE 2013 to approximately 30.48% for FYE 2014. This was mainly attributed to the finalisation of the remaining cost of sales for the construction of the railway electrification and double tracking - Prai Swing Bridge project, which was completed in July 2013.

### (iv) Others

While there were no revenue contribution from other civil works for FYE 2014, this business segment recorded a minor gross loss of approximately RM55,000 which was in relation to the initial project costs incurred for the projects that did not materialise.

### (B) Other Activities

GP from the manufacturing and installation of prefabricated building systems accounted for approximately RM0.87 million or 1.50% of our Group's total GP for FYE 2014. GP from this business segment decreased by approximately 30.95% from approximately RM1.26 million for FYE 2013 to approximately RM0.87 million for FYE 2014. In addition, GP margin from this business segment also decreased from approximately 14.67% for FYE 2013 to 9.89% for FYE 2014. The decrease in GP and GP margin for this business segment was mainly attributed to the supply contract of prefabricated building system for the construction of several buildings in Jasin, Malacca. The project recorded a minor gross loss for FYE 2014 due to the finalisation of remaining project cost during the FYE 2014. Nevertheless, the entire project generated an aggregated positive GP and GP margin.

### 9.4.3 Other Income

Other Income	FYE 2011		FYE 2012		FYE 2013		FYE 2014	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Gains on disposal of assets	220	14.79	715	49.04	36	16.67	79	30.50
Rental income	49	3.30	113	7.75	165	76.39	150	57.92
Others	<sup>(a)</sup> 1,218	81.91	<sup>(b)</sup> 630	43.21	<sup>(c)</sup> 15	6.94	<sup>(d)</sup> 30	11.58
<b>Total</b>	<b>1,487</b>	<b>100.00</b>	<b>1,458</b>	<b>100.00</b>	<b>216</b>	<b>100.00</b>	<b>259</b>	<b>100.00</b>

Notes:-

- (a) Others mainly include proceeds from the gain on disposal of a temporary steel bridge for site access, construction-related insurance claim and sundry income.
- (b) Others mainly include compensation income, gain on foreign exchange, insurance claim related to a machinery and interest income.

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**9. FINANCIAL INFORMATION (Cont'd)**

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- (c) Others mainly include the sales of scrap such as panel and reinforcing steel mesh.
- (d) Others mainly include insurance claim related to loss of machinery.

**FYE 2011**

For FYE 2011, other income recorded of approximately RM1.49 million mainly contributed by the following:-

- (a) Gains on disposal of assets of approximately RM0.22 million including plant and equipment, as well as motor vehicles.
- (b) Rental income of approximately RM0.05 million.
- (c) Others mainly consist of proceeds of approximately RM0.70 million from the gain on disposal of temporary steel bridge for site access in Iskandar, Johor and construction-related insurance claim of approximately RM0.11 million.

**FYE 2012**

For FYE 2012, other income decreased marginally by approximately 2.01% from approximately RM1.49 million for FYE 2011 to approximately RM1.46 million for FYE 2012. Other income for FYE 2012 was mainly contributed by the following:-

- (a) Gains on disposal of assets increased from approximately RM0.22 million for FYE 2011 to approximately RM0.72 million for FYE 2012. For FYE 2012, gains on disposal of assets included plant and equipment as well as motor vehicles, which accounted for approximately 49.04% of our total income.
- (b) Rental income increased from approximately RM0.05 million for FYE 2011 to approximately RM0.11 million for FYE 2012, which was mainly derived from office rental income collected from an old office premise that is located in Subang Jaya.
- (c) Others mainly consist of proceeds of approximately RM0.35 million obtained from the Government for compulsory acquisition of a piece of land located in Banting, Selangor and insurance claim related to a machinery of approximately RM0.26 million.

**FYE 2013**

For FYE 2013, other income decreased by approximately 84.93% from approximately RM1.46 million for FYE 2012 to approximately RM0.22 million for FYE 2013. Other income for FYE 2013 was mainly contributed by rental income collected from the same old office premise in Subang Jaya, which was rented out to external parties. The remaining was contributed by gains on disposal of assets of about approximately RM36,000 and sales of scrap such as panel and reinforcing steel mesh.

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**9. FINANCIAL INFORMATION (Cont'd)****FYE 2014**

For FYE 2014, other income increased by approximately 18.18% from approximately RM0.22 million for FYE 2013 to approximately RM0.26 million for FYE 2014. Other income for FYE 2014 was mainly contributed by approximately RM0.15 million in rental income collected from an old office premise in Subang Jaya, which was rented out to external parties. Gains on disposal of assets contributed approximately RM79,000 while the remaining were mainly from insurance claim related to loss of machinery.

**9.4.4 Operating Expenses**

Operating Expenses	FYE 2011		FYE 2012		FYE 2013		FYE 2014	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Administrative expenses	6,863	41.88	7,073	35.67	6,615	30.40	8,980	36.31
Other operating expenses	9,525	58.12	12,755	64.33	15,145	69.60	15,753	63.69
<b>Total</b>	<b>16,388</b>	<b>100.00</b>	<b>19,828</b>	<b>100.00</b>	<b>21,760</b>	<b>100.00</b>	<b>24,733</b>	<b>100.00</b>

Our operating expenses generally comprise the following:-

- (a) Administrative expenses mainly consist of staff cost which includes, amongst others, wages, salaries, bonuses, employee contributions and other staff related expenses, as well as other administrative expenses. Other administrative expenses include auditors' fees, stamping fees, professional fees, transportation and travelling expenses, training and seminar expenses, telecommunication charges, utilities, office supplies, printing charges and upkeep and maintenance of offices.
- (b) Other operating expenses mainly consist of amortisation and depreciation of property, plant and equipment, and upkeep and maintenance of plant and machinery, travelling and accommodation expenses, and tender expenses.

**FYE 2011**

Our Group's total operating expenses was approximately RM16.39 million for FYE 2011. Of this, administrative expenses accounted for approximately RM6.86 million or 41.88% of our total operating expenses, which were mainly contributed by the following:-

- (a) Staff cost of approximately RM3.33 million or 20.32% of our total operating expenses for FYE 2011. This consists of director's remuneration, salaries, bonuses, allowances, employer's contributions to employees' provident fund and other staff related expenses.
- (b) Bad debt of approximately RM2.26 million was written-off as Peremba Construction Sdn Bhd who ceased to be our customer since 2010 was under receivership. This bad debt represented approximately 13.79% of our total operating expenses for FYE 2011.
- (c) Other administrative expenses of approximately RM1.28 million or 7.81% of our total operating expenses, comprised utilities and telecommunication expenses, recruitment expenses, office and office equipment upkeep and maintenance, motor vehicle repair and maintenance, auditor's fees, legal and professional fees, as well as transportation and travelling expenses such as petrol, toll and parking expenses.

## 9. FINANCIAL INFORMATION (Cont'd)

Other operating expenses accounted for approximately RM9.53 million or 58.12% of our total operating expenses for FYE 2011, which were mainly contributed by the following:-

- (a) Amortisation and depreciation of property, plant and equipment, which accounted for approximately RM3.65 million or 22.27% of our total operating expenses for FYE 2011. The main contribution was from depreciation of plant and machinery, which amounted to approximately RM2.39 million. Depreciation of motor vehicle accounted for approximately RM0.95 million.
- (b) Upkeep and maintenance of plant and machinery accounted for approximately RM3.96 million or 24.16% of our total operating expenses for FYE 2011. This comprises plant and machinery, piling tools, safety equipment and expenses for storage facilities in Banting, Selangor.
- (c) Others accounted for approximately RM1.92 million or 11.71% of our total operating expenses for FYE 2011, which was mainly contributed by business development and tendering expenses, road tax and insurance premium paid for plant and machinery, motor vehicle expenses and travelling and accommodation expenses.

### **FYE 2012**

For FYE 2012, our total operating expenses increased by approximately 20.99% from approximately RM16.39 million for FYE 2011 to approximately RM19.83 million for FYE 2012. Of this, our administrative expenses were approximately RM7.07 million or 35.67% of total operating expenses. Our administrative expenses increased by approximately 3.06% from approximately RM6.86 million for FYE 2011 to approximately RM7.07 million for FYE 2012. This was mainly contributed by the following:-

- (a) Staff costs accounted for approximately RM4.47 million or 22.54% of our total operating expenses for FYE 2012. Our staff costs increased by approximately 34.23% from approximately RM3.33 million for FYE 2011 to approximately RM4.47 million for FYE 2012, which was mainly due to increases in number of staff and annual salary increments.
- (b) Other administrative expenses accounted for approximately RM2.60 million or 13.11% of our total operating expenses for FYE 2012. These expenses increased by approximately 103.13% from approximately RM1.28 million for the FYE 2011 to approximately RM2.60 million for FYE 2012, which was mainly due to an increase in stamping fees as well as a write-off of an unsuccessful claim from a project debtor, namely WCT Construction Sdn Bhd for a piling and foundation project that was completed in 2007.

Other operating expenses accounted for approximately RM12.76 million or 64.33% of our total operating expenses for FYE 2012. These other operating expenses increased by approximately 33.89% from approximately RM9.53 million for FYE 2011 to approximately RM12.76 million for FYE 2012. This was mainly contributed by the following:-

- (i) Amortisation and depreciation of property, plant and equipment, which accounted for approximately RM4.71 million or 23.75% of our total operating expenses for FYE 2012. The amortisation and depreciation of property, plant and equipment increased by approximately 29.04% from approximately RM3.65 million for FYE 2011 to approximately RM4.71 million for FYE 2012. This was mainly due to purchases of additional machinery and equipment.

## 9. FINANCIAL INFORMATION (Cont'd)

- (ii) Upkeep and maintenance of plant and machinery amounted to approximately RM5.56 million or 28.04% of our total operating expenses for FYE 2012. This type of expenses increased by approximately 40.40% from approximately RM3.96 million for FYE 2011 to approximately RM5.56 million for FYE 2012, which was mainly for upkeep expenses for our plant and machinery, and piling tools.
- (iii) Others accounted for approximately RM2.49 million or 12.56% of our Group's total operating expenses for FYE 2012, which increased by approximately 29.69% compared to approximately RM1.92 million for FYE 2011. This was mainly contributed by the increase in donations and expenses on gifts, road tax and insurance premium for plant and machinery, and tendering expenses, as well as bad debts written-off for the unrecoverable deposit for a land purchase transaction that was unsuccessful.

### **FYE 2013**

For FYE 2013, our total operating expenses increased by approximately 9.73% from approximately RM19.83 million for FYE 2012 to approximately RM21.76 million for FYE 2013. Of this, our administrative expenses were approximately RM6.62 million or 30.40% of total operating expenses. Our administrative expenses decreased by approximately 6.36% from approximately RM7.07 million for FYE 2012 to approximately RM6.62 million for FYE 2013. This decrease was mainly due to decline in other administrative expenses from approximately RM2.60 million for FYE 2011 to approximately RM2.19 million for FYE 2013. This was mainly due to lower stamping fees and professional fees, and recovery of bad debts during the FYE 2013.

Our staff costs accounted for approximately RM4.57 million or 21.0% of our total operating expenses for FYE 2013. Our staff costs increased slightly by approximately 2.24% from approximately RM4.47 million for FYE 2012 to approximately RM4.57 million, which was partly due to the increase in number of staff.

Other operating expenses accounted for approximately RM15.15 million or 69.60% of our total operating expenses for FYE 2013. These other operating expenses increased by approximately 18.73% from approximately RM12.76 million for FYE 2012 to approximately RM15.15 million for FYE 2013. This was mainly contributed by the following:-

- (a) Amortisation and depreciation of property, plant and equipment amounted to approximately RM7.28 million or 33.46% of our total operating expenses for FYE 2013.

The amortisation and depreciation of property, plant and equipment increased by approximately 54.56% from approximately RM4.71 million for FYE 2012 to approximately RM7.28 million for FYE 2013. This was mainly due to acquisition of additional machinery and equipment during the FYE 2013.

- (b) Upkeep and maintenance of plant and machinery accounted for approximately RM6.34 million or 29.14% of our total operating expenses for FYE 2013. This expenses increased by approximately 14.03% from approximately RM5.56 million for FYE 2012 to approximately RM6.34 million for FYE 2013. This was mainly due to increase in upkeep expenses of our plant and machinery which was in line with the addition of new plant and machinery during the FYE 2013.
- (c) Others amounted to approximately RM1.53 million or 7.03% of our Group's total operating expenses for FYE 2013, which represented a decline by approximately 38.55% from approximately RM2.49 million for FYE 2012. This was mainly due to the decline in donation and expenses on gifts, and tendering expenses.

**9. FINANCIAL INFORMATION (Cont'd)****FYE 2014**

For FYE 2014, our total operating expenses increased by approximately 13.65% from approximately RM21.76 million for FYE 2013 to approximately RM24.73 million for FYE 2014. Of this, our administrative expenses were approximately RM8.98 million or 36.31% of total operating expenses. Our administrative expenses increased by approximately 35.65% from approximately RM6.62 million for FYE 2013 to approximately RM8.98 million for FYE 2014. The increase was mainly due to our staff costs, which increased by approximately 47.26% from approximately RM4.57 million for FYE 2013 to approximately RM6.73 million for FYE 2014. This was mainly due to the increase in number of staff, salary increments, as well as increase in directors' remuneration during the FYE 2014.

In addition, other administrative expenses also increased marginally by approximately 2.74% from approximately RM2.19 million for FYE 2013 to approximately RM2.25 million for FYE 2014. This was mainly attributed to higher auditors' remuneration, maintenance fees and professional fees during the FYE 2014.

Other operating expenses accounted for approximately RM15.75 million or 63.69% of our total operating expenses for FYE 2014. These other operating expenses increased by approximately 3.96% from approximately RM15.15 million for FYE 2013 to approximately RM15.75 million for FYE 2014. Our other operating expenses were mainly contributed by the following:-

- (a) Amortisation and depreciation of property, plant and equipment amounted to approximately RM8.60 million or approximately 34.78% of our total operating expenses for FYE 2014.

The amortisation and depreciation of property, plant and equipment increased by approximately 18.13% from approximately RM7.28 million for FYE 2013 to approximately RM8.60 million for FYE 2014. This was mainly due to acquisition of additional machinery and equipment during the FYE 2014.

- (b) Upkeep and maintenance of plant and machinery accounted for approximately RM4.94 million or 19.98% of our total operating expenses for FYE 2014. This expenses decreased by approximately 22.08% from approximately RM6.34 million for FYE 2013 to approximately RM4.94 million for FYE 2014. The decrease in upkeep expenses for our plant and machinery was due to less repair and maintenance expenses incurred during the year.

- (b) Others amounted to approximately RM2.21 million or 8.94% of our Group's total operating expenses for FYE 2014, which represented an increase by approximately 44.44% from approximately RM1.53 million for FYE 2013. This was mainly attributed to the increase in donation and insurance, as well as expenses incurred related to the Listing exercise.

