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SMITH ZANDER

Date: 4 September 2019

The Board of Directors

AME Elite Consortium Berhad
No.5, Jalan I-Park SAC 2,
Taman Perindustrian I-Park SAC,
81400 Senai,
Johor Darul Takzim

Dear Sirs/Madam,

Industry Overview of the Industrial Construction Activities and Industrial Park Industry in Malaysia

This Industry Overview of the Industrial Construction Activities and Industrial Park Industry in Malaysia has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER") for inclusion in the Prospectus in conjunction with the initial public offering and listing of AME Elite Consortium Berhad on the Main Market of Bursa Malaysia Securities Berhad.

AME Elite Consortium Berhad and its subsidiaries ("AME Group") is a construction and property development group with core expertise in the construction of customised large manufacturing plants as well as design-and-build and development of industrial parks, complemented with offerings in engineering services and property investment and management services in Malaysia.

The scope of work for this Industry Overview will thus address the following areas:

(i) The industrial construction activities in Malaysia;
(ii) The industrial park industry in Malaysia and specifically in Johor;
(iii) The factors driving the demand for industrial construction activities and industrial parks which influence the prospects and outlook of industrial construction activities and industrial parks in Malaysia; and
(iv) The competitive landscape of industry players involved in the construction of large manufacturing plants and industrial buildings, and the development of industrial parks in Malaysia.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants and industry experts. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this Industry Overview in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this Industry Overview presents a fair and balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this Industry Overview. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this report or otherwise.

For and on behalf of SMITH ZANDER:

DENNIS TAN
MANAGING PARTNER

SMITH ZANDER

The research for this Industry Overview was completed on 27 August 2019.

For further information, please contact:

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About SMITH ZANDER INTERNATIONAL SDN BHD

SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.

Profile of the signing partner, Dennis Tan Tze Wen

Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has over 21 years of experience in market research and strategy consulting, including over 16 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.

SMITH ZANDER

1 THE INDUSTRIAL CONSTRUCTION ACTIVITIES IN MALAYSIA

Overview

The industrial construction activities in Malaysia are largely influenced by the nation's economic development and the growth in investments and manufacturing activities. Growth in manufacturing activities generally results in expansion which subsequently leads to the demand for industrial construction activities. In 2018, gross domestic products ("GDP") at constant 2015 prices, from manufacturing activities contributed 22.39% of Malaysia's total GDP, signifying its importance to the overall economic development.

Market Performance, Size and Growth

As AME Group is involved in the construction of large manufacturing plants and industrial buildings as well as providing engineering works and services to support its industrial construction activities, this section will cover the following:

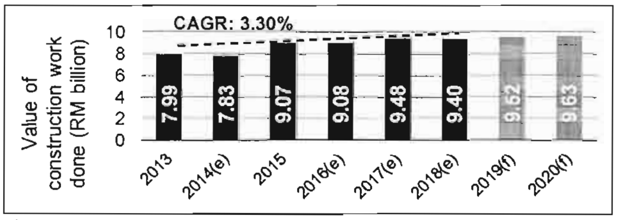
1. Industrial construction activities in Malaysia; and
2. Engineering service activities in Malaysia.

Industrial construction activities in Malaysia

The value of construction work done for industrial buildings (including large manufacturing plants) in Malaysia grew from RM7.99 billion in 2013 to an estimated RM9.40 billion in 2018, registering a compound annual growth rate ("CAGR") of 3.30% over the period.

SMITH ZANDER forecasts the total value of construction work done for industrial buildings (including large manufacturing plants) to grow to RM9.52 billion in 2019 and RM9.63 billion in 2020 at 1.16%, at relatively lower growth rate than the historical CAGR (2013 to 2018) of 3.30% due to the anticipated slowdown in construction activities in view of the reduction in total non-residential construction projects awarded [1] from RM52.31 billion in 2013 to RM31.96 billion in 2018 at CAGR of -9.38%.

Performance of Industrial Construction Activities (Malaysia), 2013-2020(f)



Notes:

- *(e) – Estimate; (f) – Forecast.*
- *The value of construction work done for industrial buildings in 2014, 2016, 2017 and 2018 is not publicly available. Hence the figures for these years have been estimated using publicly available data in 2012, 2013 and 2015.*

Sources: Department of Statistics Malaysia ("DOSM"), SMITH ZANDER

The value of construction work done for industrial buildings specifically in Johor is not publicly available. The value of construction work done specifically for large manufacturing plants in Johor is also not publicly available. However, with the influx of investments into Johor over the years, the value of construction work done for industrial buildings in Johor is expected to increase in tandem with the growth in investments.

Engineering services in Malaysia

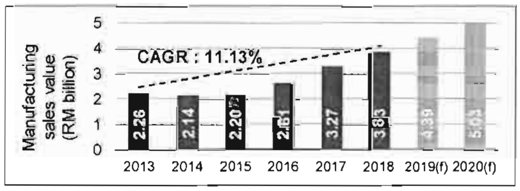
Under AME Group's engineering services segment, the company provides precast concrete work, steel engineering work, and mechanical and electrical ("M&E") engineering services. As such, this section will cover the industry performances of these three (3) engineering services.

Precast concrete works

Precast concrete system, being one of the main components promoted under the Industrialised Building System ("IBS"), aims at increasing productivity through the speeding up of the construction process to shorten project completion time, and improving quality with the use of prefabricated components manufactured off-site. IBS is a construction process that utilises techniques, products, components and/or building systems which involve prefabricated components and onsite installation.

The industry size for precast concrete in Malaysia, measured in terms of sales value of manufactured products, increased from RM2.26 billion in 2013 to RM3.83 billion in 2018 at a CAGR of 11.13%.

Performance of precast concrete works (Malaysia), 2013-2020(f)



Note:

- *Figures include the manufacture of precast concrete, cement or artificial stone articles for use in construction.*

Sources: DOSM, SMITH ZANDER

[1] *According to CIDB, non-residential projects include industrial, commercial and institutional buildings. Specific breakdown for construction project awarded for industrial buildings only is not publicly available.*

The growth in precast concrete is a result of the Government's effort in promoting the adoption of IBS in construction. Higher adoption of IBS is seen in construction activities in Government projects, whereby adoption rates increased from 69.40% in 2016 to 77.78% in 2017 (1,113 out of 1,431 projects)[2]. However, a lower adoption rate of 64% was so far recorded for the review period between January and April 2018[2]. Governmental bodies such as Malaysian Investment Development Authority ("MIDA") and the Construction Industry Development Board ("CIDB") are jointly involved in accelerating the adoption of IBS, mechanisation and modern practices in the construction industry.

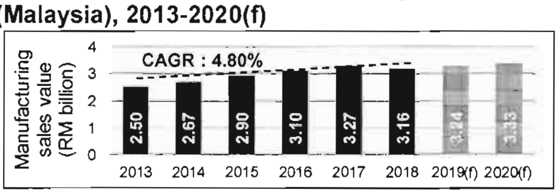
On the private-sector front, the Local Government Department (Majlis Negara Kerajaan Tempatan) has approved the policy of mandating IBS adoption for private sector projects costing RM50 million and above where an IBS score is one of the conditions to be satisfied before local authorities grant any development orders for construction projects. These measures are expected to drive the adoption of IBS.

The industry will continue to see a rise in demand for precast concrete due to the adoption of IBS in construction activities. Following the recent growth in the precast concrete industry, SMITH ZANDER forecasts the precast concrete industry to grow to RM4.39 billion in 2019 and RM5.03 billion in 2020 at 14.58%.

Steel engineering works

The industry size of steel engineering work is represented by the manufacturing sales value of metalworking services [3] offered to all types of property, as specific data for steel engineering work done for industrial properties is not publicly available. The manufacturing sales value of metalworking services in Malaysia increased from RM2.50 billion in 2013 to RM3.16 billion in 2018 at a CAGR of 4.80%.

Performance of Metalworking Services (Malaysia), 2013-2020(f)



Sources: DOSM, SMITH ZANDER

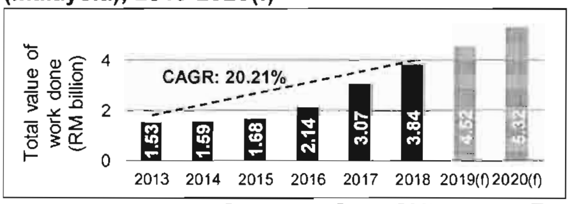
Metalworking services are also expected to increase with the increased adoption of IBS in construction activities as metal framing is also one of the promoted components under the IBS. Despite the year-on-year ("YOY") drop from RM3.27 billion in 2017 to RM3.16 billion in 2018, SMITH ZANDER forecasts metalworking service activities to recover moderately to reach RM3.24 billion in 2019 and RM3.33 billion in 2020 at 2.78%, at a relatively lower growth rate than the historical CAGR (2013 to 2018) of 4.80% due to the anticipated slowdown in construction activities in view of the reduction in total non-residential construction projects awarded between 2013 to 2018.

M&E engineering services

The M&E engineering services industry in Malaysia, measured in terms of total value of work done, increased from RM1.53 billion in 2013 to RM3.84 billion in 2018 at a CAGR of 20.21%.

The value of work done for M&E engineering services in the industrial property segment in 2018 stood at RM372.98 million, or 9.71%, of the total value of work done for M&E engineering services.

Performance of M&E Engineering Services (Malaysia), 2013-2020(f)



Sources: DOSM, SMITH ZANDER

SMITH ZANDER forecasts the M&E engineering services industry to grow to RM4.52 billion in 2019 and RM5.32 billion in 2020 at 17.70%, at a relatively lower growth rate than the historical CAGR (2013 to 2018) of 20.21% due to the anticipated slowdown in construction activities in view of the reduction in total non-residential construction projects awarded between 2013 to 2018.

2 INDUSTRIAL PARK INDUSTRY IN MALAYSIA

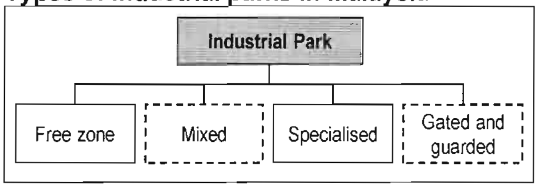
Overview

Economic development leads to a rise in demand for industrial properties due to the increase in business activities. Industrial properties are typically constructed in industrial parks which are areas zoned for industrial use. Industrial parks can be segmented into free zone, mixed, specialised as well as gated and guarded industrial parks.

[2] *Source: Construction Industry Transformation Programme (CITP) Report No.4 – Q2 2018 by CIDB and the Ministry of Works Malaysia. Latest available published report as at 27 August 2019.*

[3] *Metalworking service activities include general activities for the treatment of metal (which includes steel), such as*

Types of industrial parks in Malaysia



Notes:
- *[dashed box] denotes the segments in which AME Group is involved in.*
- *This list is not exhaustive.*

Source: SMITH ZANDER

Free zone industrial park – An area whereby goods and services may be brought into, produced, manufactured or provided without payment of any customs duty, excise duty, sales tax or service tax. Examples of free zones in Malaysia are Bayan Lepas Free Industrial Zone, Digital Free Trade Zone @ KLIA Aeropolis, Johor Bahru Duty Free Zone, Pelabuhan Tanjung Pelepas Free Zone and Port Klang Free Zone.

Mixed industrial park – A park which consists of various small and medium-sized enterprises from different sectors. Examples of such parks are i-Parc@ Tanjung Pelepas, Nusa Cemerlang Industrial Park, Taman Industri Jaya, Taman Perindustrian Cemerlang and Taman Perindustrian Murni Senai.

Specialised industrial park – A park built to cater to the needs of specific industries. Currently, there are several specialised industrial parks in Malaysia, catering to industries such as oil and gas and its related industries (e.g. Pengerang Integrated Petroleum Complex), biotechnology (e.g. Bio-XCell Biotechnology Park), automotive (e.g. Proton City), maritime (e.g. Tanjung Piai Maritime Industrial Park) and *halal* products and services (e.g. Iskandar Halal Park).

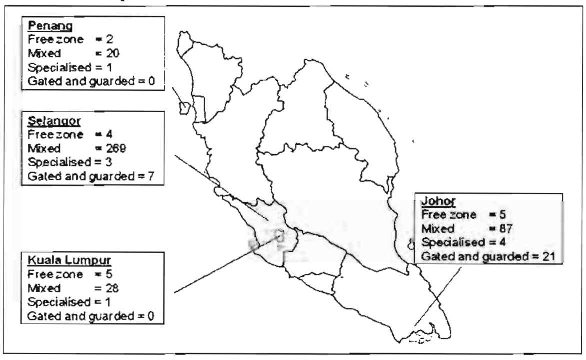
Gated and guarded industrial park – A park with perimeter fencing and enhanced security features such as visitor management systems, smart card access systems, closed-circuit television surveillance and guard patrols. Some gated and guarded industrial parks also provide amenities such as workers' dormitories, recreational facilities, landscaping and general maintenance. Examples of gated and guarded industrial parks are Eco Business Park I, Frontier Industrial Park, i-Park @ Indahpura, i-Park @ Senai Airport City, Nusajaya Tech Park and Setia Business Park I.

Industrial parks in Malaysia

There are approximately 650 industrial parks in Peninsular Malaysia. Johor (117 industrial parks), Kuala Lumpur (34 industrial parks), Selangor (283 industrial parks) and Penang (23 industrial parks) are among the states with the highest number of industrial parks in Malaysia.

Gated and guarded industrial parks in Malaysia are increasingly becoming an attractive alternative for both local and foreign manufacturers as it features modern buildings, cleaner environment and more organised infrastructure. Gated and guarded industrial parks also provide a more secure environment for businesses seeking better safety. These parks are either managed in-house by the developers themselves or outsourced to a management company appointed by the developer or community thus ensuring that the parks are well maintained.

Industrial parks in selected states



Note:
- *This list is not exhaustive.*

Sources: Economic Planning Unit, MIDA, State Development Corporation, SMITH ZANDER

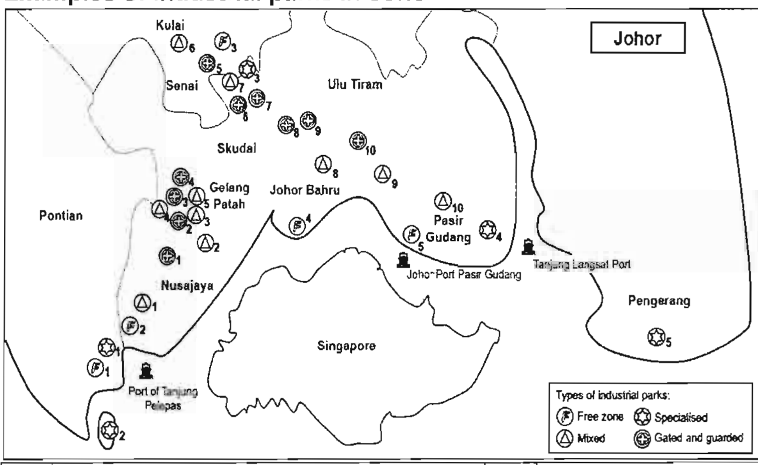
Malaysia is starting to see the growth of gated and guarded industrial parks as businesses seek enhanced security features and amenities within the industrial parks. We have identified 28 gated and guarded industrial parks in Peninsular Malaysia located in Johor and Selangor. Among the 28 gated and guarded industrial parks identified, Johor dominated the market with 21, or 75.00%, of the total gated and guarded industrial parks in Peninsular Malaysia.

Industrial parks in Johor

The state of Johor is a key market for commercial and industrial properties in the Southern region which experienced growth from FDI as international companies set up or expanded their manufacturing facilities in this state over the years. The Iskandar Malaysia development corridor was identified in the Ninth Malaysia Plan as an economic hub and driver for the growth of Malaysia's economy. Iskandar Malaysia recorded a total of RM32.23 billion committed investments in 2018, bringing the total cumulative committed investments to RM285.34 billion from 2006 to 2018[4].

[4] *Source: Iskandar Regional Development Authority ("IRDA").*

Examples of industrial parks in Johor



Free zone	1. Tanjung Bin Petrochemical and Maritime Industrial Hub Free Industrial Zone 2. Pelabuhan Tanjung Pelepas Free Zone 3. Sultan Ismail International Airport Free Industrial Zone 4. Stulang Laut Free Zone 5. Pasir Gudang Port Free Zone
Mixed	1. i-Parc@ Tanjung Pelepas 2. Nusa Cemerlang Industrial Park 3. Alam Jaya Business Park 4. **District 6#** 5. Taman Industri Jaya 6. **SME City#** 7. Taman Perindustrian Murni Senai 8. Tiong Nam Industrial Park @ Tebrau 3 9. Taman Perindustrian Cemerlang 10. Eco Business Park III
Specialised	1. Tanjung Bin Petrochemical and Maritime Industrial Centre 2. Tanjung Piai Maritime Industrial Park 3. Senai Hi-Tech Park 4. Tanjung Langsat Industrial Complex 5. Pengerang Integrated Petroleum Complex
Gated and guarded	1. Nusajaya Tech Park 2. Bio-XCell Biotechnology Park 3. **i-Park @ SiLC#** 4. Setia Business Park I 5. **i-Park @ Indahpura#** 6. Eco Business Park II 7. **i-Park @ Senai Airport City#** 8. Eco Business Park I 9. Setia Business Park II 10. Frontier Industrial Park

Notes:

- *# Developed by AME Group, including its joint venture partnerships.*
- *This list is not exhaustive.*

Sources: IRDA, Petroliam Nasional Berhad ("PETRONAS"), Johor Petroleum Development Corporation Berhad, Laws of Malaysia Act 438 (Free Zones Act 1990), SMITH ZANDER

Market Performance, Size and Growth

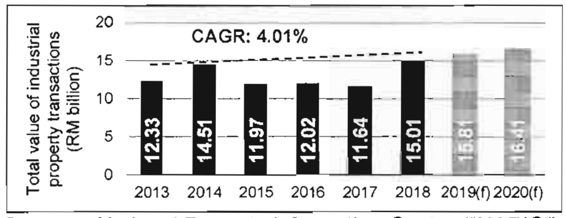
As AME Group is also involved in the development of industrial parks, this section will cover the industrial property market in Malaysia, and specifically in Johor. Given the one-off spike in property transaction values in Malaysia in 2014, the six (6) latest available years of historical data is presented in this report to show a more consistent trend of market performance.