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**9. FINANCIAL INFORMATION (Cont'd)****9.4.5 Finance Costs**

Finance Costs	FYE 2011		FYE 2012		FYE 2013		FYE 2014	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expense on:-								
Hire purchase	713	57.04	1,596	70.56	2,005	56.72	1,894	35.89
Bank overdraft	193	15.44	312	13.79	1,000	28.29	1,025	19.42
Factoring interest	107	8.56	43	1.90	192	5.43	1,048	19.86
Term loans	141	11.28	140	6.19	179	5.06	729	13.81
Bankers' acceptances	95	7.60	159	7.03	124	3.51	138	2.62
Trust receipts	-	-	-	-	8	0.23	204	3.87
Other borrowings	<sup>(a)</sup> 1	0.08	<sup>(b)</sup> 12	0.53	<sup>(a)</sup> 27	0.76	<sup>(c)</sup> 239	4.53
<b>Total</b>	<b>1,250</b>	<b>100.00</b>	<b>2,262</b>	<b>100.00</b>	<b>3,535</b>	<b>100.00</b>	<b>5,277</b>	<b>100.00</b>

Notes:-

- (a) Includes overdue interest.
- (b) Includes overdue interest, Letter of Credit interest and invoice financing interest.
- (c) Includes overdue interest and invoice financing interest.

Finance costs mainly comprised interest charged on bank and trade facilities granted by the financial institutions. Our bank and trade facilities consisted of hire purchase facilities, bank overdrafts, term loans, banker acceptances, trust receipts and factoring.

**FYE 2011**

For FYE 2011, our finance cost was approximately RM1.25 million. Of this, interest expenses from hire purchase facility amounted to approximately RM0.71 million or 57.04% of our total finance cost for FYE 2011. This was mainly for hire purchase of plant and machinery, and motor vehicles. Interest expenses from bank overdraft and term loans accounted for approximately 15.44% and 11.28% of our Group's total financial cost respectively during FYE 2011. The utilisation of these bank and trade facilities was mainly for working capital.

**FYE 2012**

Our finance cost increased by approximately 80.80% from approximately RM1.25 million for FYE 2011 to approximately RM2.26 million for FYE 2012. This was mainly attributed to the increase in interest expense on hire purchase, which increased from approximately RM0.71 million for FYE 2011 to approximately RM1.60 million for FYE 2012. Expenses for hire purchase were mainly for the purchase of additional plant and machinery, and motor vehicles. This is followed by the increase in interest expense on bank overdraft from approximately RM0.19 million for FYE 2011 to approximately RM0.31 million for FYE 2012, which was mainly due to increase in utilisation of bank overdraft.



**9. FINANCIAL INFORMATION (Cont'd)****FYE 2013**

Our total finance cost increased from approximately RM2.26 million for FYE 2012 to approximately RM3.54 million for FYE 2013. Interest expense on hire purchase increased from approximately RM1.60 million for FYE 2012 to approximately RM2.01 million for FYE 2013. This was due to an increase in the utilisation of hire purchase facilities for the purchase of additional plant and machinery, and motor vehicles. This is followed by the increase in interest expense on bank overdraft from approximately RM0.31 million for FYE 2012 to approximately RM1.0 million for FYE 2013, which was mainly due to increase in utilisation of bank overdraft.

**FYE 2014**

Our total finance cost increased from approximately RM3.54 million for FYE 2013 to approximately RM5.28 million for FYE 2014, which represented an increase of approximately 49.15%. This was mainly due to higher utilisation of bank overdraft, factoring and term loan facilities during the FYE 2014 in tandem with our revenue growth of approximately 42.94% during the financial year. These facilities were mainly used for our Group's working capital requirements. In addition, the increase in finance cost was also due to the 25 basis point increase in the Overnight Policy Rate by BNM in July 2014. Nevertheless, the increase in finance cost was partially offset by a decrease in interest expense on hire purchase from approximately RM2.01 million for FYE 2013 to approximately RM1.89 million for FYE 2014. This was mainly due to repayment of a few hire purchase loans during the FYE 2014.

**9.4.6 Finance Income**

	FYE 2011 RM'000	FYE 2012 RM'000	FYE 2013 RM'000	FYE 2014 RM'000
Fixed deposit interest <sup>(a)</sup>	248	332	531	686
Interest income <sup>(b)</sup>	1	1	1	(c)
<b>Total</b>	<b>249</b>	<b>333</b>	<b>532</b>	<b>686</b>

Notes:-

- (a) Includes interest earned from placement of sinking funds with licensed banks and financial institutions.
- (b) Interest earned from current account with licensed banks and financial institutions.
- (c) Insignificant.

Our Group's finance income mainly comprised interest income derived from fixed deposit and sinking fund placed with licensed banks and financial institutions.

Our sinking funds were in relation to the fixed deposits that were pledged to licensed banks and financial institutions as securities for bankers' guarantees issued as requirement for new secured projects and also as securities for other banking facilities which we obtained from licensed banks and financial institutions.

**9. FINANCIAL INFORMATION (Cont'd)****FYE 2011**

For FYE 2011, our finance income recorded approximately RM0.25 million which was mainly contributed by our fixed deposit and sinking fund placement of RM8.10 million with fixed deposit interest rates ranging from 2.50% to 3.20% per annum.

**FYE 2012**

For FYE 2012, finance income increased by approximately 32.0% from approximately RM0.25 million in FYE 2011 to approximately RM0.33 million in FYE 2012. This was mainly attributed to the increase of our fixed deposit and sinking fund placement from RM8.10 million in FYE 2011 to RM16.45 million in FYE 2012 with fixed deposit interest rates ranging from 2.50% to 3.20% per annum.

**FYE 2013**

For FYE 2013, our Group's finance income increased by approximately 60.61% from approximately RM0.33 million in FYE 2012 to approximately RM0.53 million in FYE 2013. This was mainly attributed to the increase of our fixed deposit and sinking fund placement from RM16.45 million in FYE 2012 to RM25.76 million in FYE 2013 with deposit rates ranging from 2.50% to 3.20% per annum.

**FYE 2014**

For FYE 2014, our Group's finance income increased by approximately 30.19% from approximately RM0.53 million in FYE 2013 to approximately RM0.69 million in FYE 2014. This was mainly attributed to the increase of our fixed deposit and sinking fund placement from RM25.76 million in FYE 2013 to RM26.48 million in FYE 2014 with deposit rates ranging from 2.55% to 3.05% per annum.

**9.4.7 Segmental Analysis of PBT and Effective Tax Rate**

The table below sets forth our Group's PBT and effective tax rate:-

	FYE 2011	FYE 2012	FYE 2013	FYE 2014
	RM '000	RM '000	RM '000	RM '000
PBT	11,450	17,335	29,028	28,835
Taxation	(3,072)	(3,849)	(7,568)	(7,426)
PBT margin	7.87%	8.54%	14.14%	9.82%
Effective tax rate	26.83%	22.20%	26.07%	25.75%
PAT *	8,378	13,486	21,460	21,409
PAT margin	5.76%	6.65%	10.45%	7.29%

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**9. FINANCIAL INFORMATION (Cont'd)**

Note:-

\* Before exclusion of non-controlling interest

Our PBT increased from approximately RM11.45 million for FYE 2011 to approximately RM28.84 million for FYE 2014, which represented a CAGR of approximately 36.06%. Our PBT margin improved from approximately 7.87% for FYE 2011 to approximately 9.82% for FYE 2014. The discussion on the year-on-year analysis on PBT and PBT margin is as follows:-

**FYE 2011**

For FYE 2011, our PBT was approximately RM11.45 million representing a PBT margin of approximately 7.87%. For FYE 2011, our taxation was approximately RM3.07 million and the effective tax rate was approximately 26.83%, which was slightly higher than the statutory tax rate of 25.0%. This was mainly due to certain expenses that were not deductible for tax purposes. For FYE 2011, our PAT was approximately RM8.38 million representing a PAT margin of approximately 5.76%. Further analysis of revenue and GP is disclosed in Sections 9.4.2.1 and 9.4.2.3 of this Prospectus.

**FYE 2012**

Our PBT increased from approximately RM11.45 million for FYE 2011 to approximately RM17.34 million for FYE 2012. Our PBT margin improved from approximately 7.87% for FYE 2011 to approximately 8.54% for FYE 2012. Our PAT increased from RM8.38 million for FYE 2011 to RM13.49 million for FYE 2012. Our PAT margin improved from 5.76% for FYE 2011 to 6.65% for FYE 2012. Further analysis of revenue and GP is disclosed in Sections 9.4.2.1 and 9.4.2.3 of this Prospectus.

Taxation increased from approximately RM3.07 million for FYE 2011 to approximately RM3.85 million for FYE 2012 and the effective tax rate was approximately 22.20% which was slightly lower than the statutory tax rate of 25.0% mostly due to the recognition of previously unrecognised deferred tax asset by a subsidiary.

**FYE 2013**

Our PBT increased by approximately 67.42% from approximately RM17.34 million for FYE 2012 to approximately RM29.03 million for FYE 2013. Our PBT margin also improved from approximately 8.54% for FYE 2012 to approximately 14.14% for FYE 2013. Our PAT increased from RM13.49 million for FYE 2012 to RM21.46 million for FYE 2013. Our PAT margin improved from 6.65% for FYE 2012 to 10.45% for FYE 2013. Further analysis of revenue and GP is disclosed in Sections 9.4.2.1 and 9.4.2.3 of this Prospectus.

Taxation increased from approximately RM3.85 million for FYE 2012 to approximately RM7.57 million for FYE 2013. For FYE 2013, the effective income tax rate was approximately 26.07% which was slightly higher than the statutory tax rate of 25.0%. This was mainly due to certain expenses which were not deductible for tax purposes.

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**9. FINANCIAL INFORMATION (Cont'd)****FYE 2014**

Our PBT decreased marginally by approximately 0.65% from approximately RM29.03 million for FYE 2013 to approximately RM28.84 million for FYE 2014. Our PBT margin also decreased from approximately 14.14% for FYE 2013 to approximately 9.82% for FYE 2014. Our PAT decreased from approximately RM21.46 million for FYE 2013 to approximately RM21.41 million for FYE 2014. Our PAT margin also decreased from approximately 10.45% for FYE 2013 to approximately 7.29% for FYE 2014. Further analysis of revenue and GP is disclosed in Sections 9.4.2.1 and 9.4.2.3 of this Prospectus

Taxation decreased from approximately RM7.57 million for FYE 2013 to approximately RM7.43 million for FYE 2014. For FYE 2014, the effective income tax rate was approximately 25.75% which was slightly higher than the statutory tax rate of 25.0%. This was mainly due to certain expenses which were not deductible for tax purposes.

**9.4.8 Significant Factors Affecting Our Financial Performance**

Our Group's business operations and financial condition had been and will continue to be affected by internal and external factors predominantly affecting the engineering and construction industry for infrastructure and building including but not limited to the following:-

**(a) External Factors Which May Result in A Delay in the Completion of Projects**

Our Group may be subjected to external factors, which are beyond the control of management and these may affect the timely completion of our engineering and construction projects, as well as manufacturing and installation of prefabricated building systems. Any delays in completion may result in claims for liquidated damages by our customers and/or other financial penalties and/or increase in our overall costs, thus affecting our financial performance and reputation.

Further details are set out in Section 3.1.3 of this Prospectus.

**(b) Fluctuation or Increases in the Prices of Building and Construction Materials**

Building and construction materials used in our projects represent a significant proportion of our total project cost. Hence, there are risks relating to fluctuation or increases in prices of building and construction materials, which may have an adverse impact on our financial performance.

Further details are set out in Section 3.2.1 of this Prospectus.

**(c) Financial Risk**

Our working capital and capital expenditure requirements for our engineering and construction projects, as well as manufacturing operations are funded by internally generated funds and external financing in the form of borrowings and trade facilities from financial institutions and credit arrangements with suppliers and subcontractors. Hence, our Group is subjected to financial risks.

Further details are set out in Section 3.1.8 of this Prospectus.

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**9. FINANCIAL INFORMATION (Cont'd)**

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**(d) Impact of Inflation**

Our financial performances for the past four (4) FYE 2011 to FYE 2014 were not materially affected by the impact of inflation. Although we believe that we would be able to pass on any future increases in the price of building and construction materials, and costs of operations to our customers, there can be no assurance that future inflation will not have an impact on our business and financial performance.

**(e) Impact of Interest Rates**

Our Group's gearing ratio stood at 0.80 times as at 31 December 2014 and all of our borrowings are interest bearing obligations. Any interest rate hike will affect our business operations and therefore we will monitor and plan alternative financing options should the need arises. Our finance cost comprising interest charged on bank and trade facilities granted by the financial institutions, increased from approximately RM1.25 million for FYE 2011 to approximately RM5.28 million for FYE 2014. This was primarily due to increase in utilisation of hire purchase facilities for the purchase of additional plant and machinery, and motor vehicles, as well as other credit facilities to fund our business operations. From FYE 2011 to FYE 2014, our results were not adversely affected by interest rate fluctuation.

**(f) Government/ Economic/ Fiscal/ Monetary Policies**

We are subjected to the risks relating to Government, economic, fiscal or monetary policies, where any unfavourable changes may materially affect our business operations and financial performance. From FYE 2011 to FYE 2014, our results were not adversely affected by any unfavourable changes relating to Government, economic, fiscal or monetary policies.

Further details are set out in Section 3.2.4 of this Prospectus.

**(g) Foreign Exchange Fluctuation**

For FYE 2014, less than 0.01% of our Group's total purchases of materials, consumables and services were transacted in Euro. This was for the subcontracted works, which included labour and materials mainly for the remaining amount for our railway electrification and double tracking - Prai Swing Bridge project. All of our Group's total revenue for the past four (4) FYE 2011 to FYE 2014 was transacted in RM. As we only have minimal transactions in foreign currency, fluctuation in foreign exchange rate would have minimum impact on the performance of our business.

As at the LPD, our Group does not have any hedging policy in relation to foreign exchange exposure and our payment method is mainly dependent on prevailing exchange rates.

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## 9. FINANCIAL INFORMATION (Cont'd)

### 9.5 LIQUIDITY AND CAPITAL RESOURCES

#### 9.5.1 Working Capital

Our business has been financed via a combination of internal and external sources comprising shareholders' equity and cash generated from our operations. The external sources were from the various credit facilities extended to us by the financial institutions. The principal utilisation of these funds has been for our business operations and growth.

Based on our proforma consolidated statement of financial position as at 31 December 2014 after the Subdivision, Acquisitions and Transfer, our Group has cash and cash equivalents of approximately RM27.06 million, total borrowings of approximately RM77.20 million and debt to equity ratio of approximately 0.80 times. In addition, as at the LPD, we had banking facilities available amounting to approximately RM229.18 million, of which RM134.23 million has yet to be utilised.

Our Directors are of the opinion that after taking into consideration the cash and cash equivalent, the expected profits to be generated from our operations, amounts available under our existing banking facilities and new banking facilities that may be granted to our Group, as well as proceeds expected to be raised from the Public Issue, our Group will have adequate working capital to meet our present and foreseeable requirements for at least a period of 12 months from the date of this Prospectus.