Industrial property market in Malaysia

The total value of industrial property transactions in Malaysia decreased from RM12.33 billion in 2013 to RM11.64 billion in 2017. Despite that, a total of 5,725 industrial properties were transacted in 2017, showing a 2.07% YOY increase in the number of industrial properties transacted.

In 2018, the industrial property market in Malaysia made a recovery where it recorded RM15.01 billion worth of properties transacted, registering a growth of 28.95% YOY. Between 2013 and 2018, the total value of industrial property transactions grew at a CAGR of 4.01%.

Performance of Industrial Property Market (Malaysia), 2013-2020(f)



Sources: National Property Information Centre ("NAPIC"), SMITH ZANDER

Notwithstanding that, SMITH ZANDER forecasts the value of industrial property transactions in Malaysia to be RM15.81 billion in 2019 and RM16.41 billion in 2020 after the recovery in 2018, at a YOY growth of 5.33% and 3.80% respectively, taking into consideration factors described in **Chapter 3 – Industry Drivers and Restraints/ Challenges**.

The spike recorded in 2014 was mainly attributable to higher industrial property transactions in the Central[5] and Southern[6] regions, with 24.27% and 24.60% YOY growth respectively. This was supported by the increase in the supply[7] of industrial properties in 2014 which saw a 3.54% YOY growth.

Despite positive growth in transaction value, the industrial property market has overhang units which are industrial units that are completed and issued with Certificate of Completion and Compliance ("CCC") in the

[5] *Encompassing Kuala Lumpur, Putrajaya, Selangor and Negeri Sembilan.*
[6] *Encompassing Johor and Melaka.*
[7] *The total supply of industrial properties includes the supply of existing stocks, incoming supply and planned supply.*

review period but remained unsold for more than 9 months[8]. In 2018, the industrial property market recorded an overhang of 1,183 units worth RM1.98 billion from 999 units in 2017, registering a 18.42% YOY increase in the volume of overhang units, at a lower YOY growth as compared to 18.65% in 2017 from 2016. Out of the total 1,183 overhang units of industrial property, terrace factories and semi-detached factories contributed the highest proportion of the total overhang units at 45.14% and 34.40% respectively, followed by cluster factories at 14.12%. Detached factories contributed to 6.34% of total overhang units and AME Group's industrial parks comprise mainly detached factories. Overall, the volume of unsold industrial property units under construction reduced by 11.35% from 916 units in 2017 to 812 units in 2018.

For clarification, industrial properties transacted come from the pool of existing stock, incoming supply and/or planned supply of industrial units. Existing stock is the total stock of all completed sold and unsold industrial units in the market that have received CCC, therefore overhang units are included in the existing stock supply. Hence, despite an increase in the number of overhang units, transactions of industrial properties may still record positive growth contributed by sales transacted through the secondary market, sale of new units completed with CCC within 9 months of completion, and sale of incoming supply and/or planned supply of industrial properties.

Industrial property market in Johor

Between 2013 and 2018, the total supply of industrial properties in Johor increased from 18,429 units to 19,491 units at a CAGR of 1.13%. Industrial property development in Johor ramped up in 2013, as seen by the 23.70% YOY increase in planned supply of industrial properties, in anticipation of the demand from the growth and expansion of commercial activities in Johor, boosted by Iskandar Malaysia.

The total value of industrial property transactions in Johor decreased from RM2.25 billion in 2013 to RM1.90 billion in 2017. However, it recovered in 2018 with a growth of 17.37% YOY, from RM1.90 billion in 2017 to RM2.23 billion in 2018.

Despite positive growth in transaction value, the industrial property market in Johor has overhang units. In 2018, the industrial property market in Johor recorded a total overhang of 579 units worth RM1.38 billion from 407 units in 2017 worth RM976.66 million, registering a 42.26% YOY increase in the number of overhang units, at a higher YOY growth as compared to 26.79% YOY increase in 2017 from 2016. Out of the total 579 overhang units, semi-detached factories and cluster factories contributed the highest proportion at 43.35% and 28.84% respectively, followed by terrace factories at 20.55%. Detached factories contributed to 7.26% of total overhang units (or 8 units) and AME Group's industrial parks comprise mainly detached factories in Johor. Terrace factories and semi-detached factories were the main contributors to the increase in total overhang units in Johor in 2018, whereby unsold terrace factories increased by 68 units and unsold semi-detached factories increased by 64 units.

Nevertheless, the recovery in industrial property transactions in Johor in 2018 demonstrates that there is demand for industrial properties to support business activities by both local and foreign players in Johor. SMITH ZANDER forecasts the value of industrial property transactions in Johor to be RM2.27 billion in 2019 and RM2.29 billion in 2020, at a YOY growth of 1.79% and 0.88% respectively.

The demand for industrial properties in Johor is dependent on the growth of manufacturing and e-commerce activities, Government's economic plans to drive industrial activities and surrounding infrastructure that supports economic activities in Johor. Please refer to **Chapter 3 – Industry Drivers and Restraints/ Challenges** for further details.

3 INDUSTRY DRIVERS AND RESTRAINTS/ CHALLENGES

Industry Drivers

► **Growth in the manufacturing sector resulting from increased investments, drives demand for industrial properties which in turn leads to the demand for industrial construction activities**

After the services sector, the manufacturing sector was the second largest contributor to Malaysia's GDP in 2018, at 22.39%. The GDP from the manufacturing sector grew from RM219.15 billion in 2013 to RM304.85 billion in 2018[9].

The manufacturing sector attracted RM87.38 billion in total approved investments[10] in 2018, for 721 projects, with FDI accounting for RM58.02 billion (66.40%) of total manufacturing investments during the same period. Manufacturing investments in the electrical and electronic products industry attracted the

[8] *Source: NAPIC.*
[9] *Starting from 2015, there is a revision to the GDP calculation from constant 2010 prices to constant 2015 prices.*
[10] *Source: MIDA.*

second largest FDI in 2018, followed by basic metal products; paper, printing and publishing; and chemical and chemical product industries. This reflects investors' confidence in Malaysia's investment environment, and they have continued to expand and/or diversify their manufacturing investments in the country. This is expected to impact favourably on the demand for industrial properties and industrial construction activities, including industrial parks. Between 2013 and 2018, FDI inflows into Malaysia increased from RM38.18 billion to RM80.13 billion at a CAGR of 15.98%.

Johor continues to experience influx of investments, accounting for 34.92% of the country's total approved manufacturing investments in 2018. Johor is an attractive investment destination due to its conducive environment for manufacturing activities as detailed below. Growth in investments in Iskandar Malaysia bodes well for industrial development as investments will flow into industrial properties to be used for business and manufacturing activities.

► **Growth in the electronic commerce ("e-commerce") sector drives demand for warehousing facilities**

The e-commerce industry in Malaysia, measured in terms of retail e-commerce sales, increased from RM6.37 billion in 2015 to RM12.21 billion in 2018 at a CAGR of 24.22%. E-commerce continues to witness strong growth rates as the number of consumers gaining access to the internet has risen. Technology has been a key factor in changing retail sales and has broadened distribution channels, with internet-savvy youths and young adults contributing to growth in online retail transactions through various e-commerce platforms. Online or internet retail is becoming a significant retail channel and there are a large number of internet retailers that carry out business transactions via online shopping platforms such as Lazada and 11street as well as social media channels such as Facebook, Twitter and Pinterest.

The growth of the e-commerce industry in Malaysia is expected to contribute to future demand for industrial property as warehouses and distribution centres are integral to e-commerce businesses.

► **Well-developed infrastructure drives the demand for local industrial properties and eventually industrial construction services**

In addition to business growth, demand for industrial properties will also be significantly affected by infrastructure and transportation enhancements. Peninsular Malaysia has an established and well-maintained network of highways connecting major growth centres to seaports and airports, providing efficient means of transportation of goods for businesses. Malaysia has a total of 10 seaports and 28 airports, which handle incoming and outgoing containers and cargo. These ports are conveniently located near major cities to facilitate international trade.

While in Johor, the state continues to be an attractive investment destination due to the following factors:

- **Well-developed infrastructure** - Developed highways (Bakar Batu-Pasir Gudang Coastal Road, Coastal Highway, Eastern Dispersal Link, North-South Expressway, Second Link Expressway, Senai-Desaru Expressway, Singapore-Johor Bahru Ring Road) and railway (Keretapi Tanah Melayu Berhad) allow for excellent connectivity within the state and with the rest of the country.
- **Easy accessibility to the major federal ports** – The major ports in Johor are Johor Port and Port of Tanjung Pelepas. The latter is a major trans-shipment hub in Malaysia, registering total container trans-shipments of 8.40 million twenty-foot equivalent unit ("TEU") in 2018, while the former is located in the Pasir Gudang Industrial Estate which is a major industrial hub where manufacturing activities (including electronics, petrochemicals and oleochemicals) and oil storage terminals thrive.
- **Strategic location** - The location of Johor between the Straits of Malacca and South China Sea also facilitates intermodal transportation of goods to and from Singapore and Asia Pacific. Singapore continues to attract foreign players such as Dyson's recent announcements to move its headquarters to Singapore and to set up a manufacturing base in Singapore for its new electric cars, the spillover from Singapore as a result of higher operating cost and limited land space has driven foreign players to set up or expand their manufacturing activities in Johor due to its proximity to Singapore. In 2018, Johor recorded a total approved manufacturing investments of RM30.51 billion.

As the nation strives to position itself as a destination for investments in high value-added, high technology, knowledge-intensive and innovation-based industries, businesses and companies will grow in terms of scale and reach. Some of the recently announced local and foreign expansions in Johor are as follows:

- ORGKHIM Biochemical Holding announced the commencement of construction of their non-carcinogenic extender oils production plant in Pasir Gudang in February 2018 which is expected to commence operations by 2019;
- DHL Express (Malaysia) Sdn Bhd announced its plan to set up a logistics facilities in April 2018 which is expected to commence operations by 2019;

- DPI Holdings Berhad announced its plan to construct an aerosol paint production factory for in Kesang in May 2018 which is expected to commence operations by 2020;
- GKN Aerospace announced its plan to set up a repair and research facility for aero-engine systems in Nusajaya Techpark in July 2018 which is expected to commence operations by 2019.

As investments in manufacturing and other business facilities grow, this is expected to lead to a positive trend for industrial property development and construction activities in the region.

► Government economic plans drive growth and create opportunities for industrial property development and construction

One of the key growth areas of the country is the oil, gas and energy sector. With the aim to transform Malaysia into a regional oil trading and storage hub, the Pengerang Integrated Petroleum Complex ("PIPC") was launched in 2012 with an expected total investment of RM170.00 billion. The Federal Government and the Johor State Government are in the process of implementing 25 packages of infrastructure projects worth approximately RM2.49 billion to encourage private investments in the PIPC.

Further, the implementation of the National Policy on Industry 4.0, as part of the Government's vision to transform the country's industrial landscape to Industry 4.0, is also expected to create more opportunities for industrial property development and construction activities going forward. Industry 4.0, which is also known as smart manufacturing, involves the use of technology to perform real-time monitoring of manufacturing lines, thus increasing efficiency and productivity which in turn leads to higher profits and long-term sustainability. Among the action plans that have been identified are, providing funding and incentives, ensuring adequate supporting infrastructure, establishing regulatory framework, upskilling the workforce and providing access to smart technologies.

Industry Restraints/ Challenges

► Slowdown in demand due to exposure from political, economic and regulatory risk

The industrial property and construction industry is subject to prevailing political, economic and regulatory conditions in Malaysia. Any adverse changes in political, economic and regulatory conditions such as political uncertainties, changes in Government's policies and regulations in relation to the industrial property and construction industry, changes to major infrastructure projects, prolonged economic slowdown, weak investment sentiment, war, terrorism activities and riots could adversely affect the industry.

Demand for construction services is driven by the demand for industrial properties and Government initiatives. Thus, a decline in overall economic sentiments and conditions may slow down business investments, causing a decline in demand for industrial properties and construction activities.

Following the change in the Malaysian federal government after the general election in May 2018, the new Government had released announcements to defer the construction of a few mega infrastructure projects until a renegotiated construction fees can be agreed upon, and this includes the MRT 3 or MRT Circle Line project and Kuala Lumpur-Singapore high-speed rail project, indicating that there is a lower possibility for new mega infrastructure project launches in the near future. In particular, the deferment of the Kuala Lumpur-Singapore high-speed rail project may have an indirect impact on the attractiveness of some industrial projects in Johor which are located close to the proposed sites for this project, leading to the possible delay in construction works due to slowdown in sales or occupancy in these industrial buildings.

Any slowdown in construction activities may subsequently also lead to a decrease in demand for precast concrete works and steel engineering works. This could have a negative impact on the overall financial performances of industrial property development and construction industry players, who may not be able to successfully achieve their expected results.

► Dependence on foreign workers

The industrial property and construction industry is dependent on foreign workers due to the limited supply of local workers. While the employment of foreign workers is currently allowed in the construction industry, these foreign workers can only be sourced from specific countries as determined by the Immigration Department of Malaysia. Should the Government amend their policies and impose any restrictions and/or limits on the number of foreign workers to be employed, the industrial property and construction industry may be adversely affected as a shortage of workers could affect project delivery schedules.

4 COMPETITIVE LANDSCAPE OF THE LARGE MANUFACTURING PLANTS AND INDUSTRIAL BUILDINGS CONSTRUCTION, AND INDUSTRIAL PARK PLAYERS IN MALAYSIA

Competitive Overview

The construction industry and property market in Malaysia is both fragmented in nature and competitive owing to a large pool of industry players that compete in this space. Industry players may be involved in the construction and/or development of various types of buildings/developments such as residential, commercial, industrial, mixed, infrastructure and social amenities. Some industry players' project portfolios focus on specific locations (i.e. by state or region) while some have projects throughout Malaysia and/or overseas markets.

AME Group competes with industry players who are involved in the construction of large manufacturing plants and industrial buildings, and the development of industrial parks, specifically in Johor, which is the group's current area of focus. AME Group also competes with industry players who are involved in the same business activities in other states as AME Group has recently ventured into construction projects outside Johor, and intends to expand its presence in other states in Peninsular Malaysia in the future.

Key Industry Players

As AME Group is primarily involved in the construction of large manufacturing plants and industrial buildings, and the development of industrial parks, the key industry players listed in this report have been highlighted on the basis that they are:

(i) companies incorporated in Malaysia that are involved in the construction of large manufacturing plants and industrial buildings; and/or
(ii) companies incorporated in Malaysia that are involved in the development of industrial parks. These companies may also be involved in the construction of industrial parks.

As there are no other industry players involved in (i) and (ii) above other than AME Group, the key players for each of the activities listed above will be shown separately in this report as these companies have the closest business activities and project portfolio as AME Group, and are therefore deemed as the closest competitors to AME Group.

Key industry players who are involved in the construction of large manufacturing plants and industrial buildings

The following key industry players have been selected on the following basis:

- they are companies incorporated in Malaysia who are involved in the construction of large manufacturing plants and industrial buildings, based on publicly available information on the projects that they are involved in; and
- the segmental revenue derived from construction of large manufacturing plants and industrial buildings is above RM150 million based on their respective latest available financial year.

These companies may also be involved in the construction of other properties such as residential, commercial, infrastructure and social amenities and the segmental revenue may include construction of large manufacturing plants and industrial buildings and other types of construction projects and/or business activities. In instances where the segmental revenues of certain key industry players are not publicly available, these industry players are included in this report on the basis that they are involved in the construction of large manufacturing plants and industrial buildings.

Company name	Construction services offered	Latest available financial year	Total revenue (RM million)[a]	Segmental revenue for construction[b] (RM million)
Bina Puri Holdings Berhad	Construction of large manufacturing plants and ancillary buildings, warehouses, and others such as residential and commercial properties, educational institutions, infrastructural works and mini hydro power plant	31 Dec 2017[c]	1,097	884
AME Elite Consortium Berhad	Construction of large manufacturing plants and ancillary buildings, warehouses, and light-medium industrial buildings	31 Mar 2019	339	234
Nakano Construction Sdn Bhd	Construction of large manufacturing plants and ancillary buildings, warehouses, and commercial properties	31 Mar 2018	296	N/A

Company name	Construction services offered	Latest available financial year	Total revenue (RM million)[a]	Segmental revenue for construction[b] (RM million)
SQA Builders Sdn Bhd	Construction of large manufacturing plants and ancillary buildings, warehouses, light-medium industrial buildings, and others such as residential and commercial properties, and educational institutions	31 Dec 2018	210	N/A
C.T. Engineering & Construction Sdn Bhd	Construction of large manufacturing plants	31 Dec 2017	164	N/A

Notes:

[a] *The company may be involved in other businesses besides the provision of construction services (including the construction of large manufacturing plants and industrial buildings as well as other types of buildings) and as such, total revenue may include revenue from other segments of the business.*

[b] *Segmental revenue comprises revenue solely from the provision of construction services which include the construction of large manufacturing plants and industrial buildings. It may also include the construction of other types of buildings and related construction works such as civil engineering works and structural engineering works.*

[c] *Latest audited financial result as of 27 August 2019. The company announced a change in its financial year end from 31 December to 30 June. The next audited financial statements of the company shall be for a period of 18 months, from 1 January 2018 to 30 June 2019.*

- *N/A - not available.*
- *This list is not exhaustive.*

Sources: Various company websites, Companies Commission of Malaysia ("CCM")

Key industry players who are involved in the development of industrial parks

The following key industry players have been selected on the following basis:

- they are companies incorporated in Malaysia who are involved in the development of industrial parks, based on publicly available information on the projects that they are involved in. These companies may also be involved in the construction of industrial parks;
- the industrial parks developed consist of semi-detached factories, detached factories and/or customised industrial factories, and excludes players who only develop smaller industrial properties such as terrace factories and shophouses;
- at least one of their industrial parks has an estimated development size of above 30 acres and is located in Johor; and
- segmental revenue derived from the development of industrial parks is above RM50 million based on their respective latest available financial year.