#### 9.5.2 Cash Flow

The following is a summary of our Group's proforma cash flow for FYE 2011 to FYE 2014 based on the proforma consolidated statement of cash flows and should be read in conjunction with the Reporting Accountant's letter on the proforma consolidated financial information as set out in Section 9.1 of this Prospectus.

#### FYE 2011

Cash Flow	Proforma Consolidated as at 31.12.2011 RM'000
Net cash from operating activities	12,943
Net cash used in investing activities	(2,833)
Net cash used in financing activities	(6,676)
<b>Net increase in cash and cash equivalents</b>	<b>3,434</b>
Cash and cash equivalents at beginning of financial year	(792)
<b>Cash and cash equivalents at end of financial year*</b>	<b>2,642</b>

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**9. FINANCIAL INFORMATION (Cont'd)**

Note:-

\* Components of cash and cash equivalents 31 December 2011:-

	As at 31.12.2011 RM'000
Fixed deposits with licensed banks	8,104
Cash and bank balances	2,888
	<u>10,992</u>
Less: Pledged deposit	(6,735)
Less: Bank overdrafts	(1,615)
	<u>2,642</u>

Brief commentaries of our Group's proforma consolidated cash flow for FYE 2011 are as follows:-

**(i) Net cash from operating activities**

For FYE 2011, we generated an operating cash flow of approximately RM18.52 million. After adjusting for net cash outflow of approximately RM2.71 million from working capital changes, income tax paid of approximately RM2.66 million and interest paid of approximately RM0.21 million, we generated net cash from operating activities of approximately RM12.94 million.

The net cash outflow of approximately RM2.71 million was mainly attributed to the increase in trade and other receivables of approximately RM11.36 million and increase in inventory of approximately RM0.02 million. This was partially offset by the increase in trade and other payables of approximately RM8.67 million.

**(ii) Net cash flow used in investing activities**

For FYE 2011, our Group's net cash used in investing activities amounted to approximately RM2.83 million. This was mainly attributed to the cash used for purchase of property, plant and equipment of approximately RM3.10 million and acquisition of investment of approximately RM0.40 million. This was partially offset by the proceeds from the disposal of property, plant and equipment of approximately RM0.42 million and interest income received of approximately RM0.25 million.

**(iii) Net cash flow used in financing activities**

For FYE 2011, the net cash used in financing activities of our Group amounted to approximately RM6.68 million. This was mainly attributed to cash used for repayment of hire purchase payables of approximately RM7.31 million, interest paid of approximately RM1.05 million and repayment of loans and other borrowings of RM0.07 million. This was partially offset by cash from the withdrawal of fixed deposit pledged to bank of approximately RM1.69 million and RM0.06 million from the utilisation of bankers' acceptance and trust receipts.

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**9. FINANCIAL INFORMATION (Cont'd)****FYE 2012**

<b>Cash Flow</b>	<b>Proforma Consolidated as at 31.12.2012 RM'000</b>
Net cash from operating activities	14,801
Net cash used in investing activities	(2,051)
Net cash used in financing activities	(14,510)
<b>Net decrease in cash and cash equivalents</b>	<b>(1,760)</b>
Cash and cash equivalents at beginning of financial year	2,642
<b>Cash and cash equivalents at end of financial year*</b>	<b>882</b>

Note:-

\* Components of cash and cash equivalents as at 31 December 2012:-

	<b>As at 31.12.2012 RM'000</b>
Fixed deposits with licensed banks	16,452
Cash and bank balances	2,236
	<u>18,688</u>
Less: Pledged deposit	(14,362)
Less: Bank overdrafts	(3,444)
	<u>882</u>

Brief commentaries of our Group's proforma consolidated cash flow for FYE 2012 are as follows:-

**(i) Net cash from operating activities**

For FYE 2012, we generated an operating cash flow of approximately RM23.35 million. After adjusting for net cash outflow of approximately RM3.99 million from working capital changes, income tax paid of approximately RM2.49 million, interest paid of approximately RM2.26 million and cash inflow from tax refund of approximately RM0.19 million, we generated net cash from operating activities of approximately RM14.80 million.

The net cash outflow of approximately RM3.99 million was mainly from the increase in trade and other receivables of approximately RM45.63 million and increase in inventory of approximately RM0.23 million. This was partially offset by the increase in trade and other payables of approximately RM41.87 million.

**(ii) Net cash flow used in investing activities**

For FYE 2012, our Group's net cash used in investing activities amounted to approximately RM2.05 million. This was mainly attributed to the cash used for purchase of property, plant and equipment of approximately RM2.93 million, as well as acquisition of investment and investment property with a total of approximately RM0.17 million. This was partially offset by proceeds from disposal of property, plant and equipment of approximately RM0.72 million and interest income received of approximately RM0.33 million.



**9. FINANCIAL INFORMATION (Cont'd)****(iii) Net cash flow used in financing activities**

For FYE 2012, the net cash used in financing activities of our Group amounted to approximately RM14.51 million. This was mainly attributed to the cash used for the repayment of hire purchase payables of approximately RM8.99 million, increase in fixed deposit pledged to financial institutions of approximately RM7.63 million, as well as repayment of loans and other borrowings of approximately RM0.08 million. This was partially offset by cash from the utilisation of bankers' acceptance and trust receipts of approximately RM2.19 million.

**FYE 2013**

Cash Flow	Proforma Consolidated as at 31.12.2013 RM'000
Net cash from operating activities	1,785
Net cash used in investing activities	(2,498)
Net cash (used in)/ from financing activities	(10,456)
<b>Net decrease in cash and cash equivalents</b>	<b>(11,169)</b>
Cash and cash equivalents at beginning of financial year	882
<b>Cash and cash equivalents at end of financial year*</b>	<b>(10,287)</b>

Note:-

\* Components of cash and cash equivalents as at 31 December 2013:-

	As at 31.12.2013 RM'000
Fixed deposits with licensed banks	25,761
Cash and bank balances	2,178
	<u>27,939</u>
Less: Pledged deposit	(23,555)
Less: Bank overdrafts	(14,671)
	<u>(10,287)</u>

Brief commentaries of our Group's proforma consolidated cash flow for FYE 2013 are as follows:-

**(i) Net cash from operating activities**

For FYE 2013, we generated an operating cash flow of approximately RM39.53 million. After adjusting for net cash outflow of approximately RM31.09 million from working capital changes, income tax paid of approximately RM3.86 million, interest paid of approximately RM3.40 million and cash inflow from tax refund of approximately RM0.61 million, we generated net cash from operating activities of approximately RM1.79 million.

The net cash outflow of approximately RM31.09 million from working capital changes was mainly from increase in trade and other receivables of approximately RM30.60 million, increase in inventory of approximately RM0.44 million and decrease in trade and other payables of approximately RM0.05 million.

**9. FINANCIAL INFORMATION (Cont'd)**

The net cash generated from operating activities of approximately RM1.79 million for FYE 2013 was weak as compared to RM12.94 million and RM14.80 million for FYE 2011 and FYE 2012 respectively. The tighter cash flow situation for FYE 2013 was due to temporary timing differences in relation to the payment and collection to suppliers and customers respectively.

**(ii) Net cash flow used in investing activities**

For FYE 2013, our Group's net cash used in investing activities amounted to approximately RM2.50 million. This was mainly attributed to the cash used for acquisition of property, plant and equipment and investment property of approximately RM2.63 million and approximately RM0.47 million respectively. This was partially offset by proceeds from disposal of property, plant and equipment of approximately RM0.07 million and interest income received of approximately RM0.53 million.

**(iii) Net cash flow used in/ from financing activities**

For FYE 2013, the net cash used in financing activities of our Group amounted to approximately RM10.46 million. This was mainly attributed to cash used for repayment of hire purchase payables of approximately RM15.44 million, increase in fixed deposits pledged to financial institutions of approximately RM9.19 million and cash used for payment of dividend of approximately RM2.90 million declared in FYE 2013. This was partially offset by cash from drawdown of loans and other borrowings as well as bankers' acceptances and trust receipts totalling approximately RM17.07 million.

**FYE 2014**

<b>Cash Flow</b>	<b>(I) Proforma Consolidated as at 31.12.2014 RM'000</b>	<b>(II) Proforma Consolidated After (I) and Adjusting for Public Issue and Utilisation of Proceeds RM'000</b>
Net cash from operating activities	11,055	9,517
Net cash used in investing activities	(4,476)	(41,296)
Net cash (used in)/ from financing activities	(6,138)	57,687
<b>Net increase in cash and cash equivalents</b>	<b>441</b>	<b>25,908</b>
Cash and cash equivalents at beginning of financial year	(10,287)	(10,287)
<b>Cash and cash equivalents at end of financial year*</b>	<b>(9,846)</b>	<b>15,621</b>

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**9. FINANCIAL INFORMATION (Cont'd)**

Note:-

\* Components of cash and cash equivalents as at 31 December 2014:-

	(I)	(II)
	As at 31.12.2014	After (I) and Adjusting for Public Issue and Utilisation of Proceeds as at 31.12.2014
	RM'000	RM'000
Fixed deposits with licensed banks	26,484	26,484
Cash and bank balances	576	18,576
	<u>27,060</u>	<u>45,060</u>
Less: Pledged deposit	(23,706)	(23,706)
Less: Bank overdrafts	(13,200)	(5,733)
	<u>(9,846)</u>	<u>15,621</u>

Save and except for the restrictive covenants under our loan documentation entered into by our Group, our Directors are of the opinion that there are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances and are therefore confident that we can meet our cash obligations.

Brief commentaries of our Group's proforma consolidated cash flow (prior to Public Issue and utilisation of proceeds) for the FYE 2014 are as follows:-

**(i) Net cash from operating activities**

For FYE 2014, we generated an operating cash flow of approximately RM42.21 million. After adjusting for net cash outflow of approximately RM20.65 million from working capital, income tax paid of approximately RM5.34 million, interest paid of approximately RM5.28 million and cash inflow from tax refund of approximately RM0.12 million, we generated net cash from operating activities of approximately RM11.06 million.

The net cash outflow of approximately RM20.65 million from working capital changes was mainly from increase in trade and other receivables of approximately RM59.56 million. This was partially offset by the increase in trade and other payables of approximately RM38.37 million and decrease in inventory of approximately RM0.54 million.

**(ii) Net cash flow used in investing activities**

For FYE 2014, our Group's net cash used in investing activities amounted to approximately RM4.48 million. This was mainly attributed to the cash used for acquisition of property, plant and equipment and investment property of approximately RM4.17 million and approximately RM1.58 million respectively. This was partially offset by proceeds from interest income received of approximately RM0.69 million and disposal of property, plant and equipment of approximately RM0.58 million.

**(iii) Net cash flow used in financing activities**

For FYE 2014, the net cash used in financing activities of our Group amounted to approximately RM6.14 million. This was mainly attributed to cash used for repayment of hire purchase payables of approximately RM19.20 million and increase in fixed deposits pledged to financial institutions of approximately RM0.15 million. This was partially offset by cash from drawdown of loans and other borrowings of approximately RM7.48 million, drawdown of bankers' acceptances of approximately RM5.57 million and proceeds from issuance of shares of approximately RM0.16 million.

## 9. FINANCIAL INFORMATION (Cont'd)

### 9.5.3 Borrowings

As at 31 December 2014, our Group had total outstanding bank borrowings of approximately RM77.20 million, all of which were interest-bearing and denominated in RM, the detail of which are set out below:-

	As at 31 December 2014		
	Short Term (Payable within 12 Months) RM'000	Long Term (Payable after 12 Months) RM'000	Total RM'000
Finance lease liabilities <sup>(1)</sup>	12,999	13,611	26,610
Bank overdrafts <sup>(2)</sup>	13,200	-	13,200
Term loans <sup>(3)</sup>	890	6,269	7,159
Factoring facility <sup>(2)</sup>	19,444	-	19,444
Bankers' acceptances/ trust receipts <sup>(2)</sup>	10,784	-	10,784
<b>Total</b>	<b>57,317</b>	<b>19,880</b>	<b>77,197</b>
Gearing ratio <sup>(4)</sup> (times)			0.80

Notes:-

- (1) Finance lease liabilities were utilised for the hire purchase of machinery and equipment, and motor vehicles.
- (2) Bank overdrafts, factoring facility, bankers' acceptances and trust receipts were utilised to finance the working capital of our business operations.
- (3) Term loans were utilised to finance the purchase of property, plant and equipment as well as working capital for our business operations.
- (4) Calculated based on proforma shareholders' funds after the Subdivision, Acquisitions and Transfer but before our Public Issue and utilisation of proceeds.

As at 31 December 2014, our Group's floating and fixed rate borrowings are set out below:-

	FYE 2014		
	Floating Rate Borrowings <sup>(1)</sup> RM'000	Fixed Rate Borrowings <sup>(2)</sup> RM'000	Total RM'000
Borrowings	50,587	26,610	77,197

Notes:-

- (1) Includes trade finance facilities, banker acceptance, bank overdraft and term loan.
- (2) Includes finance lease liabilities such as hire purchase.

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**9. FINANCIAL INFORMATION (Cont'd)**

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As at 31 December 2014, our interest bearing borrowings amounted to approximately RM77.20 million, of which approximately RM26.61 million was for the hire purchase of machinery and equipment, and motor vehicles, approximately RM43.43 million of trade facilities were for working capital purposes and approximately RM7.16 million of term loans were for working capital and to finance the purchase of property, plant and equipment.

For the FYE 2014, the effective interest rate ranged from approximately 3.94% per annum to approximately 8.60% per annum for our bank borrowings and approximately 2.10% per annum to approximately 5.13% per annum for our hire purchase obligations.

As at the LPD, our Group does not have any non-interest bearing borrowings or foreign borrowings.

For the past four (4) FYE 2011 to FYE 2014, we paid overdue interests. However, these overdue interests represented a small proportion of our total finance cost. Nevertheless, we will continue to monitor our payment schedules to manage our payments of either principal sum and/or interest in relation to our borrowings.

As at the LPD, neither our Company nor any of our subsidiaries is in breach of any terms and condition or covenants associated with the credit arrangements or bank borrowings which materially affected our financial position and results or business operations or investments by holders of our securities.

Currently, our Group does not have any interest rate hedging policy. We will monitor the interest rate movement and will take the necessary steps to minimise interest rate risk whenever deemed appropriate such as implementing a hedging policy. However, no assurance can be given that any future significant movement in interest rate will not have a material adverse impact on our business, operating results and financial position.

**9.5.4 Treasury Policies and Objectives**

Our Group has been funding our operations through shareholders' equity, cash generated from our operations and external sources of funds. Our external sources of funds consist of credit terms granted by our suppliers and borrowings from financial institutions. Our funding policy is to obtain the most suitable type of financing and favourable cost of funding whereas our treasury policy is to maintain sufficient working capital to finance our operations, coupled with adequate credit facilities to meet estimated commitments arising from our operational expenditure and financial liabilities. The normal credit terms granted to our Group by our suppliers and subcontractors is 30 to 120 days.

Our Group's borrowings from financial institutions consists of hire purchase facilities, bank overdrafts, term loans, banker acceptances, trust receipts and factoring, which are used for purchase of plant and machinery, and working capital for business operations. As at the LPD, our Group has banking facilities amounting to RM134.23 million, which has yet to be utilised.