These companies may also be involved in the development of other types of developments (i.e. residential and commercial) and the segmental revenue extracted may include development of other types of developments. In instances where the segmental revenues of certain key industry players are not publicly available, these industry players are included in this report on the basis that they are involved in the development of industrial parks.

Company	Type of property development	Type of industrial development	Example of Industrial Park ("IP")	Location of industrial park	Latest available financial year	Total revenue (RM million)[a]	Segmental revenue for property development (RM million)[b]
SP Setia Berhad	Residential, commercial and industrial	Gated guarded and mixed industrial park	Setia Business Park I*, Setia Business Park II*, Taman Industri Jaya[c], Temasya IP[c]	Johor, Selangor	31 Dec 2018	3,594	3,319
Mah Sing Group Berhad	Residential, commercial and industrial	Mixed industrial park	i-Parc @ Tanjung Pelepas, i-Parc2 @ Shah Alam, i-Parc3 @ Bukit Jelutong, M-Parc @ Permatang Tinggi	Johor, Selangor, Penang	31 Dec 2018	2,193	1,830
Eco World Development Group Berhad	Residential, commercial and industrial	Gated guarded and mixed industrial park	Eco Business Park I*, Eco Business Park II*, Eco Business Park III, Eco Business Park V*	Johor, Selangor	31 Oct 2018	2,172	939[c]

Company	Type of property development	Type of industrial development	Example of Industrial Park ("IP")	Location of industrial park	Latest available financial year	Total revenue (RM million)[a]	Segmental revenue for property development (RM million)[b]
UEM Sunrise Berhad	Residential, commercial and industrial	Specialised and gated guarded industrial park	Nusajaya Tech Park*, Bio-Xcell Biotechnology Park*	Johor	31 Dec 2018	2,044	1,936
United Malayan Land Berhad	Residential, commercial and industrial	Specialised and gated guarded industrial park	Iskandar Halal Park*	Johor	31 Dec 2018	531	453
AME Elite Consortium Berhad	Industrial	Gated guarded and mixed industrial park	i-Park @ SiLC, i-Park @ Indahpura, i-Park @ SAC, SME City and District 6	Johor	31 Mar 2019	339	43
Crescendo Corporation Berhad	Residential, commercial and industrial	Mixed industrial park	Nusa Cemerlang IP, Taman Perindustrian Cemerlang	Johor	31 Jan 2019	296	72[d]
WB Land Sdn Bhd	Industrial	Gated guarded industrial park	Frontier IP*	Johor	31 Jan 2018	55	N/A
Gromutual Berhad	Residential, commercial and industrial	Mixed industrial park	Tropika IP, Ayer Hitam IP, Taman Perindustrian Bukit Gambir	Johor	31 Dec 2018	51	43

Notes:

[a] *The company may be involved in other businesses besides property development and as such, total revenue may include revenue from other segments of the business.*

[b] *Unless otherwise mentioned, segmental revenue comprises revenue from the property development segment and may include the development of industrial properties and other types of developments (i.e. residential and commercial).*

[c] *Segmental revenue comprises revenue from the combined sales of industrial, residential and commercial properties solely in Iskandar Malaysia for the financial year under review.*

[d] *The segmental revenue comprises revenue solely from the sale of industrial properties for the financial year under review.*

* *Indicates gated and guarded industrial park.*

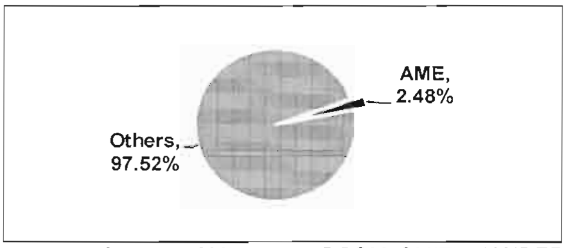
- *N/A - not available.*
- *This list is not exhaustive.*

Sources: Various company websites, CCM

Market Share

AME Group's market share is measured based on its two main principal activities which are also the two largest revenue contributors to the Group:

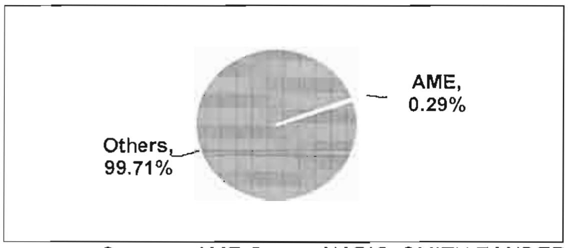
Market share – Industrial construction



Sources: AME Group, DOSM, SMITH ZANDER

AME Group recorded a market share of 2.48% for its construction segment. This is based on the revenue contribution from its construction segment of RM233.67 million for the FYE 31 March 2019, computed against the size of industrial construction activities in Malaysia, measured by the total value of construction work done for industrial buildings, of RM9.40 billion in 2018.

Market share – Development of industrial parks



Sources: AME Group, NAPIC, SMITH ZANDER

AME Group recorded a market share of 0.29% for its industrial park segment. This is based on the revenue contribution from its industrial park segment of RM43.14 million for the FYE 31 March 2019, computed against the size of the industrial property market in Malaysia, measured by the total value of industrial property transactions, of RM15.01 billion in 2018.

7. RISK FACTORS

An investment in our Shares involves risk. Prospective investors should rely on their own evaluation and carefully consider the following risk factors, in addition to other information contained elsewhere in this Prospectus, before investing in our Shares. If any of the risks described below actually occurs, our business, performance, financial condition, results of operations and prospects could be negatively affected, the trading price of our Shares, if any, could decline and investors may lose all or part of their investment.

7.1 RISKS RELATING TO OUR BUSINESS, OPERATIONS AND INDUSTRY

7.1.1 Our financial performance is dependent on our ability to secure new contracts and grow our order book

We provide construction services to customers comprising both local and foreign manufacturing companies for the construction of large manufacturing plants and industrial buildings. In addition, we provide engineering services for industrial, residential and commercial buildings, including hotels and service residences. We are awarded contracts on a project basis. Our construction contracts are typically implemented over one to two years, while our engineering contracts are typically implemented over a period of a few months to two years. As such, our revenue from the construction and engineering business in any financial year fluctuates depending on the number, value and stage of completion of the projects we undertake.

There is no assurance that we will continue to secure new projects after the completion of the existing awarded projects. In the construction and engineering industry it is common for projects to be awarded based on competitive bidding and as such we have to bid competitively for every contract that we wish to secure. If we are unable to secure every contract that we tender for or secure new projects of similar or larger value on a continuous basis such that there may be a significant decline in our order book, our long term sustainability and business growth as well as the financial performance of our Group will be adversely affected.

As at the LPD, our external construction order book comprised unbilled contracts amounting to a total of around RM337.80 million to be billed next year, while our external engineering order book comprised unbilled revenue for contracts amounting to a total of around RM39.08 million to be billed over the next one to two years. The details of our external construction and engineering order books are provided in Section 10.3.8 of this Prospectus. As at the LPD, we had also tendered for a total of 23 construction and engineering contracts with total value of RM738.19 million, of which we have secured six contracts with a value of RM317.89 million. However, there can be no assurance that our current order books can be sustained in the future and there can be no certainty that projects from our order book will not be delayed or terminated and we may face a situation or inability to secure new contracts which in turn may result in an adverse impact on our long term sustainability and business growth as well as the financial performance of our Group.

7.1.2 We are dependent on the performance of the property market and FDI in Malaysia

Our business is subject to the performance of the property market in Malaysia where developments within the sector and FDI, particularly in Johor, could affect the demand for our construction and engineering services and industrial properties.

The demand for our construction and engineering services as well as industrial properties could be affected by various factors, including:

(i) decline in FDI as we have been engaged as contractor for a number of multinational manufacturing companies for the construction of large-scale manufacturing plants, while many purchasers and tenants of properties within our industrial parks are MNCs;

(ii) competition from other construction and engineering services companies which may cause us to be unable to price our tenders competitively, and competition from other industrial property developers which may increase the acquisition cost for land for development leading to higher selling prices of our properties;

(iii) surge in supply of industrial properties for sale or lease in locations where we undertake property development activities;

(iv) adverse government regulations or policies regulating the property market and FDI;

(v) absence of financing for purchase of properties which may affect the affordability of our properties; and/or

(vi) higher interest rates which may increase the costs of financing and reduce the attractiveness of mortgages as a source of financing for our properties.

To the extent that any of these factors occur, they are likely to impact the demand for our construction and engineering services and industrial properties, our pricing and our profit margins which, in turn, may have a material adverse impact on the business, financial condition, results of operations and prospects of our Group.

7.1.3 We may not be able to acquire suitable land bank for our future development projects

As at the LPD, we are developing i-Park @ SAC (Phase 1 and 2) while our jointly-controlled entity, Axis AME IP is involved in the development of i-Park @ Indahpura (Phase 3). These two industrial parks under development collectively have an estimated GDV of about RM1.2 billion and are expected to contribute sustainable earnings to our Group.

Procurement of suitable land to build new industrial parks is essential for the future performance of our Group's business. We will need to replenish and increase our land bank with land parcels of suitable size and appropriate scope of usage, in desirable locations and at a commercially acceptable cost. We are in competition with other property developers with regard to the sourcing of suitable development sites. Our inability to replenish and increase our land bank with land parcels located at attractive geographical locations and at the right price, could have a material adverse impact on our Group's business, financial condition, results and operations and prospects.

7.1.4 Our Group's industrial park development business and expansion plans are capital intensive and subject to our ability to raise capital

Our large scale industrial park developments require substantial capital investment and as such, may cause us to generate negative operating cash flow when the cash outlay for land acquisition and construction expenditures during a particular period, after taking into account changes in other working capital items, exceeds the cash inflow from property sales over the same period.

For example, our Group recorded negative operating cash flow of approximately RM29.0 million for the FYE 31 March 2016 and about RM110.8 million for FYE 31 March 2017 primarily due to land acquisition costs and related costs for our i-Park @ SAC project as further discussed in Section 10.4.2 of this Prospectus.

The availability of adequate financing is crucial to our ability to acquire land and to complete our industrial park development projects according to plan. We finance our land acquisitions and industrial park development projects from a combination of internal funds, shareholders' loans and bank borrowings. In addition, our industrial park development projects may be partly funded from the sale of our investment properties.

We cannot assure you that we will have sufficient internal funds available or that we will be able to obtain additional financing, either on a short term or a longer term basis, when capital is required to fund land acquisitions or our major industrial park development projects. As at 31 March 2019, our outstanding bank borrowings amounted to RM215.84 million. If the banks look to tighten their lending due to deteriorating market conditions arising from economic, financial, political or other reasons, our ability to obtain borrowings may be adversely affected and we may be subjected to higher costs of financing. If we are unable to secure the necessary financing to undertake our industrial park development projects or the terms of the financing are not favourable to us, our business growth, financial condition, results of operations and prospects will be adversely affected.

7.1.5 There may be delays in the completion and collection of payments for our construction and engineering projects as well as industrial property development

The time and cost required to complete our construction and engineering projects as well as the development of our industrial properties may be adversely affected by various external factors which are beyond our control, including the following:

(i) delays or inability to obtain approvals from various regulatory approvals as scheduled;

(ii) shortage of labour as well as quality construction materials in adequate amounts, and on favourable credit terms;

(iii) delays or poor performance by consultants and sub-contractors;

(iv) unforeseen circumstances affecting our customers' ability and willingness to pay us; and

(v) environment factors such as natural disasters and landslides and flooding.

There can be no assurance that any or all of our current or future construction and engineering projects and industrial property development, will be completed within the anticipated time frame or budget, if at all, whether as a result of the factors specified above or for any other reason. The inability to complete a major project within the anticipated time frame and budget could have a material adverse effect on our business, financial condition, results of operations and prospects.

During the FYE 31 March 2016, 2017, 2018 and 2019, we fabricated steel structures and precast concrete using four production lines at our Existing Facility. Arising from the Sub-Tenancy Agreement as described in Section 5.10 of this Prospectus, the production capacity of our Existing Facility has been reduced to two production lines due to an arrangement to temporarily rent a portion of our Existing Facility to a third party customer pending the completion of construction and handover of vacant possession of a new factory unit at i-Park @ SAC to the said customer. If there are any unanticipated or prolonged delays in the construction of the factory due to any of the factors mentioned above or for any other reason, we may not be able to deliver the factory unit to the said customer within the estimated time frame. As a result, our Group may not have the capacity to take on additional customer orders for steel structures and/or customised precast concrete until 1 May 2021, which is the date of expiry of the Sub-Tenancy Agreement if the completion of construction and hand over of the factory does not take place earlier.

7.1.6 Our profitability may be affected by fluctuations in the market value of our properties

We have engaged an independent valuer, namely C H Williams Talhar & Wong to value our current properties and development projects. The valuation certificates set out in Section 13 of this Prospectus were made on the basis of certain forecasts and assumptions regarding the real estate market in Johor prevailing at a particular point in time.

The market value of our inventory and investment properties will be affected by factors that affect the rental yield including: (i) government regulations; (ii) changes in the general economic climate unfavourable to our operations; (iii) the supply of and demand for comparable properties; (iv) changes in applicable tax laws; (v) interest rate levels; (vi) inflation; and (vii) political and economic developments in Malaysia.

In addition, our profitability may be affected by the changes in fair value of the investment properties. In accordance with MFRS, we must recognise changes of the fair value for our investment properties as a gain or loss (as applicable) in our consolidated income statement. The recognition of any such gain or loss reflects unrealised capital gains or losses on our investment properties on the relevant balance sheet dates and does not generate any actual cash inflow or outflow until such investment properties are disposed of.

For the four FYE 31 March 2016, 2017, 2018 and 2019, we recorded net fair value gains on our investment properties of around RM6.3 million, RM16.6 million, RM25.8 million and 16.4 million, respectively, representing 19.4%, 29.0%, 32.9% and 32.1% of our PAT for those financial years.

The amount of revaluation adjustments has been, and may continue to be, significantly affected by the prevailing property market conditions and may be subject to market fluctuations. We cannot assure you that we will continue to record fair value gains on investment properties in the future or the fair value of our investment properties will not decrease in the future. Any decrease in the fair value of our investment properties will have an adverse effect on our profits.

7.1.7 The cost of our projects may escalate due to increase in construction and labour costs resulting in cost overruns

In preparation for our projects, we carry out internal costing and budgetary estimates, which are based on quotations from our suppliers and sub-contractors, and our own cost estimations. However, due to unforeseen circumstances, such as adverse soil conditions, unfavourable weather conditions and unanticipated construction constraints including shortage of skilled labour, we might incur higher costs than what was originally budgeted. In addition, some of our contracts do not allow for adjustments to the contract value consequent upon a rise in the cost, among others, of labour, material, equipment and sub-contracted services. Under such circumstances, cost overruns would have to be absorbed by us. In such an event, the profits achieved in respect of the relevant project and our Group's financial condition, results of operations and prospects could be adversely affected.

We also face fluctuations in construction material prices. An increase in the prices of construction materials would increase overall costs of the project. Fluctuations in construction material prices may arise due to political, economic and social reasons in countries supplying these materials.

Our Group enters into short-term (typically less than six months) supply contracts for construction materials on a project to project basis. If we are unable to find alternative sources of construction materials upon the expiry of the short-term supply contracts, or if we are unable to source for materials at a favourable or acceptable price, then our profitability and financial performance could be adversely affected.

7.1.8 We may achieve lower GDVs than estimated

The GDVs of the projects undertaken by our Group and jointly-controlled entity are estimated based on market conditions as at the date of valuation and certain assumptions which may ultimately prove to be inaccurate. These assumptions include the product mix, demand for our industrial properties, average selling prices and relevant planning permissions and other consents being obtained. Failure to meet these assumptions may result in our Group not achieving our GDVs and in turn, could have a material adverse impact on our business, financial condition, results of operations and prospects.

7.1.9 We are exposed to inherent risks in the property investment industry

We hold some of the industrial properties we develop and own as investment properties. For the FYE 31 March 2016, 2017, 2018 and 2019, lease income from properties held for investment amounted to RM11.4 million, RM14.8 million, RM15.4 million and RM21.5 million, representing 4.6%, 4.9%, 4.5% and 6.3% of our total revenue, respectively. Our business strategy moving forward is to increase our portfolio of investment properties for purposes of recurring income.

We are subject to risks associated with the ownership of such properties including, competition for tenants, costs resulting from ad hoc maintenance, repair and re-letting and changes in market rates for comparable rentals. As at LPD, we have 35 industrial properties within our industrial parks leased and to be leased by our existing tenants based on lease contracts and tenancy agreements for tenures ranging from two to 10 years, of which none of the lease will expire by 31 March 2020. Although the majority or 78% of our lease contracts are fixed for five, six and ten years, there is no assurance that we would be able to renew the leases with existing tenants on favourable terms, or at all. If our existing tenants cease to lease properties from us, we may be unable to secure new tenants or will incur additional costs such as marketing costs to secure new tenants in respect of those properties.

Our recurring income generated from property investment activities will also be affected if there is deterioration in the value of our investment properties. The ability to eventually dispose of these investment properties will also depend on market conditions and levels of liquidity, which may be subject to fluctuation.

If we are unable to generate adequate returns as we look to grow our recurring income portfolio, our business, financial condition, results of operations and prospects could be adversely affected.

7.1.10 Our plan to expand the fabrication capacity for our precast concrete business may not be successful

We intend to expand our existing precast concrete fabrication capacity by establishing the New Facility and acquiring new machineries and equipment to align our growth with the increasing demand for customised precast concrete products in Malaysia and to capture future growth opportunities in Malaysia and Singapore. Upon completing the expansion of our precast concrete fabrication capacity, our estimated production capacity will increase by 12,000m^3 of precast concrete per year.