Our short term borrowings are payable within one (1) year. The interest rates for these short term borrowings are based on prevailing cost of funds plus or minus a margin as the case may be as agreed upon by our bankers when the respective loans were granted.

Our long term borrowings are payable after one (1) year. The interest rates for these long term borrowings are based on the prevailing cost of funds minus a margin as agreed upon by our bankers when the respective loans were granted.

**9. FINANCIAL INFORMATION (Cont'd)**

The decision to either utilise banking facilities or internally generated funds for our operations depend on, inter alia, our cash reserve, expected cash inflows or receipts from customers, future working capital requirements, future capital expenditure requirements and the prevailing interest rates of the banking facilities.

Our minimum cash reserves at any point in time is dependent on, inter alia, the expected cash inflows or receipts from customers, liquidity of our short term placement of funds and our future working capital requirements.

**9.5.5 Financial Instruments for Hedging Purpose**

For FYE 2014 and as at the LPD, our Group did not hold any financial instruments for hedging purposes.

**9.5.6 Material Capital Commitment**

As at the LPD, our material capital commitments were as follows:-

<b>Capital Commitment</b>	<b>RM'000</b>
Approved and/or contracted for:-	
- Purchase of machinery and equipment for manufacturing of prefabricated building system	3,600
<b>Total capital commitments</b>	<b>3,600</b>

As at the LPD, save as disclosed above, there is no material capital commitments incurred or known to be incurred by our Group that has not been provided for, which upon becoming enforceable, may have a material impact on our financial results/ position.

The above capital commitment will be financed via proceeds from internally generated funds and/or bank borrowings and/or proceeds from the Public Issue.

**9.5.7 Material Contingent Liabilities**

As at the LPD, the details of our material contingent liabilities are as follows:-

<b>Contingent Liabilities</b>	<b>RM'000</b>
Performance bank guarantees	45,062
Bank guarantees for projects tendering	815
<b>Total</b>	<b>45,877</b>

As at the LPD, save as disclosed above, our Board is not aware of any material contingent liability, which in the opinion of our Board, will or may substantially affect our financial results or position upon becoming enforceable.

## 9. FINANCIAL INFORMATION (Cont'd)

### 9.5.8 Material Litigation, Claims or Arbitration

As at the LPD, save as disclosed in Section 13.6 of this Prospectus, neither our Company nor our subsidiaries is engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of our Company or our subsidiaries and our Board has no knowledge of any proceedings pending or threatened, or of any facts likely to give rise to any proceedings, which might materially and adversely affect the business or financial position of our Company or our Group.

### 9.5.9 Key Financial Ratios

The following table sets forth the key financial ratios based on our proforma consolidated financial statements for the financial years indicated below:-

Key Financial Ratios	FYE 2011	FYE 2012	FYE 2013	FYE 2014
Trade receivables turnover period <sup>(i)</sup> (days)	45	89	82	105
Trade payables turnover period <sup>(ii)</sup> (days)	22	63	69	103
Inventory turnover period <sup>(iii)</sup> (days)	<sup>(iv)</sup>	1	2	<sup>(iv)</sup>
Current ratio (times)	1.94	1.35	1.30	1.24
Gearing ratio <sup>(v)</sup> (times)	0.31	0.65	0.82	0.80

Notes:-

- (i) Based on proforma consolidated trade receivables balances excluding retention sum as at the dates of the respective statements of financial position over total revenue of the respective financial years.
- (ii) Based on proforma consolidated trade payables balances excluding retention sum and advance payments as at the dates of the respective statements of financial position over the Group's total cost of sales of the respective financial years.
- (iii) Based on proforma consolidated inventory balances as at the dates of the respective statements of financial position over the Group's total cost of sales of the respective financial years.
- (iv) Insignificant
- (v) Calculated based on proforma shareholders' funds after the Subdivision, Acquisitions and Transfer but before our Public Issue and utilisation of proceeds.

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## 9. FINANCIAL INFORMATION (Cont'd)

### (a) Trade Receivables

The table below sets forth a summary of our Group's trade receivables for the financial years indicated:-

Trade Receivables	FYE 2011 RM'000	FYE 2012 RM'000	FYE 2013 RM'000	FYE 2014 RM'000
Trade receivables <sup>(1)</sup>	17,770	49,610	45,907	84,731
Revenue	145,403	202,868	205,335	293,505
Trade receivables turnover period <sup>(2)</sup> (days)	45	89	82	105

Notes:-

- (1) Based on proforma consolidated trade receivables balances excluding retention sum as at the dates of the respective statements of financial position.
- (2) Based on proforma consolidated trade receivables balances excluding retention sum as at the dates of the respective statements of financial position over total revenue of the respective financial years.

The normal credit period generally granted to our customers is between 30 days and 90 days. However, credit period may be extended up to 150 days in certain cases, typically due to finalisation of the project account which takes up to twelve (12) months from the date of issuance of the CPC. Our credit terms to customers are assessed and approved on a case-by-case basis taking into consideration various factors such as relationship with customers, customers' payment history, credit worthiness, quantum of amount owing as well as the reason for the customers' inability to pay within the normal credit period.

Trade receivables turnover period was computed excluding retention sums in relation to our construction activities. Due to the nature of the construction industry, retention sums are generally retained over a period of between one (1) and five (5) years from the issuance of the CPC of the project. As such, the exclusion of the retention sums in the computation of trade receivables turnover periods will provide a more realistic measure of the average number of days that our Group takes to collect the debts that are due.

Our trade receivables turnover periods for FYE 2011, FYE 2012 and FYE 2013 were 45 days, 89 days, and 82 days respectively, which falls within our normal credit period. For FYE 2014, our trade receivables turnover period was 105 days.

For FYE 2012, our trade receivables turnover period was 89 days compared to 45 days for FYE 2011. This longer receivable turnover period was mainly due to the slower collection from various projects, including the Paradigm Mall, Kelana Jaya project, JB-Nusajaya Highway project and the railway electrification and double tracking - Package N4 (Sub-package S15) project. The slower collection was attributed to finalisation of projects during the end of 2012 that required additional time for verification and confirmation of variation order works. By March 2013, the amount owing from the above three (3) projects were fully collected. In addition, new projects in 2012 including piling and foundation works for Damai 88, Ampang project and the Pulau Redang and Pulau Perhentian 5-storey flat projects also contributed to the higher trade receivables turnover period for FYE 2012. Slow collection from the piling and foundation works for Damai 88, Ampang project was due to lengthy discussion on variation works. Nevertheless, the amount was fully collected by October 2013. As for the Pulau Redang and Pulau Perhentian 5-storey flat projects, the amount owing to the Group were fully collected by January 2013.



## 9. FINANCIAL INFORMATION (Cont'd)

For FYE 2013, our trade receivables turnover period of 82 days was mainly due to the longer credit period granted and delay in collection from a customer for piling and foundation works as well as building construction works in Kuala Lumpur.

For FYE 2014, our trade receivables turnover period was 105 days compared to 82 days for FYE 2013. This was mainly contributed by D.J. Design & Suppliers Sdn Bhd for the Damai 88, Ampang project in Kuala Lumpur, Konsortium Skypark Link Sdn Bhd - Lion Pacific Sdn Bhd for the Subang-Skypark Terminal Railway Track project, as well as UEM Construction Sdn Bhd for Package V8 of the KVMRT Sungai Buloh - Kajang Line project. The delay in collection from D.J. Design & Suppliers Sdn Bhd was due to the mismatch in timing of the progress billings payments by the project owner to its customers, which affected us. Nevertheless, the entire amount owing by Konsortium Skypark Link Sdn Bhd – Lion Pacific Sdn Bhd had been collected as at the LPD. For D.J. Design & Suppliers Sdn Bhd and UEM Construction Sdn Bhd, all the amount exceeding our normal credit period had been collected as at the LPD, whilst the remaining amount owing by D.J. Design & Suppliers Sdn Bhd and UEM Construction Sdn Bhd still falls within our normal credit period of 90 days.

### Ageing Analysis

#### FYE 2014

The ageing analysis of our Group's trade receivables as at 31 December 2014 is as follows:-

	Within Normal Credit Period			Within Extended Credit Period		Exceeded Extended Credit Period	Total
	0 – 30 days	31 – 60 days	61 – 90 days	91 – 120 days	121 – 150 days	Over 150 days	
Trade receivables (RM'000)	37,451	17,726	10,372	6,353	2,890	51,735	126,527
Less: Retention sums (RM '000)	2,982	1,699	3,294	1,624	1,639	30,558	41,796
Net trade receivables less retention sums (Net trade receivables) (RM'000)	34,469	16,027	7,078	4,729	1,251	21,177	84,731
Percentage of total net trade receivables less retention sums (%)	40.68	18.92	8.35	5.58	1.48	24.99	100.00
Subsequent collections as at the LPD (RM'000)	27,182	16,013	7,057	4,429	1,237	15,336	71,254
Net trade receivables and after subsequent collections (RM'000)	7,287	14	21	300	14	5,841	13,477
Percentage of net trade receivables and after subsequent collections against total net trade receivables and after subsequent collections (%)	54.07	0.10	0.16	2.23	0.10	43.34	100.00

Between 31 December 2014 and the LPD, we have collected approximately RM71.25 million out of a total of approximately RM84.73 million of outstanding trade receivables excluding retention sum (net trade receivables).

**9. FINANCIAL INFORMATION (Cont'd)**

In this regard, all our net trade receivables have been collected save for approximately RM13.48 million, which represented approximately 15.91% of the total net trade receivables outstanding as at 31 December 2014. Out of this outstanding amount, approximately 43.34% or approximately RM5.84 million exceeded our normal and extended credit period of up to 150 days. This outstanding amount was mainly due to delay in collection from Airod Sdn Bhd for a building construction project in Subang, Selangor that was completed in March 2013, as the customer was awaiting payments from their debtors or other sources of funds.

For all trade receivables exceeding the normal credit period of 90 days, our management have taken all possible steps to closely monitor the collection progress to minimise the likelihood of outstanding debts turning into bad debts. In addition, majority of our customers are good paymaster with strong financial backings either from the government or public listed companies. As such, our Directors are of the opinion that most of the outstanding debts are recoverable. This is evident by the fact that approximately RM5.67 million of trade receivables categorised as 'within extended credit period' and approximately RM15.34 million of trade receivables categorised as 'exceeded extended credit period' was collected as at the LPD.

**(b) Trade Payables**

The following table provides a summary of our Group's trade payables for the periods as indicated:-

Trade Payables	FYE 2011 RM'000	FYE 2012 RM'000	FYE 2013 RM'000	FYE 2014 RM'000
Trade payables <sup>(1)</sup>	7,272	28,399	28,525	66,170
Cost of sales	118,051	165,234	151,760	235,605
Trade payables turnover period <sup>(2)</sup> (days)	22	63	69	103

Notes:-

- (1) Based on proforma consolidated trade payables balances excluding retention sums and advance payments as at the dates of the respective statements of financial position.
- (2) Based on proforma consolidated trade payables balances as at the dates of the respective statements of financial position over the Group's total cost of sales of the respective financial years.

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**9. FINANCIAL INFORMATION (Cont'd)**

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The normal credit period granted to our Group by our suppliers and subcontractors range from 30 days to 120 days. In view of the good long term relationships with our trade creditors, we enjoy credit periods that are longer than the stipulated period. Nevertheless, some of our suppliers offer discounts as an incentive for early payments. As such, to enjoy the early payment discounts and maintain good relationships with our suppliers, we will channel any short term surplus cash flow to make early payments.

Retention sum and advance payments received were excluded in arriving at our trade payables turnover period. Furthermore, the retention sums and advanced payments received were under separate headings in the ageing analysis of our Group's trade payables. Advance payments received are payments we received from our customers prior to commencement of respective projects.

Our trade payables turnover period for FYE 2011, FYE 2012, FYE 2013 and FYE 2014 were 22 days, 63 days, 69 days and 103 days respectively, which fell within the normal credit period. We are of the view that timely settlement of payment facilitates better services and prices, as well as strengthening our relationships with suppliers and subcontractors.

For FYE 2012, our trade payables turnover period was 63 days which was higher compared to 22 days for FYE 2011. This was because some of our suppliers for building and construction materials granted us longer credit period. In addition, there were delayed payments to certain subcontractors pending completion of ongoing rectification and finalisation of works. Between FYE 2011 and FYE 2012, our Group's trade payables increased by approximately 290.53% or RM21.13 million, which was in tandem with our revenue growth by approximately 39.53% or RM57.47 million. Nevertheless, the 63 days trade payables turnover period was well within our normal credit period of 30 days to 120 days.

For FYE 2013, our trade payables turnover period was 69 days which was higher than 63 days for FYE 2012 on the back of lower cost of sales. This was because there was an increase in the number of suppliers granting us longer credit periods in FYE 2013. Our trade payables increased marginally by approximately 0.44% or RM0.13 million, which was aligned with our revenue growth of approximately 1.22% or RM2.47 million between FYE 2012 and FYE 2013. Nevertheless, the 69 days trade payables turnover period was well within our normal credit period of 30 days to 120 days.

For FYE 2014, our trade payables turnover period was 103 days which was higher than 69 days for FYE 2013. This was mainly due to delayed payments to certain subcontractors pending completion of ongoing rectification and finalisation of works, and ongoing discussion over quality of concrete supplied with a supplier of building materials. As at 31 December 2014, our Group's trade payables increased by approximately 131.97% or RM37.64 million from FYE 2013 to FYE 2014, which was in tandem with our revenue growth by approximately 42.94% or RM88.17 million. Nevertheless, the 103 days trade payables turnover period was well within our normal credit period of 30 days to 120 days.

For FYE 2014, approximately RM11.73 million or 17.73% of our total net trade payables (excluding retention sums and advanced payments received) were more than 120 days. Of this approximately RM4.58 million was over 180 days, which exceeded the extended credit period.

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**9. FINANCIAL INFORMATION (Cont'd)****Ageing Analysis****FYE 2014**

The ageing analysis of our Group's trade payables as at 31 December 2014 is as follows:-

	Within Normal Credit Period				Within Extended Credit Period		Exceeded Extended Credit Period	Total
	0 – 30 days	31 – 60 days	61 – 90 days	91 – 120 days	121 – 150 days	151 – 180 days	Over 180 days	
Trade payables (RM'000)	24,760	10,943	13,721	6,847	6,620	1,376	13,726	77,993
Less: Retention sums (RM'000)	608	427	626	173	688	157	3,088	5,767
Less: Advance payments received (RM'000)	-	-	-	-	-	-	6,056	6,056
Net trade payables less retention sums and advance payments received (Net trade payables) (RM'000)	24,152	10,516	13,095	6,674	5,932	1,219	4,582	66,170
Percentage of total net trade payables (%)	36.50	15.89	19.79	10.09	8.96	1.84	6.93	100.00
Subsequent payments as at the LPD (RM'000)	19,876	9,573	9,483	6,698	5,631	1,077	1,973	54,311
Net trade payables and after subsequent payments (RM'000)	4,276	943	3,612	(24)	301	142	2,609	11,859
Percentage of net trade payables and after subsequent payments against total net trade payables and after subsequent payments (%)	36.06	7.95	30.46	(0.20)	2.54	1.19	22.00	100.00

As at the LPD, approximately RM54.31 million representing about 82.08% of the total net trade payables outstanding as at 31 December 2014 of approximately RM66.17 million has been paid. As at the LPD, the amount still unpaid amounted to approximately RM11.86 million, of which approximately 22.0% or RM2.61 million falls outside the extended credit period of more than 180 days.

This unpaid amount was mainly due to delayed payment to some subcontracted works that were still within the defect liability period pending work inspection and delayed payment to a supplier of building materials as it still pending ongoing discussion over the quality of concrete supplied. Such amounts were therefore retained by us and upon remedy of defective works and our approval based on satisfactory inspection, our subcontractors will be paid accordingly.

**9. FINANCIAL INFORMATION (Cont'd)****(c) Inventory**

The following table is a summary of our Group's inventory for the periods indicated:-

Inventory	FYE 2011 RM'000	FYE 2012 RM'000	FYE 2013 RM'000	FYE 2014 RM'000
Inventory <sup>(i)</sup>	27	252	788	245
Cost of sales	118,051	165,234	151,760	235,605
Inventory turnover period <sup>(ii)</sup> (days)	<sup>(iii)</sup>	1	2	<sup>(iii)</sup>

Notes:-

- (i) Based on proforma consolidated inventory balances as at the dates of the respective statements of financial position.
- (ii) Based on proforma consolidated inventory balances as at the dates of the respective statements of financial position over the Group's total cost of sales of the respective financial years.
- (iii) Insignificant

Our Group's inventory turnover period for the past four (4) FYE 2011 to FYE 2014 was very minimal due to the nature of our Group's principal business in engineering and construction which generally does not keep inventories. This includes inventory from our manufacturing and installation of prefabricated building system that operate under our subsidiary, MM2 Building System.

**(d) Current Ratio**

The following table sets forth a summary of our Group's current ratio for the periods indicated:-

	FYE 2011 RM'000	FYE 2012 RM'000	FYE 2013 RM'000	FYE 2014 RM'000
Current assets	70,150	118,216	158,564	205,577
Current liabilities	36,181	87,269	121,566	165,864
Current ratio* (times)	1.94	1.35	1.30	1.24

Note:-

- \* Current ratio is calculated based on current assets divided by current liabilities.

For the FYE 2012, our Group's current ratio was approximately 1.35 times, which was lower than approximately 1.94 times for FYE 2011. This was mainly attributed to the increase in trade payables, amount due to contract customers as well as short term borrowings. The increase in short term borrowings was from the increase in additional finance lease liabilities obtained in FYE 2012, which was used to finance the purchase of plant and equipment, and motor vehicles. In addition, the lower current ratio recorded for FYE 2012 was also partly due to the increase in trade financing that were used as our working capital for business operations.

**9. FINANCIAL INFORMATION (Cont'd)**

For FYE 2013, the current ratio was approximately 1.30 times, which was slightly lower than the current ratio of approximately 1.35 times for FYE 2012. This was mainly due to the increase in short term bank borrowings including additional term loan facilities to finance the purchase of property, plant and equipment as well as for working capital purposes. Another contributing factor was the increase in utilisation of trade facilities and bank overdrafts as working capital for our business operations.

For FYE 2014, the current ratio was approximately 1.24 times, which was lower than the current ratio of approximately 1.30 times for FYE 2013. Despite an increase in trade receivables which was in tandem with our business growth during the FYE 2014, the lower current ratio was contributed by our trade payables and borrowings, which grew at a higher rate. The increase in borrowings during the FYE 2014 was particularly for the utilisation of trade facilities as working capital for our business operations.

**(e) Gearing Ratio**

The following table sets forth a summary of our Group's gearing ratio for the periods indicated:-

	FYE 2011 RM'000	FYE 2012 RM'000	FYE 2013 RM'000	FYE 2014 RM'000
Total borrowings	16,580	43,647	70,260	77,197
Shareholders' equity	53,945	66,982	85,606	95,946
Gearing ratio* (times)	0.31	0.65	0.82	0.80

Note:-

\* Gearing ratio is calculated based on total borrowings divided by shareholders' equity.

For FYE 2012, our Group's gearing ratio was approximately 0.65 times which was higher than approximately 0.31 times for FYE 2011 on the back of an approximately 163.25% increase in our Group's total borrowings. This was mainly attributed to the increase in utilisation of finance lease liabilities, which were for the hire purchase of machinery and equipment, and motor vehicles during the FYE 2012.

For FYE 2013, our Group's gearing ratio continued to increase to approximately 0.82 times, as compared to 0.65 times for FYE 2012 on the back of an approximately 60.97% increase in our Group's total borrowings. This was mainly attributed to the increase in utilisation of term loans, bank overdrafts and factoring facility during the FYE 2013. The banking facilities were used to finance the purchase of property, plant and equipment as well as working capital for our business operations for FYE 2013.

For FYE 2014, our Group's gearing ratio reduced to approximately 0.80 times, as compared to 0.82 times for FYE 2013, despite an increase of approximately 9.87% in our Group's total borrowings. This increase in borrowings was mainly due to increase in utilisation of factoring facility, bankers' acceptance, term loans and finance lease to finance the purchase of property, plant and equipment as well as working capital for our business operations for FYE 2014. Despite an increase in borrowings, our shareholders' equity increased at a higher rate compared to borrowings, thus resulting in a drop in our gearing ratio.

## 9. FINANCIAL INFORMATION (Cont'd)

### 9.6 TREND ANALYSIS

As at the LPD, save as disclosed in this Prospectus and to the best of our Board's knowledge and belief, our operations have not been and are not expected to be affected by any of the following:-

- (a) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations other than those discussed in this Section and Sections 3 and 4 of this Prospectus;
- (b) material commitment for capital expenditure, as set out in Section 9.5.6 of this Prospectus;
- (c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this Section and in Section 3 of this Prospectus;
- (d) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group's total revenue and/or profits save for those that have been disclosed in this Section, industry overview as set out in Section 5 of this Prospectus and future plans and strategies as set out in Section 4.18 of this Prospectus;
- (e) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this Section and in Section 3 of this Prospectus; and
- (f) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed in this Section and in Sections 3 and 4 of this Prospectus.

### 9.7 DIVIDEND POLICY

Save as disclosed below and the paragraph 5.2 of the Accountants' Report in Section 10 of this Prospectus, no dividend was declared and paid by our Group for the past four (4) FYE 2011 to FYE 2014:-

Company	FYE	Type of Dividend	Dividend Rate Per Ordinary Share of RM1.00 Each (sen)	(RM'million)	Payment Date
Rekavista	2011	Interim, tax exempt	300.13	6.00	16.12.2011
Rekavista	2013	Interim, single-tier	145.00	2.90	28.11.2013
Ikhmas Jaya	2013	Interim, single-tier	9.67	2.90	28.11.2013
Ikhmas Jaya	2014	Interim, single-tier	37.33	11.20	02.06.2015

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**9. FINANCIAL INFORMATION (Cont'd)**

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It is our Board's policy to recommend and distribute minimum dividends of 20% of our annual Group's PAT attribution to the shareholders of our Company. This will allow our shareholders to participate in our Group's profits. Any final dividend declared is subjected to the approval of our shareholders at our annual general meeting.

Our ability to pay dividends or make other distributions to our shareholders is subject to various factors such as having profits and excess funds not required to be retained to fund our working capital requirements. Our Board will also take into consideration, amongst others, the following factors when recommending dividends:-

- (a) the availability of adequate distributable reserves and cash flow;
- (b) our operating cash flow requirements and financing commitments;
- (c) our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans;
- (d) any material impact of tax laws and other regulatory requirements; and
- (e) the prior approval from some bankers, if any.

Kindly refer to Section 3.3.4 of this Prospectus for risks relating to payment of dividends.

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## 9. FINANCIAL INFORMATION (Cont'd)

## 9.8 ORDER BOOK

As at the LPD, our order book is estimated to be RM346 million, which is as set out below:-

	Order Book (RM million)	Projects Secured as at 31.12.2014	Projects Secured between 31.12.2014 and LPD	(i) Total Project Duration (Months)	(ii) Expected Completion Date
<b>Engineering and Construction</b>	<b>308</b>	<b>279</b>	<b>29</b>		
<b>Piling and foundation works</b>	<b>130</b>	<b>105</b>	<b>25</b>		
- <i>Building</i>	61	59	2		
- Parcel D of the KL Eco City	52	52	-	41	May 2016
- Others <sup>(ii)</sup>	9	7	2	-	-
- <i>Infrastructure</i>	69	46	23		
- Package V8 of the Klang Valley Mass Rapid Transit Sungai Buloh-Kajang Line	25	25	-	30	June 2015
- Light Rail Transit Kelana Jaya Station 2	15	-	15	4	September 2015
- Duta-Ulu Kelang Expressway 2 (Section 2 – Tun Razak Link) at Mainline MC30	11	11	-	18	August 2015
- Duta-Ulu Kelang Expressway 2 (Section 1 – Sri Damansara Link)	8	8	-	16	August 2015
- Duta-Ulu Kelang Expressway 2 (Section 2 – Tun Razak Link) at Ramp MCT0	5	-	5	4	November 2015
- Others <sup>(iii)</sup>	5	2	3	-	-
<b>Bridge Construction</b>	<b>137</b>	<b>133</b>	<b>4</b>		
- Subang-Skypark Terminal Railway Track – Phase 1	132	132	-	24	November 2015
- Others <sup>(iv)</sup>	5	1	4	-	-
<b>Building Construction</b>	<b>41</b>	<b>41</b>	<b>-</b>		
- Damai 88, Ampang	41	41	-	28	August 2015
- Others <sup>(v)</sup>	(vi)	(vi)	-	-	-
<b>Other Activities</b>	<b>38</b>	<b>38</b>	<b>-</b>		
<b>Manufacturing and installation of prefabricated building systems</b>	<b>38</b>	<b>38</b>	<b>-</b>		
- Pulau Perhentian 5-storey flat	25	25	-	43	November 2015
- Pulau Redang 5-storey flat	12	12	-	41	September 2015
- Others <sup>(vii)</sup>	1	1	-	-	-
<b>Total</b>	<b>346</b>	<b>317</b>	<b>29</b>		

Notes:-

- (i) Include all extension of time subsequent to the letter of award.

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**9. FINANCIAL INFORMATION (Cont'd)**

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- (ii) Include Bukit Tunku Bungalow – Package 1 project, Bukit Jalil commercial development project, DA:Men, USJ project, Putrajaya (Precinct 16) civil servant high-rise apartments project, piling works and contiguous bored piles for the 9 Seputeh mixed development project and the Sri Kuala Lumpur School (Sri KL) project.
- (iii) Include Elevated Station Package S3 at The Curve, One Utama and Taman Tun Dr. Ismail project, Elevated Station Package S7 at Balakong and Taman Koperasi project and Ampang Line Light Rail Transit – Sentul Timur Extension project.
- (iv) Include the balance of the portion to be recognised for the Prai Swing Bridge project in relation to the demolition of previous bridge and Pier 488 and 489 for the Ampang Line Light Rail Transit project.
- (v) Include police training centre (PULAPOL), Terengganu project and Railway electrification and double tracking – Package N5, Sub-Package S16 project.
- (vi) Insignificant
- (vii) Include 100 units of single storey terrace house under the Perumahan Generasi Baharu Felda Bukit Tajau, Pahang project, Office block at Seksyen 67, Jalan Inai, Kuala Lumpur project, International University College of Automotive, Pahang project and the factory, warehouse and office building at Kawasan Perindustrian Kundang, Gombak project.

Our orders in hand for our engineering and construction, and manufacturing and installation of prefabricated building systems are however, subject to cancellation, deferral or rescheduling by our customers. Accordingly, our order book as at any particular date cannot be indicative of our revenue for any succeeding period.

Moving forward, we are confident that our order book will remain strong as we have earned the confidence and recognition of the customers due to our track record of delivering quality services/ products in a consistent and prompt manner as well as our ability to meet the requirements of our customers.

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## 10. ACCOUNTANTS' REPORT

*(Prepared for inclusion in the Prospectus)*



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47301 Petaling Jaya  
Selangor Darul Ehsan

15 June 2015

Dear Sirs

### **Accountants' Report**

#### **1. Introduction**

This report has been prepared by Messrs KPMG, an approved company auditor, for inclusion in the Prospectus of Ikhmas Jaya Group Berhad ("Ikhmas Berhad" or "the Company") in connection with the listing of and quotation for the shares of Ikhmas Berhad on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and should not be relied upon for any other purposes.

#### **2. General information**

##### **2.1 Background**

Ikhmas Berhad was incorporated in Malaysia in accordance with the Companies Act, 1965 as a public limited liability company on 5 December 2013. The principal activities of the Company are to undertake investment holding activities and the provision of management services. The principal activities of Ikhmas Berhad's subsidiaries are disclosed in Note 4 of this Accountants' Report.

##### **2.2 Share capital**

Ikhmas Berhad was incorporated with an authorised share capital of RM400,000 comprising 400,000 ordinary shares of RM1.00 each and an issued and fully paid-up share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each.

As part of the listing of and quotation for the entire issued and paid-up share capital of Ikhmas Berhad on the Main Market of Bursa Securities, upon completion of the reorganisation exercises ("Reorganisation") and Initial Public Offering ("IPO") as set out in Note 3, the Company's authorised share capital will be increased to RM130,000,000 comprising 520,000,000 ordinary shares of RM0.25 each.

**10. ACCOUNTANTS' REPORT (Cont'd)****3. Reorganisation****3.1 Reorganisation**

The Company will undertake a subdivision of its issued and paid-up share capital of one hundred (100) ordinary shares of RM1.00 each into four hundred (400) new ordinary shares of RM0.25 each ("Ikhmas Berhad Share(s)" or "Share(s)") on the basis of four (4) new Shares for every one (1) existing ordinary share of RM1.00 each held.

On 17 June 2014, pursuant to a Conditional Share Sale Agreement signed between Ikhmas Jaya Sdn. Bhd. ("Ikhmas Jaya") and Rekavista Sdn. Bhd. ("Rekavista"), Ikhmas Jaya acquired from Rekavista the entire issued and paid-up share capital of Ikhmas Equipment Sdn. Bhd. (formerly known as RV Equipment Sdn. Bhd.) ("Ikhmas Equipment") comprising 2 ordinary shares of RM1.00 each for a cash consideration of RM1,480,000.

On 17 June 2014, pursuant to a Conditional Share Sale Agreement signed between MM2 Building System Sdn. Bhd. ("MM2 Building System") and Rekavista, MM2 Building System acquired from Rekavista the entire issued and paid-up share capital of MM2 Builders Sdn. Bhd. (formerly known as Reka Concrete Products Sdn. Bhd.) ("MM2 Builders") comprising 100,000 ordinary shares of RM1.00 each for a cash consideration of RM2.00.