We cannot assure you that our expansion plan for our precast concrete business will be successful as there is no assurance that we will be able to maintain or establish relationships with our existing or prospective customers or secure new purchase orders to use our increased production capacity. In addition, we have not entered into any long term contracts since our precast concrete business operates on a project basis by way of work orders or letters of awards. There are also other uncertainties and risks, such as, delays, cost overrun, shortage of labour and shortage of key materials, which are beyond our control and would increase the cost of implementing our expansion plan. We may even have problems of under-utilisation if demand for our precast concrete does not increase at the same rate as our production capacity due to factors beyond our control such as a downturn in the construction sector or competition from other suppliers.

Our Group currently plans to use RM9 million of the gross proceeds of the Public Issue for construction costs to complete the expansion of the New Facility. For more details on the construction costs and the machineries and equipment that we intend to purchase, please refer to Section 2.7.3 of this Prospectus. With this expansion, the capital expenditure of our Group for the New Facility as well as the purchase of machineries and equipment will result in an increase in our depreciation expenses by about RM1.2 million. This increase may adversely affect our Group's future results of operations and financial performance if the corresponding increase in revenue from the anticipated growth in our precast business does not sufficiently offset the increase in depreciation costs.

7.1.11 We are dependent on our Executive Directors and key senior management team to develop and grow our business

Our continued success depends to a large extent on the experience, industry knowledge and skills of our Group Managing Director, Lee Chai and Executive Directors, namely Lim Yook Kim, Kang Ah Chee and Lee Sai Boon. These Executive Directors have been instrumental in our growth and expansion due to their personal involvement in our business since 1995. They are actively involved in our Group's operations and also responsible for formulating and implementing our Group's business plans, corporate development and overall business strategy. All of them are experienced in the industries we operate in and play a key role in helping us to maintain good relationships with our customers, bankers, suppliers and sub-contractors.

We have made efforts to build a key senior management team, comprising individuals with responsibilities covering important functions within our Group, specifically in general management, project management, operations, marketing and finance. For further details of the experience and roles of Lim Pei Shi, our Executive Director who is the alternate director to Lim Yook Kim, and our key senior management team, please refer to Sections 3.1.2 and 3.4.2 of this Prospectus. We have plans to groom Lim Pei Shi and our key senior management team to gradually assume greater responsibilities and take over the roles of these four Executive Directors. In addition, we recognise our continued success will depend on our ability to recruit and retain highly-skilled and competent people at all levels of our organisation.

The loss of our Executive Directors and key senior management personnel without suitable and timely replacements could materially and adversely affect our business, financial condition, results of operations and prospects. Further, any failure to retain, attract or recruit, on a timely basis, qualified and experienced management personnel, will have an adverse impact on our future operations and our ability to achieve our objectives.

7.1.12 Our Group's existing business has concentrated exposure in Johor and we may not be successful in our business expansion plans

We intend to continue to expand our business through further acquisitions of development lands for property development as well as tendering for more construction and engineering contracts in Johor and other Peninsular Malaysia states as and when suitable opportunities arise. However, we cannot assure you that we will be able to replicate our success in industrial property development and provision of construction and engineering services in other states as they may differ from Johor in terms of the level and pace of economic development, regulatory practices, topography, our familiarity with sub-contractors, suppliers and other partners as well as customer tastes, preferences and behaviour. Our ability to expand into new states is dependent on our ability to adapt our experience and expertise and to understand new business environments. Any future expansion may strain our managerial, operational and financial resources, and if we are not successful in managing our business expansion, our business, financial condition, results of operations and prospects may be materially and adversely affected.

7.1.13 We may not be able to secure services of experienced and competent consultants and sub-contractors at the right cost

We engage sub-contractors to supply labour for our construction and engineering projects. We also engage consultants and sub-contractors to provide various types of services in respect of our projects, including architectural works, structural works, earthworks and specialist electrical and mechanical engineering works. Our sub-contractors are selected based on, amongst others, their ability to provide timely delivery, their experience in that area of work, our past working experience with them as well as the competitiveness of their quotations given.

However, we cannot assure you that the services rendered by these consultants and sub-contractors will be satisfactory, that they will meet our requirements for quality or that they will deliver in a timely manner. Any financial or technical difficulties faced by the consultants and sub-contractors would also affect their ability to carry out their work. The consultants' and sub-contractors' inability to complete satisfactorily or on time, or to ensure satisfactory and continuous supply of labour may cause delays in our construction projects and property development, resulting in additional costs to us or exposing us to potential claims for liquidated damages from our property buyers and customers in accordance to the terms of the sale and purchase agreements and contracts. In addition, we, being the main contractors, would have to be liable for the consultants' and sub-contractors' defaults if we are not able to pass such loss or damage on to our consultants or sub-contractors.

Further, there is no assurance that we would be able to continue sourcing for services from our consultants and sub-contractors at prices that are favourable to us. If our consultants and sub-contractors terminate their services with us, we may not be able to seek alternative sources in a timely manner and/or at reasonable prices. As a result, our projects might be delayed, and we may face cost overruns which could adversely affect our business, results of operations and financial condition.

7.1.14 We may be adversely affected by disputes with our customers, sub-contractors suppliers and tenants

Disputes may arise between our Group with our customers, sub-contractors, suppliers and tenants in relation to the development, construction, sale and/or lease of our industrial properties. For example, disputes may arise because of defective works, delays in the completion of a project and disputes over contract specifications and the final amount payable for work done on a project.

It is common for our customers to withhold a certain percentage of the contract sum as retention monies ranging from 5% to 10% of the contract sum to cover any defects which may surface during the defects liability period, typically 12 to 18 months after the handover of a project. As such we may encounter difficulties in collecting the full sum or any part of the retention monies due and may run the risk of incurring additional costs to make good the rectification or reconstruction of works under dispute to the extent that our profit margin is eroded or losses are incurred for the project.

During the course of a project, a customer may also instruct us to perform additional work volume and/or certain works which are not included in the original specifications. These are known as variation orders. To avoid delays in the completion of the project, we may perform the variation orders before the charges for such additional works are finalised, and the final value of the variation order is subject to negotiation after the completion of the project. In such event, there is a risk that we may not be able to recover the full value that we claim for the variation orders due to disagreement in respect of the claim amounts.

Any disputes on progress payments, variation orders, retention monies, defective workmanship, non-compliance with specifications or otherwise relating to our projects, may have an adverse impact on our business, financial position, results of operations and prospects.

7.1.15 Our Group is subject to risks associated with joint ventures

We currently have a joint venture with Axis IE in relation to our property development and property investment business. Axis AME IP is a jointly-controlled entity in which we and Axis IE hold 50% equity interest each. Under our Group's strategy, we will continue to, from time to time, enter into property development and property investment projects through the formation of joint ventures.

Axis IE or other joint venture partners in the future may, amongst other things:

(i) have economic or business interests or goals that are not aligned with ours;

(ii) experience financial or other difficulties;

(iii) be unable or unwilling to fulfil their contractual obligations such as not complying with requests in making payments during future capital calls; or

(iv) take actions contrary to our instructions, requests, policies or objectives.

In these situations, disputes may arise between our Group and Axis IE or other joint venture partners in the future that may not be resolved amicably. In certain cases, disputes may arise in respect of reserved matters identified in our joint venture agreements. As reserved matters require the consent of all the partners to the joint venture agreement to be obtained before action may be undertaken by the jointly-controlled entity, any disputes between the joint venture partners would result in a deadlock where the matter in dispute will not be implemented. In certain cases, where the deadlock cannot be resolved even after repeated attempts by the joint venture partners, this may result in one joint venture partner acquiring the shares of the other joint venture partner or a winding-up of our jointly controlled entity, bringing the joint venture to an end.

7.1.16 We may be involved in legal and other proceedings arising from our operations from time to time

We may be involved from time to time in disputes with various parties such as customers, suppliers, joint venture partners, sub-contractors, consultants and other parties involved in the course of carrying out our construction, property development and engineering projects. In addition, our tenants may choose to initiate legal and other contentious proceedings in relation to the leases and/or defects of the properties owned by us. Costs, time and management resources would have to be diverted towards defending such claims should they arise. Such disputes and claims may lead to legal and other proceedings, administrative proceedings against us and unfavourable decrees issued against us, may cause us to suffer additional costs, delays and/or financial losses. We are unable to give any assurance that if disputes and claims arise, they will be settled on terms which are favourable to our Group or if such disputes and claims result in litigation or arbitration, such judgement, order or award will not adversely affect our business operations, financial condition, prospects and reputation.

7.1.17 We may suffer uninsured losses or losses in excess of insured limits

We maintain insurance policies in line with general business practices where practicable, with adequate policy specifications and insured limits. Risks insured include against fire, lightning, flooding, theft and public liability. We do not have insurance policies covering certain types of losses such as from wars, riots, acts of terrorism and acts of God because they are uninsurable or not economically insurable.

In relation to the construction projects which we undertake as the contractor, we have taken up workmen's compensation under the Workmen's Compensation Act 1952, public liability insurance and contractors' all risks insurance in connection with our projects and based on contract requirements. We have also maintained public liability insurance which cover the legal liability in respect of, among other things, death, bodily injury or loss of or damage to property on the workers' dormitories.