On 17 June 2014, pursuant to a Conditional Share Sale Agreement signed between Ikhmas Berhad and Ikhmas Jaya, Ikhmas Berhad acquired from Ikhmas Jaya 60% of the issued and paid-up share capital of MM2 Building System comprising 600 ordinary shares of RM1.00 each for a cash consideration of RM260,000.

Pursuant to a Conditional Share Sale Agreement dated 17 June 2014 and a Supplemental Share Sale Agreement dated 29 August 2014 signed between Ikhmas Berhad and Dato' Ang Cheng Siong, Aura Perdana, Dato' Ir Dr Khoo Ping Sen, Siew Mun Lout, Yap Yoon Fatt, Yap Beng Teck and Woo Chee Meng ("Vendors"), Ikhmas Berhad acquired from the Vendors the entire issued and paid-up share capital of Ikhmas Jaya comprising 30,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM98,499,900, satisfied wholly by the issuance of 393,999,600 new ordinary shares of RM0.25 each ("Ikhmas Berhad shares"). The purchase consideration of Ikhmas Jaya was based on the adjusted proforma consolidated net tangible assets ("NTA") of Ikhmas Jaya (comprising Ikhmas Jaya, Rekavista, IJ Geotechnic Sdn. Bhd. ("IJ Geotechnic") and Rekavista (Sarawak) Sdn. Bhd. ("Rekavista Sarawak")) as at 31 December 2013 after taking into account the dividend payment and adjustment to the fair value (net of deferred taxation) of the properties of Ikhmas Jaya of RM13,169,076 as set out below:-

	<b>RM</b>
Proforma consolidated NTA of Ikhmas Jaya as at 31 December 2013	96,241,241
Payment of dividend-in-specie by transferring the equity interest of Ikhtisas Emas Sdn Bhd	(10,131,181)
Provision for real property gain tax arising from real property company shares in relation to the payment of dividend-in-specie	(456,465)
Add: Fair value adjustment to the properties of Ikhmas Jaya (net of deferred taxation)	13,169,076
Adjusted proforma consolidated NTA of Ikhmas Jaya as at 31 December 2013	<u>98,822,671</u>

**10. ACCOUNTANTS' REPORT (Cont'd)****3. Reorganisation (continued)****3.1 Reorganisation (continued)**

In conjunction with the Reorganisation, Ikhmas Berhad acquired the following companies:

<b>Name of company</b>	<b>Equity interest acquired %</b>	<b>No. of ordinary shares issued</b>	<b>Cash consideration RM</b>	<b>Purchase consideration RM</b>
Ikhmas Jaya <sup>(1)</sup>	100	393,999,600	-	98,499,900
MM2 Building System <sup>(2)</sup>	60	-	260,000	260,000
<b>Total</b>		393,999,600	260,000	98,759,900

(1) Includes 3 direct wholly owned subsidiary companies, namely Rekavista, IJ Geotechnic and Ikhmas Equipment and an indirect wholly owned subsidiary company, Rekavista Sarawak.

(2) Includes a wholly owned subsidiary company, MM2 Builders.

Following the proposed subdivision and reorganisation of Ikhmas Group, the shareholders of Ikhmas Berhad propose to transfer their respective Shares in Ikhmas Berhad to Ikhmas Jaya Holdings Sdn. Bhd. ("IJ Holdings"), an investment holding company.

**3.2 IPO****3.2.1 Public Issue**

In conjunction with the listing of Ikhmas Berhad on the Main Market of Bursa Securities, Ikhmas Berhad will undertake a public issue of 126,000,000 new Ikhmas Berhad Shares at the issue price of RM0.57 per Share ("Public Issue Shares") and will be allocated and allotted in the following manner:-

**(a) Malaysian Public**

26,000,000 Public Issue Shares representing 5.0% of the enlarged issued and paid-up share capital will be made available for application by Malaysian Public, of which at least 50.0% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

**(b) Eligible Directors, Employees and Business Associates of Ikhmas Berhad and its subsidiaries ("Ikhmas Group" or the "Group")**

26,000,000 Public Issue Shares representing 5.0% of the enlarged issued and paid-up share capital will be reserved for the eligible Directors, employees and business associates (which include the suppliers, sales agents, customers and others) of the Group.

**(c) Private Placement**

74,000,000 Public Issue Shares representing approximately 14.23% of the enlarged issued and paid-up share capital will be reserved by way of private placement to selected investors (who are deemed public).

**10. ACCOUNTANTS' REPORT (Cont'd)****3. Reorganisation (continued)****3.2 IPO (continued)****3.2.2 Offer for Sale**

The offer for sale of 56,000,000 Ikhmas Berhad Shares representing approximately 10.77% of the enlarged issued and paid-up share capital at the offer price of RM0.57 per Share ("Offer Shares") will be allocated and allotted in the following manner:-

**(a) Bumiputera Investors**

52,000,000 Offer Shares representing 10.0% of the enlarged issued and paid-up share capital will be reserved for Bumiputera investors approved by the Ministry of International Trade and Industry ("MITI").

**(b) Private Placement**

4,000,000 Offer Shares representing approximately 0.77% of the enlarged issued and paid-up share capital will be reserved by way of private placement to selected investors (who are deemed public).

**3.3 Listing and quotation**

In conjunction with the IPO, Ikhmas Berhad will seek the listing of and quotation for its entire enlarged issued and paid-up share capital of RM130,000,000 comprising 520,000,000 Shares on the Main Market of Bursa Securities.

The proceeds from the public issue of new ordinary shares will be utilised as follows:

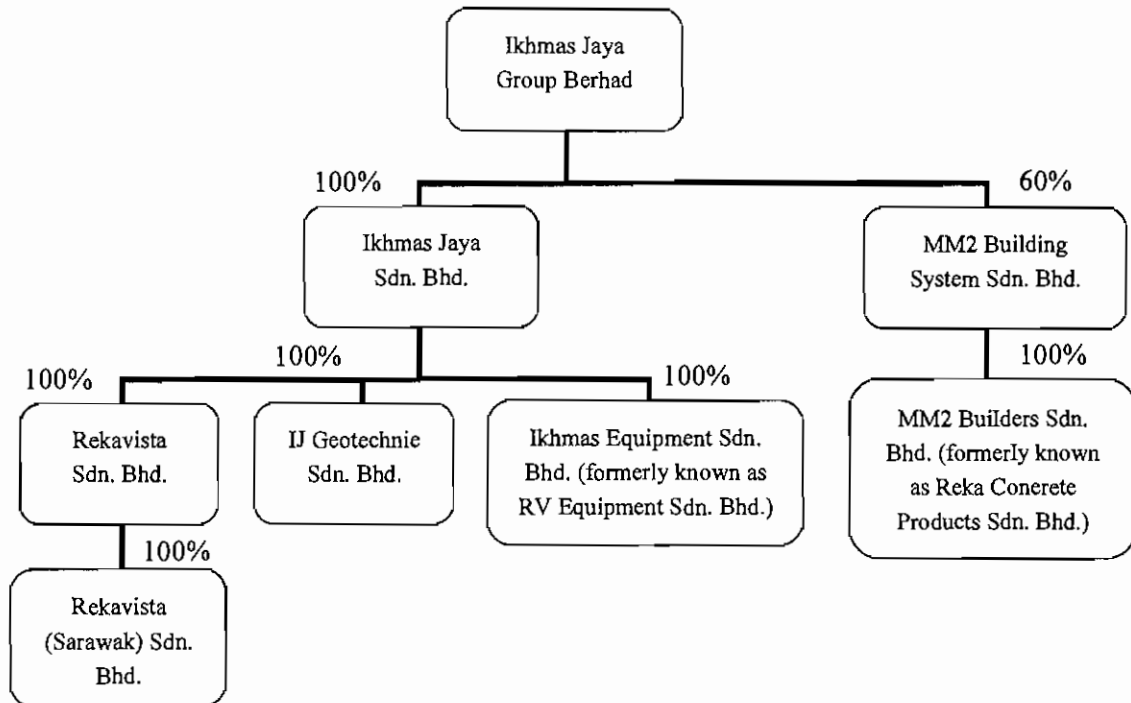
<b>Purpose</b>	<b>Amount (RM'000)</b>	<b>%</b>
<b>Estimated listing expenses:</b>		
Fees to authorities	550	0.8
Printing, advertising and other expenses in relation to the listing	300	0.4
Professional fees	2,000	2.8
Underwriting, placement fees and brokerage fees	2,000	2.8
Other miscellaneous expenses	150	0.2
	<u>5,000</u>	<u>7.0</u>
<b>Purchase of plant and machinery for manufacturing of prefabricated building system</b>	5,000	7.0
<b>Purchase of construction equipment</b>	31,820	44.3
<b>Repayment of bank borrowings</b>	12,000	16.7
<b>Working capital</b>	18,000	25.0
	<u>71,820</u>	<u>100.0</u>

## 10. ACCOUNTANTS' REPORT (Cont'd)



## 4. Group structure after the Reorganisation

The group structure after the Reorganisation is as follows:-



## 4.1 Information on subsidiaries

Ikhmas Berhad's subsidiaries are incorporated and domiciled in Malaysia as private limited liability companies under the Companies Act, 1965. The subsidiaries of Ikhmas Berhad as at 31 December 2014 and their principal activities are as follows:

Name of subsidiary	Effective equity interest %	<----Share capital---->		Principal activities
		Authorised RM	Issued and fully paid-up RM	
Ikhmas Jaya	100	50,000,000	30,000,000	Piling and foundation works, construction of bridges and buildings and other civil works
Rekavista	100	2,000,000	2,000,000	General civil and building construction
IJ Geotechnie	100	100,000	2	Geotechnical works and provision of cutter soil mix technology

**10. ACCOUNTANTS' REPORT (Cont'd)****4. Group structure after the reorganisation (continued)****4.1 Information on subsidiaries (continued)**

Name of subsidiary	Effective equity interest %	<---Share capital--->		Principal activities
		Authorised RM	Issued and fully paid-up RM	
Rekavista Sarawak	100	100,000	100	General civil and building construction
Ikhmas Equipment	100	100,000	2	Rental of plant, machinery and equipment
MM2 Building System	60	100,000	1,000	Manufacture of prefabricated building system
MM2 Builders	60	100,000	100,000	Installation of prefabricated building system

**5. Financial statements and auditors**

The financial year end of Ikhmas Group is 31 December.

The financial statements of all the subsidiaries were audited by KPMG for all the relevant financial years under review except for:-

Name of company	Financial year ended	Auditors
Ikhmas Jaya	31 December 2011	Lee Teck Leong & Co.
Rekavista	31 December 2011	Baker Tilly Monteiro Heng
IJ Geotechnic	31 December 2011	Lee Teck Leong & Co.
Ikhmas Equipment	31 December 2011	Baker Tilly Monteiro Heng
Rekavista Sarawak	31 December 2011	Lee Teck Leong & Co.
MM2 Builders	31 December 2011	Lee Teck Leong & Co.

The auditors' reports of all audited financial statements for the relevant financial years/periods under review were not subject to any qualification, modification or disclaimer of opinion other than the auditors' report on the financial statements of MM2 Builders for the financial year ended 31 December 2012 which contained an emphasis on the company's dependency on the financial support from the shareholders/ultimate holding company to enable the company to fulfil its obligations as and when they fall due. The shareholders/ultimate holding company had indicated their willingness to provide continuous financial support to the company.



**10. ACCOUNTANTS' REPORT (Cont'd)****5. Financial statements and auditors (continued)****5.1 Accounting policies and standards**

The accounting policies adopted in the preparation of this report are set out in Note 7 and are consistent with the accounting policies adopted by Ikhmas Group in their latest audited financial statements.

The audited financial statements of Ikhmas Group for the financial years/periods ended 31 December 2011, 31 December 2012, 31 December 2013 and 31 December 2014 were prepared in accordance with the following frameworks:

Financial year/ period ended 31 December	Ikhmas Berhad	Ikhmas Jaya	MM2 Building System	Rekavista	IJ Geotechnic	Ikhmas Equipment	Rekavista (Sarawak)	MM2 Builders
2011	-	PERS	-	PERS	PERS	PERS	PERS	PERS
2012	-	MFRS	MFRS	MFRS	MFRS	MFRS	MFRS	MFRS
2013	MFRS	MFRS	MFRS	MFRS	MFRS	MFRS	MFRS	MFRS
2014	MFRS	MFRS	MFRS	MFRS	MFRS	MFRS	MFRS	MFRS

- Private Entity Reporting Standards ("PERS")
- Malaysian Financial Reporting Standards ("MFRS")

The financial information presented in this report for the financial years/periods ended 31 December 2011 and 2012 was based on the audited financial statements of the subsidiaries of Ikhmas Berhad for the financial year/period ended 31 December 2012. The subsidiaries adopted MFRS and International Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively to the comparative information presented in the financial statements for the year ended 31 December 2012.

The transition to MFRSs did not have a material financial impact to the financial statements of the subsidiaries. There was no material difference in the financial information prepared under MFRSs and PERS.

There were no changes in the significant accounting policies adopted by the Ikhmas Group during the period covered in this report except as disclosed in Note 7.

**5.2 Dividends**

Ikhmas Berhad has not paid or declared any dividend since the date of its incorporation.

Details of dividends paid or declared by the subsidiaries of Ikhmas Berhad for the financial years under review are as follows:

Name of company	Financial year ended	Type of dividend	Dividend rate per share Sen	Total amount RM	Date of payment
Rekavista Sdn. Bhd.	31.12.2011	Interim, tax exempt	300.1	6,002,500	16 December 2011
	31.12.2013	Interim, single-tier	145.0	2,900,000	28 November 2013
Ikhmas Jaya Sdn. Bhd.	31.12.2013	Interim, single-tier	9.7	2,900,000	28 November 2013
Ikhmas Jaya Sdn. Bhd.	31.12.2014	Interim, single-tier	37.3	11,200,000	2 June 2015

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**10. ACCOUNTANTS' REPORT (Cont'd)**

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**6. Audited financial statements**

Ikhmas Group will exist only upon completion of the respective Share Sale Agreements entered into on 17 June 2014 under the Reorganisation as set out in Note 3.1.

As there are no group financial statements for Ikhmas Group for the financial years/periods ended 31 December 2011, 2012, 2013 and 2014, the summarised audited financial statements of the individual companies (collectively known as “the Companies”) in the Group are shown in Notes 6.1 to 6.8.

**10. ACCOUNTANTS' REPORT (Cont'd)****6.1 IKHMAS JAYA GROUP BERHAD****STATEMENT OF FINANCIAL POSITION**

	Note	31.12.2014 RM	31.12.2013 RM
<b>Assets</b>			
Other receivables	6.1.1	3,915	-
Cash and bank balances	6.1.2	<u>2,065</u>	<u>2</u>
<b>Total current assets</b>		<u>5,980</u>	<u>2</u>
<b>Total assets</b>		<u>5,980</u>	<u>2</u>
<b>Equity</b>			
Share capital	6.1.3	100	2
Accumulated losses		<u>(12,616)</u>	<u>(5,894)</u>
<b>Total equity attributable to owners of the Company</b>		<u>(12,516)</u>	<u>(5,892)</u>
<b>Liabilities</b>			
Other payables and accruals	6.1.4	<u>18,496</u>	<u>5,894</u>
<b>Total current liabilities</b>		<u>18,496</u>	<u>5,894</u>
<b>Total liabilities</b>		<u>18,496</u>	<u>5,894</u>
<b>Total equity and liabilities</b>		<u>5,980</u>	<u>2</u>

**10. ACCOUNTANTS' REPORT (Cont'd)****6.1 IKHMAS JAYA GROUP BERHAD (CONTINUED)****STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	Year ended 31.12.2014 RM	5.12.2013 to 31.12.2013 RM
Administrative expenses		<u>(6,722)</u>	<u>(5,894)</u>
Loss before tax		(6,722)	(5,894)
Tax expense	6.1.5	<u>-</u>	<u>-</u>
<b>Loss and total comprehensive expense for the year/period</b>	<b>6.1.6</b>	<b><u>(6,722)</u></b>	<b><u>(5,894)</u></b>

**10. ACCOUNTANTS' REPORT (Cont'd)****6.1 IKHMAS JAYA GROUP BERHAD (CONTINUED)****STATEMENT OF CHANGES IN EQUITY**

	Share capital RM	Accumulated losses RM	Total equity RM
<b>At 5 December 2013 (date of incorporation)</b>	2	-	2
Loss and total comprehensive expense for the period	-	(5,894)	(5,894)
<b>At 31 December 2013/1 January 2014</b>	2	(5,894)	(5,892)
Issue of ordinary shares	98	-	98
Loss and total comprehensive expense for the year	-	(6,722)	(6,722)
<b>At 31 December 2014</b>	100	(12,616)	(12,516)

Note 6.1.3

**10. ACCOUNTANTS' REPORT (Cont'd)****6.1 IKHMAS JAYA GROUP BERHAD (CONTINUED)****STATEMENT OF CASH FLOWS**

	Year ended 31.12.2014 RM	5.12.2013 to 31.12.2013 RM
<b>Cash flows from operating activities</b>		
Loss before tax	(6,722)	(5,894)
Changes in working capital:		
Other receivables	(3,915)	-
Other payables and accruals	<u>12,602</u>	<u>5,894</u>
<b>Net cash from operating activities</b>	<u>1,965</u>	<u>-</u>
<b>Cash flows from financing activity</b>		
Proceeds from issuance of shares	<u>98</u>	<u>-</u>
<b>Net cash from financing activities</b>	<u>98</u>	<u>-</u>
<b>Net increase in cash and bank balances</b>	2,063	-
<b>Cash and bank balances at 1 January</b>	<u>2</u>	<u>2</u>
<b>Cash and bank balances at 31 December</b>	<u>2,065</u>	<u>2</u>

**10. ACCOUNTANTS' REPORT (Cont'd)****6.1 IKHMAS JAYA GROUP BERHAD (CONTINUED)****NOTES TO THE FINANCIAL STATEMENTS****6.1.1 Other receivables**

	2014 RM	2013 RM
Current Non-trade Other receivables	<u>3,915</u>	<u>-</u>

**6.1.2 Cash and bank balances**

	2014 RM	2013 RM
Cash on hand	2	2
Bank balances	<u>2,063</u>	<u>-</u>
	<u>2,065</u>	<u>2</u>

**6.1.3 Share capital**

	Amount 2014 RM	Number of shares 2014	Amount 2013 RM	Number of shares 2013
Authorised:				
Ordinary shares of RM1 each				
At 5 December 2013 (date of incorporation)/ 31 December 2013/31 December 2014	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>
Issued and fully paid:				
Ordinary shares of RM1 each				
At 5 December 2013 (date of incorporation)/ 31 December 2013/1 January 2014	2	2	2	2
Issued for cash	<u>98</u>	<u>98</u>	<u>-</u>	<u>-</u>
At 31 December	<u>100</u>	<u>100</u>	<u>2</u>	<u>2</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company and rank equally with regard to the Company's residual assets.

**10. ACCOUNTANTS' REPORT (Cont'd)****6.1 IKHMAS JAYA GROUP BERHAD (CONTINUED)****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****6.1.4 Other payables and accruals**

	Note	31.12.2014 RM	31.12.2013 RM
<b>Current</b>			
<b>Non-trade</b>			
Amount due to related party	6.1.4.1	-	3,578
Amount due to director	6.1.4.2	10,634	-
Other payables		3,362	316
Accruals		4,500	2,000
		<u>18,496</u>	<u>5,894</u>

**6.1.4.1 Amount due to related party**

The amount due to a company in which the directors have interests in is unsecured, interest free and repayable on demand.

**6.1.4.2 Amount due to director**

The amount due to director is unsecured, interest free and repayable on demand.

**6.1.5 Tax expense**

There is no tax expense in the current and previous financial year/period as the Company has no taxable profit.

	Year ended 31.12.2014 RM	5.12.2013 to 31.12.2013 RM
<b>Reconciliation of tax expense</b>		
Loss before tax	<u>(6,722)</u>	<u>(5,894)</u>
Income tax calculated using Malaysian tax rate of 25%	(1,681)	(1,474)
Non-deductible expenses	<u>1,681</u>	<u>1,474</u>
Total tax expense	<u>-</u>	<u>-</u>

**6.1.6 Loss for the year/period**

	Year ended 31.12.2014 RM	5.12.2013 to 31.12.2013 RM
<b>Loss before tax is arrived at after charging:</b>		
Auditors' remuneration	<u>2,500</u>	<u>2,000</u>



**10. ACCOUNTANTS' REPORT (Cont'd)**

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**6.1 IKHMAS JAYA GROUP BERHAD (CONTINUED)**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6.1.7 Financial instruments**

**6.1.7.1 Categories of financial instruments**

All the financial assets of the Company, which comprise of other receivables and cash and bank balances are categorised as loans and receivables while the financial liability of the Company, which comprises other payables and accrued expenses are categorised as financial liabilities measured at amortised cost.

**6.1.7.2 Financial risk management**

The Company is not exposed to any significant financial risk as it is currently dormant.

*Maturity analysis*

The financial liability of the Company does not bear any contractual interest and hence, the contractual cash flows resemble the carrying amounts.

**6.1.7.3 Fair value of financial instruments**

The carrying amounts of other receivables, cash and bank balances and short term payables approximate fair values due to the relatively short term nature of these financial instruments. The fair value hierarchy has not been presented as there were no financial instruments carried at fair value as at 31 December 2014.

**10. ACCOUNTANTS' REPORT (Cont'd)****6.1 IKHMAS JAYA GROUP BERHAD (CONTINUED)****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****6.1.8 Related parties****Identity of significant related parties**

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Company.

**Transactions with key management personnel**

There are no transactions with key management personnel during the financial year.

Balances with a company in which the directors have interests in at statement of financial position date are disclosed in Note 6.1.4.

**6.1.9 Capital management**

The Company's objective when managing capital is to maintain a strong capital base and safeguard the Company's ability to continue as a going concern. The Directors monitor the adequacy of capital on an ongoing basis and rely on continuous financial support from the shareholders.

There was no change in the Company's approach to capital management during the financial year.

**6.1.10 Significant event subsequent to year end****Subdivision of shares**

On 7 May 2015, the Company subdivided its authorised share capital from RM400,000 comprising 400,000 ordinary shares of RM1 each to RM400,000 comprising 1,600,000 ordinary shares of RM0.25 each.

On 7 May 2015, the Company subdivided its paid-up capital from RM100 comprising 100 ordinary shares of RM1 each to RM100 comprising 400 ordinary shares of RM0.25 each.

## 10. ACCOUNTANTS' REPORT (Cont'd)



## 6.2 IKHMAS JAYA SDN. BHD.

## STATEMENT OF FINANCIAL POSITION

	Note	← 31 December →			
		2014 RM'000	2013 RM'000	2012 RM'000	2011 RM'000
<b>Assets</b>					
Property, plant and equipment	6.2.1	77,106	67,469	58,906	30,929
Investment property	6.2.2	2,162	583	113	-
Investments in subsidiaries	6.2.3	3,137	2,897	2,897	2,797
Other investments	6.2.4	226	226	226	185
Deferred tax assets	6.2.5	-	-	-	-
<b>Total non-current assets</b>		<u>82,631</u>	<u>71,175</u>	<u>62,142</u>	<u>33,911</u>
Inventories	6.2.6	61	57	61	27
Trade and other receivables	6.2.7	179,389	121,552	100,884	51,091
Current tax assets		-	-	-	5,455
Cash and cash equivalents	6.2.8	26,740	26,461	17,003	9,993
<b>Total current assets</b>		<u>206,190</u>	<u>148,070</u>	<u>117,948</u>	<u>66,566</u>
<b>Total assets</b>		<u>288,821</u>	<u>219,245</u>	<u>180,090</u>	<u>100,477</u>
<b>Equity</b>					
Share capital		30,000	30,000	30,000	30,000
Retained earnings		67,818	46,448	28,937	19,903
<b>Total equity attributable to owners of the company</b>	6.2.9	<u>97,818</u>	<u>76,448</u>	<u>58,937</u>	<u>49,903</u>
<b>Liabilities</b>					
Loans and borrowings	6.2.10	19,324	15,530	21,204	7,704
Deferred tax liabilities	6.2.5	5,541	5,445	4,302	3,673
<b>Total non-current liabilities</b>		<u>24,865</u>	<u>20,975</u>	<u>25,506</u>	<u>11,377</u>
Trade and other payables	6.2.11	103,793	65,744	72,622	25,375
Loans and borrowings	6.2.10	56,693	53,021	22,444	8,739
Current tax liabilities		5,652	3,057	581	5,083
<b>Total current liabilities</b>		<u>166,138</u>	<u>121,822</u>	<u>95,647</u>	<u>39,197</u>
<b>Total liabilities</b>		<u>191,003</u>	<u>142,797</u>	<u>121,153</u>	<u>50,574</u>
<b>Total equity and liabilities</b>		<u>288,821</u>	<u>219,245</u>	<u>180,090</u>	<u>100,477</u>

## 10. ACCOUNTANTS' REPORT (Cont'd)



## 6.2 IKHMAS JAYA SDN. BHD. (CONTINUED)

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	← Year ended 31 December →			
		2014 RM'000	2013 RM'000	2012 RM'000	2011 RM'000
Revenue					
- Construction contracts		290,746	198,108	198,235	139,837
- Sale of goods		-	-	-	-
<b>Total revenue</b>		<b>290,746</b>	<b>198,108</b>	<b>198,235</b>	<b>139,837</b>
Cost of sales		(235,017)	(151,135)	(165,977)	(117,691)
<b>Gross profit</b>		<b>55,729</b>	<b>46,973</b>	<b>32,258</b>	<b>22,146</b>
Other income		434	3,284	1,173	7,653
Administrative expenses		(7,309)	(5,311)	(6,161)	(4,253)
Other operating expenses		(15,593)	(14,937)	(12,361)	(9,423)
<b>Results from operating activities</b>		<b>33,261</b>	<b>30,009</b>	<b>14,909</b>	<b>16,123</b>
Finance income	6.2.12	686	530	319	236
Finance costs	6.2.13	(5,181)	(3,514)	(2,238)	(1,239)
<b>Profit before tax</b>		<b>28,766</b>	<b>27,025</b>	<b>12,990</b>	<b>15,120</b>
Tax expense	6.2.14	(7,396)	(6,614)	(3,956)	(3,583)
<b>Profit and total comprehensive income for the year</b>	6.2.15	<b>21,370</b>	<b>20,411</b>	<b>9,034</b>	<b>11,537</b>
<b>Profit attributable to:</b>					
Owners of the company		21,370	20,411	9,034	11,537
Non-controlling interests		-	-	-	-
<b>Profit and total comprehensive income for the year</b>		<b>21,370</b>	<b>20,411</b>	<b>9,034</b>	<b>11,537</b>
<b>Basic earnings per ordinary share (sen)</b>	6.2.16	<b>71.23</b>	<b>68.04</b>	<b>30.11</b>	<b>38.46</b>

**10. ACCOUNTANTS' REPORT (Cont'd)****6.2 IKHMAS JAYA SDN. BHD. (CONTINUED)****STATEMENT OF CHANGES IN EQUITY**

	<i>Non- distributable</i>	<i>Distributable</i>	
	Share capital	Retained earnings	Total equity
Note	RM'000	RM'000	RM'000
<b>At 1 January 2011</b>	20,000	21,761	41,761
Prior year adjustment	6.2.23 -	(3,395)	(3,395)
<b>At 1 January 2011, restated</b>	20,000	18,366	38,366
Profit and total comprehensive income for the year	-	11,537	11,537
Issue of bonus shares	10,000	(10,000)	-
<b>At 31 December 2011/1 January 2012, restated</b>	30,000	19,903	49,903
Profit and total comprehensive income for the year	-	9,034	9,034
<b>At 31 December 2012/1 January 2013</b>	30,000	28,937	58,937
Profit and total comprehensive income for the year	-	20,411	20,411
Dividends to owners of the company	6.2.18 -	(2,900)	(2,900)
<b>At 31 December 2013/1 January 2014</b>	30,000	46,448	76,448
Profit and total comprehensive income for the year	-	21,370	21,370
<b>At 31 December 2014</b>	30,000	67,818	97,818
	Note 6.2.9	Note 6.2.9	

## 10. ACCOUNTANTS' REPORT (Cont'd)



## 6.2 IKHMAS JAYA SDN. BHD. (CONTINUED)

## STATEMENT OF CASH FLOWS

	Note	← Year ended 31 December →			
		2014 RM'000	2013 RM'000	2012 RM'000	2011 RM'000
<b>Cash flows from operating activities</b>					
Profit before tax		28,766	27,025	12,990	15,120
<i>Adjustments for:</i>					
Depreciation of property, plant and equipment	6.2.1	8,458	7,173	4,617	3,535
Gain on disposal of property, plant and equipment		(39)	(1)	(483)	(172)
Finance income	6.2.12	(686)	(530)	(319)	(236)
Finance costs	6.2.13	5,181	3,514	2,238	1,239
Loss on disposal of investment		-	-	-	410
Dividend income		-	(2,900)	-	(6,670)
<b>Operating profit before changes in working capital</b>		<b>41,680</b>	<b>34,281</b>	<b>19,043</b>	<b>13,226</b>
Inventories		(4)	4	(34)	(21)
Trade and other receivables		(57,837)	(20,668)	(49,793)	(10,690)
Trade and other payables		38,049	(6,878)	47,247	7,129
<b>Cash generated from operations</b>		<b>21,888</b>	<b>6,739</b>	<b>16,463</b>	<b>9,644</b>
Tax paid		(4,705)	(3,214)	(2,374)	(2,454)
Tax refund		-	219	-	-
Interest paid		(5,181)	(3,375)	(2,238)	(193)
<b>Net cash from operating activities</b>		<b>12,002</b>	<b>369</b>	<b>11,851</b>	<b>6,997</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	(i)	(4,098)	(2,131)	(472)	(3,104)
Acquisition of investment property	6.2.2	(1,579)	(470)	(113)	-
Proceeds from disposal of property, plant and equipment		541	6	483	370
Acquisition of investment		(240)	-	(41)	(396)
Interest received		686	530	319	236
Dividend received		-	2,900	-	6,002
Acquisition of subsidiary		-	-	(100)	-
<b>Net cash (used in)/from investing activities</b>		<b>(4,690)</b>	<b>835</b>	<b>76</b>	<b>3,108</b>
<b>Cash flows from financing activities</b>					
Proceeds from bankers' acceptances and trust receipts		5,575	1,125	2,184	56
Proceeds from/(Repayment of) loans and other borrowings		7,479	14,154	(75)	500
Repayment of term loans		-	-	-	(574)
Repayment of hire purchase payables		(18,616)	(15,352)	(8,855)	(7,174)
(Increase)/Decrease in pledged fixed deposits		(151)	(9,193)	(8,063)	1,705
Interest expense paid		-	-	-	(1,046)
Dividend paid		-	(2,900)	-	-
<b>Net cash used in financing activities</b>		<b>(5,713)</b>	<b>(12,166)</b>	<b>(14,809)</b>	<b>(6,533)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,599</b>	<b>(10,962)</b>	<b>(2,882)</b>	<b>3,572</b>
<b>Cash and cash equivalents at 1 January</b>	(ii)	<b>(11,765)</b>	<b>(803)</b>	<b>2,079</b>	<b>(1,493)</b>
<b>Cash and cash equivalents at 31 December</b>	(ii)	<b>(10,166)</b>	<b>(11,765)</b>	<b>(803)</b>	<b>2,079</b>

**10. ACCOUNTANTS' REPORT (Cont'd)****6.2 IKHMAS JAYA SDN. BHD. (CONTINUED)****STATEMENT OF CASH FLOWS (CONTINUED)****(i) Acquisition of property, plant and equipment**

During the year, the company acquired property, plant and equipment with an aggregate cost of RM18,597,000 (2013: RM15,741,000; 2012: RM32,594,000; 2011: RM10,678,000) of which RM14,499,000 (2013: RM11,110,000; 2012: RM32,122,000; 2011: RM7,574,000) were acquired by means of hire purchase and RM Nil (2013: RM2,500,000; 2012 and 2011: Nil) were financed by term loan.

**(ii) Cash and cash equivalents**

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	Note	← As at 31 December →			
		2014 RM'000	2013 RM'000	2012 RM'000	2011 RM'000
Fixed deposits with licensed banks	6.2.8	26,484	25,761	16,002	7,668
Less: Pledged deposits		<u>(23,706)</u>	<u>(23,555)</u>	<u>(14,362)</u>	<u>(6,299)</u>
		2,778	2,206	1,640	1,369
Cash and bank balances	6.2.8	256	700	1,001	2,325
Bank overdrafts	6.2.10	<u>(13,200)</u>	<u>(14,671)</u>	<u>(3,444)</u>	<u>(1,615)</u>
		<u>(10,166)</u>	<u>(11,765)</u>	<u>(803)</u>	<u>2,079</u>

**10. ACCOUNTANTS' REPORT (Cont'd)**
**6.2 IKHMAS JAYA SDN. BHD. (CONTINUED)**
**NOTES TO THE FINANCIAL STATEMENTS**
**6.2.1 Property, plant and equipment**

Cost	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Machinery and equipment RM'000	Furniture, and fittings and equipment RM'000	Under construction RM'000	Total RM'000
At 1 January 2011	5,305	3,751	6,861	46,227	796	691	63,631
Additions	-	-	185	9,068	1,425	-	10,678
Disposals	-	-	(524)	(107)	-	-	(631)
Reclassification	-	-	-	-	691	(691)	-
At 31 December 2011/1 January 2012	5,305	3,751	6,522	55,188	2,912	-	73,678
Additions	10	-	1,464	30,783	337	-	32,594
Disposals	-	-	(399)	(490)	-	-	(889)
At 31 December 2012/1 January 2013	5,315	3,751	7,587	85,481	3,249	-	105,383
Additions	3,313	-	1,341	10,906	181	-	15,741
Disposals	-	-	(174)	-	-	-	(174)
Reclassification	-	(593)	-	593	-	-	-
At 31 December 2013/1 January 2014	8,628	3,158	8,754	96,980	3,430	-	120,950
Additions	108	-	605	17,820	64	-	18,597
Disposals	-	-	(265)	(937)	(19)	-	(1,221)
At 31 December 2014	8,736	3,158	9,094	113,863	3,475	-	138,326



## 10. ACCOUNTANTS' REPORT (Cont'd)

## 6.2 IKHMAS JAYA SDN. BHD. (CONTINUED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 6.2.1 Property, plant and equipment (continued)

	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Machinery and equipment RM'000	Furniture, fittings and equipment RM'000	Under construction RM'000	Total RM'000
<b>Depreciation</b>							
At 1 January 2011	-	272	3,652	35,309	414	-	39,647
Depreciation for the year	-	75	868	2,437	155	-	3,535
Disposal	-	-	(327)	(106)	-	-	(433)
At 31 December 2011/1 January 2012	-	347	4,193	37,640	569	-	42,749
Depreciation for the year	-	75	480	3,782	280	-	4,617
Disposal	-	-	(399)	(490)	-	-	(889)
At 31 December 2012/1 January 2013	-	422	4,274	40,932	849	-	46,477
Depreciation for the year	-	75	691	6,102	305	-	7,173
Disposals	-	-	(169)	-	-	-	(169)
Reclassification	-	(37)	-	37	-	-	-
At 31 December 2013/1 January 2014	-	460	4,796	47,071	1,154	-	53,481
Depreciation for the year	-	-	752	7,393	313	-	8,458
Disposals	-	-	(68)	(642)	(9)	-	(719)
At 31 December 2014	-	460	5,480	53,822	1,458	-	61,220
<b>Carrying amounts</b>							
At 1 January 2012	5,305	3,404	2,329	17,548	2,343	-	30,929
At 31 December 2012/1 January 2013	5,315	3,329	3,313	44,549	2,400	-	58,906
At 31 December 2013/1 January 2014	8,628	2,698	3,958	49,909	2,276	-	67,469
At 31 December 2014	8,736	2,698	3,614	60,041	2,017	-	77,106

**10. ACCOUNTANTS' REPORT (Cont'd)****6.2 IKHMAS JAYA SDN. BHD. (CONTINUED)****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****6.2.1 Property, plant and equipment (continued)****6.2.1.1 Security**

At 31 December 2013, freehold land and other buildings of the company with an aggregate carrying amount of RM8,736,000 and RM2,698,000 (2013: RM8,628,000 and RM2,698,000; 2012: RM5,315,000 and RM3,329,000; 2011: RM5,305,000 and RM3,404,000) respectively have been pledged as securities for bank facilities granted to the company (see Note 6.2.10).

**6.2.1.2 Asset under hire purchase**

Included in property, plant and equipment of the company are machinery and equipment and motor vehicles acquired under hire purchase arrangements with an aggregate carrying amount of RM54,039,000 (2013: RM46,187,000; 2012: RM47,561,000; 2011: RM12,738,000) (see Note 6.2.10).

**6.2.2 Investment property**

	2014 RM'000	2013 RM'000	2012 RM'000	2011 RM'000
At 1 January	583	113	-	-
Addition	1,579	470	113	-
At 31 December	<u>2,162</u>	<u>583</u>	<u>113</u>	<u>-</u>
At cost				
Building under construction	<u>2,162</u>	<u>583</u>	<u>113</u>	<u>-</u>

**6.2.3 Investments in subsidiaries**

	2014 RM'000	2013 RM'000	2012 RM'000	2011 RM'000
Unquoted shares, at cost	<u>3,137</u>	<u>2,897</u>	<u>2,897</u>	<u>2,797</u>

**10. ACCOUNTANTS' REPORT (Cont'd)****6.2 IKHMAS JAYA SDN. BHD. (CONTINUED)****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****6.2.3 Investments in subsidiaries (continued)**

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest			
			2014 %	2013 %	2012 %	2011 %
IJ Geotechnic Sdn. Bhd.	Malaysia	Geotechnical works and provision of cutter soil mixing technology	100	100	100	100
Rekavista Sdn. Bhd.	Malaysia	General civil and building construction	100	100	100	100
Ikhtisas Emas Sdn. Bhd.	Malaysia	Construction and property development	100	100	100	100
MM2 Building System Sdn. Bhd.	Malaysia	Manufacturing industrialised building system	60	60	60	-
Anjung Baiduri Development Sdn. Bhd.	Malaysia	Dormant	100	100	100	15
Ikhmas Equipment Sdn. Bhd. (formerly known as RV Equipment Sdn. Bhd.)	Malaysia	Rental of plant, machinery and equipment	100	100	100	100
Rekavista (Sarawak) Sdn. Bhd.	Malaysia	General civil and building construction	100	100	100	100
MM2 Builders Sdn. Bhd. (formerly known as Reka Concrete Products Sdn. Bhd.)	Malaysia	Installation of prefabricated building system	100	100	100	100
Ikhmas Land Sdn. Bhd. (formerly known as Cekap Unggul Sdn. Bhd.)	Malaysia	Property development	100	100	100	100
Lingkarannya Ikhlas Sdn. Bhd.	Malaysia	Dormant	100	100	100	100

**10. ACCOUNTANTS' REPORT (Cont'd)****6.2 IKHMAS JAYA SDN. BHD. (CONTINUED)****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****6.2.4 Other investments**

	2014 RM'000	2013 RM'000	2012 RM'000	2011 RM'000
Financial assets at fair value through profit or loss:				
- Quoted investments held for trading	4	4	4	4
At costs,				
- Unquoted shares	-	-	-	15
- Club memberships	222	222	222	166
	<u>226</u>	<u>226</u>	<u>226</u>	<u>185</u>
Market value of quoted investments	<u>6</u>	<u>8</u>	<u>4</u>	<u>5</u>



## 10. ACCOUNTANTS' REPORT (Cont'd)



## 6.2 IKHMAS JAYA SDN. BHD. (CONTINUED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 6.2.6 Inventories

	2014 RM'000	2013 RM'000	2012 RM'000	2011 RM'000
Construction materials on site	61	57	61	27

## 6.2.7 Trade and other receivables

	Note	2014 RM'000	2013 RM'000	2012 RM'000	2011 RM'000
<b>Current</b>					
<b>Trade</b>					
Trade receivables	6.2.7.1	119,209	54,579	56,884	31,913
Amount due from contract customers	6.2.7.2	39,411	37,620	13,268	6,909
		<u>158,620</u>	<u>92,199</u>	<u>70,152</u>	<u>38,822</u>
<b>Non-trade</b>					
Amount due from subsidiaries	6.2.7.3	15,194	18,197	21,754	4,203
Other receivables		1,040	1,075	809	5,981
		<u>16,234</u>	<u>19,272</u>	<u>22,563</u>	<u>10,184</u>
Deposits		1,577	7,532	5,570	1,677
Prepayments		2,958	2,549	2,599	408
		<u>20,769</u>	<u>29,353</u>	<u>30,732</u>	<u>12,269</u>
		<u>179,389</u>	<u>121,552</u>	<u>100,884</u>	<u>51,091</u>

## 6.2.7.1 Trade receivables

Included in trade receivables are retention sums relating to construction work-in-progress. Retention sums are unsecured, interest free and are expected to be collected as follows:

	2014 RM'000	2013 RM'000	2012 RM'000	2011 RM'000
Within 1 year	22,200	11,675	4,789	3,282
1 - 2 years	3,028	5,418	5,796	3,573
2 - 3 years	11,963	3,671	6,331	3,433
3 - 4 years	-	-	539	5,698
	<u>37,191</u>	<u>20,764</u>	<u>17,455</u>	<u>15,986</u>

**10. ACCOUNTANTS' REPORT (Cont'd)****6.2 IKHMAS JAYA SDN. BHD. (CONTINUED)****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****6.2.7 Trade and other receivables (continued)****6.2.7.2 Construction work-in-progress**

	Note	2014 RM'000	2013 RM'000	2012 RM'000	2011 RM'000
Aggregate costs incurred to date		770,489	533,805	475,024	305,477
Add: Attributable profits		86,386	64,912	69,295	49,689
Less: Foreseeable losses		(115)	(154)	(731)	-
		856,760	598,563	543,588	355,166
Less: Progress billings		(825,034)	(570,289)	(552,545)	(353,138)
		31,726	28,274	(8,957)	2,028
Represented by:					
Amount due from contract customers		39,411	37,620	13,268	6,909
Amount due to contract customers	6.2.11	(7,685)	(9,346)	(22,225)	(4,881)
		31,726	28,274	(8,957)	2,028

**6.2.7.3 Amount due from subsidiaries**

Amount due from subsidiaries is unsecured, interest free and repayable on demand.

**6.2.8 Cash and cash equivalents**

	2014 RM'000	2013 RM'000	2012 RM'000	2011 RM'000
Cash and bank balances	256	700	1,001	2,325
Fixed deposits placed in licensed banks	26,484	25,761	16,002	7,668
	26,740	26,461	17,003	9,993

Included in deposits placed with licensed banks are deposits of RM23,706,000 (2013: RM23,555,000; 2012: RM14,362,000; 2011: RM6,299,000) which have been pledged to financial institutions as security for bank guarantee and credit facilities granted to the company as disclosed in Note 6.2.10.

## 10. ACCOUNTANTS' REPORT (Cont'd)

## 6.2 IKHMAS JAYA SDN. BHD. (CONTINUED)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 6.2.9 Share capital and reserves

	Amount 2014		Number of shares 2014		Amount 2012		Number of shares 2012		Amount 2011		Number of shares 2011	
	RM'000	'000	RM'000	'000	RM'000	'000	RM'000	'000	RM'000	'000	RM'000	'000
Authorised:												
Ordinary shares of RM1 each	50,000	50,000	50,000	50,000	50,000	50,000	25,000	25,000	25,000	25,000	25,000	25,000
At 1 January	-	-	-	-	-	-	-	-	-	-	-	-
Increased during the year	50,000	50,000	50,000	50,000	50,000	50,000	25,000	25,000	25,000	25,000	25,000	25,000
At 31 December												
Issued and fully paid:												
Ordinary shares of RM1 each	30,000	30,000	30,000	30,000	30,000	30,000	20,000	20,000	20,000	20,000	20,000	20,000
At 1 January	-	-	-	-	-	-	-	-	-	-	-	-
Issued during the year:												
- bonus issue	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December	30,000	30,000	30,000	30,000	30,000	30,000	20,000	20,000	20,000	20,000	20,000	20,000
Ordinary shares												

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the company and rank equally with regard to the company's residual assets.

## Section 108 tax credit

The Finance Act 2007 introduced a single tier dividend distribution system with effect from 1 January 2008. Pursuant to Schedule 9 – transitional and savings provisions of the Income Tax Act 1967, the company can distribute dividends out of its Section 108 balance until the amount is fully utilised but any remaining balance as at 31 December 2013 will be disregarded as at 1 January 2014.