Should an uninsured loss or loss in excess of insured limits or a failure of insurers to fulfil their obligation for the sum incurred occur, we may be required to pay compensation and/or lose the capital we invested in the property, as well as anticipated future revenue from that property. Any such loss could adversely affect our business, financial condition and results of operations. There can be no assurance that material losses will not occur in the future that exceed the compensation received or that adequate insurance coverage will be available to us in the future on commercially reasonable terms or rates.

7.1.18 Environmental laws, regulations and standards may expose our Group and jointly-controlled entity to the risk of substantial costs and liabilities

Our Group and jointly-controlled entity are subject to the risk of environmental liabilities associated with development land and projects. These may be in relation to any soil and/or contamination that may arise on the sites and land being developed. Such liabilities may result in significant investigation, removal, clean-up or remediation costs and claims by third parties and could prohibit or severely restrict development of projects on those sites. These may have a material adverse impact on our business, reputation, financial condition, results of operations and prospects.

There can be no assurance that all costs and risks regarding compliance with environmental laws and regulations can be identified. There can also be no assurance that any site will at all times comply with all applicable environmental laws, regulations and permit requirements. New and more stringent environmental laws, regulations and permit requirements or stricter interpretation of current laws or regulations could impose substantial additional costs on our operations. These could have a material adverse effect on our Group and jointly-controlled entity including penalties, onerous remediation obligations or suspension of development work on our properties.

7.1.19 We are subject to risks associated with the workers' dormitories

Our workers' dormitories at i-Park @ Indahpura are owned by our wholly-owned subsidiary, AME Development Sdn Bhd and operated via our 70%-owned subsidiary, I Stay Management Sdn Bhd. As part of our business strategy, we intend to develop and operate more workers' dormitories and has completed building the workers' dormitories at i-Park @ SAC.

There is no assurance that our workers' dormitories will not suffer from physical damage or disruption as a result of, amongst others, accidents, riots, natural disasters, fire or flooding. Any such damage or disruption may result in significant increase in costs incurred for repairs and restoration (to the extent the loss from such damage is not fully covered by insurance) and decrease in revenue for our property management segment, which could adversely affect the business and financial condition of our Group.

Further, we have taken precautionary measures to ensure that the foreign workers residing at our workers' dormitories are not illegal immigrants. Before issuing the access pass to workers as residents of our workers' dormitories, we would require their employers to provide the details of the passports and work permits of each worker for registration into our dormitory management system. We would also, conduct regular checks on the validity of their work permits.

However, we cannot assure you that no illegal immigrants will be found at our workers' dormitories in the future, and there is no assurance that the measures our Group undertakes to ensure no illegal immigrants will be found at our worker's dormitories will be effective. If we are found to have harboured or allowed illegal immigrants to stay in our workers' dormitories, we, as well as our Directors and officers could be fined under the Immigration Act 1959/63 and this may have an adverse impact on our business, reputation, financial condition and results of operations.

7.1.20 Our Group's business operations may be affected by outbreaks of contagious or virulent disease

Our business is exposed to risks in respect of outbreaks of severe acute respiratory syndrome, avian influenza, swine flu, ebola and/or other communicable diseases in Malaysia and the region, which could materially and adversely affect our business, as well as the operations of the third party operators within our industrial parks.

If such an outbreak occurs at any of our Group's construction sites, industrial parks, facilities or workers' dormitories, we and/or the third party operators within our industrial parks would be required to temporarily suspend our affected operations and may have to quarantine our employees and the residents of our workers' dormitories in order to prevent the spread of such disease. In addition, the suspension of operations by operators within our industrial parks may result in cash flow problems for them, potentially leading to a delay or default in payment of rental to us. The occurrence of any of these events may materially and adversely affect the business, financial condition, results of operations and prospects of our Group.

7.2 RISKS RELATING TO OUR SHARES AND OUR LISTING

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

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

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

7.2.2 Our Share price and trading volume may be volatile

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and global stock exchanges and the flows of foreign funds. Sentiment is also induced by factors such as economic and political conditions and the growth potential of the various sectors of the economy. These factors constantly contribute to the volatility of trading on Bursa Securities and this adds risks to the market price of our Shares. Nevertheless, the profitability of our Group is not dependent on Bursa Securities as our business activities have no direct correlation with the performance of securities listed on Bursa Securities.

It is expected that there will be about 10 Market Days after the close of the Retail Offering before the trading of our Shares commences. We cannot assure you that there will be no event or occurrence that will have an adverse impact on the securities market (both local and foreign), our industry or us specifically during this period that would adversely affect the market price of our Shares when they begin trading.

In addition, the market price of our Shares may fluctuate significantly and rapidly in response to, amongst others, the following factors:

(i) variations in our financial results and operations;

(ii) success or failure of our Executive Directors and key senior management personnel in implementing business and growth strategies;

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

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

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

(vi) additions or departures of our Executive Directors and key senior management personnel;

(vii) fluctuation in stock market prices and volume;

(viii) changes in government policy, legislation or regulation; and/or

(ix) general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of our Shares. Accordingly, there can be no assurance that our Shares will not trade at prices lower than the Institutional Price or the Final Retail Price.

Over the past few years, the Malaysian, regional and global equity markets have experienced significant price and volume volatility that have affected the share price of many companies. Share prices of many companies have experienced wide fluctuations that have often been unrelated to the operating performance of these companies. There can be no assurance that the price and trading of our Shares will not be subject to the same fluctuations.

7.2.3 The interest of our Promoters who control our Group may not be aligned with the interest of our shareholders

Our Promoters will hold in aggregate at least 70% of our enlarged number of issued Shares upon Listing. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group including the election of Directors, the timing and payment of dividends as well as having voting control over our Group and as such, will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and by relevant guidelines or regulations.

The appointment of Independent Non-Executive Directors and our Audit Committee will serve as an effective mechanism to promote good corporate governance to ensure future transactions of our Group, including related party transactions, if any, are entered into at arms' length basis. Our Audit Committee will in that sense represent the interest of the minority shareholders and general public at large.

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

7.2.4 We may not be able to pay dividends to our shareholders

We may choose to pay dividends out of cash generated from our operations after setting aside the necessary funds for capital expenditure and working capital after taking into account applicable restrictive covenants under our financing documents. Dividend payments are not guaranteed, and our Board may decide, in its sole and absolute discretion, at any time and for any reason, not to pay dividends. There can also be no assurance that we will be able to pay dividends or that our Board will declare dividends. There can also be no assurance that future dividends declared by our Board or any of our subsidiaries, if any, will not differ materially from historical dividend levels. For details on our dividend policy and the dividend our Company declared and paid for the past four FYE 31 March 2016, 2017, 2018 and 2019 and up to the LPD, please refer to Section 10.6 of this Prospectus. We may also enter into financing agreements, which could further limit our ability to pay dividends, and we may incur expenses or liabilities that would reduce or eliminate the cash available for distribution of dividends. If we do not pay dividends, or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected.

Furthermore, we are a holding company and operate substantially through our subsidiaries. Accordingly, dividends and other distributions received from our subsidiaries are our principal source of income. Some of our subsidiaries have entered into facility agreements which contain negative and financial covenants. If these subsidiaries are in breach of any of these covenants, it may affect our ability to pay dividends.

Further, our payment of dividends may adversely affect our ability to fund unexpected capital expenditure as well as our ability to make interest and principal repayments on any borrowings that we may have outstanding at the time. As a result, we may be required to borrow additional money or raise capital by issuing equity securities, which may not be on favourable terms or available at all. Further, if we incur new borrowings after our Listing, we may be subject to additional covenants restricting our ability to pay dividends.

7.2.5 Failure or delay in our Listing

The occurrence of certain events, including the following, may cause a delay in or termination of our Listing:

(i) our Managing Underwriter and Joint Underwriters exercising its rights under the Underwriting Agreement, or the Joint Bookrunners' exercising its rights under the Placement Agreement, to discharge themselves from their obligations under such agreements;

(ii) our inability to meet the public spread requirement under the Listing Requirements of having at least 25% of the total number of our Shares for which Listing is sought to be held by a minimum of 1,000 public shareholders holding not less than 100 Shares each, at the point of the Listing; and

(iii) the revocation of approvals from the relevant authorities for the Admission and/or Listing for whatever reason.

In such an event, investors will not receive any IPO Shares, and we and the Selling Shareholders will become liable to return in full all monies paid in respect of all applications for our IPO Shares. If such monies are not returned in full within 14 days after we and the Selling Shareholders become liable to repay it, then, in accordance with the provision of Section 243(2) of the CMSA, we and the Selling Shareholders (including the officers of our Company and the Selling Shareholders) shall be jointly and severally liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC from the expiration of that period until the full refund is made.

If our Listing is aborted and our IPO Shares have been issued and allotted to the shareholders, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either (i) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya; or (ii) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from our directors. If the approval of the High Court of Malaya is not obtained or our directors are unable to provide the solvency statement as required under the Act, there can be no assurance that such monies can be returned within a short period of time or at all.

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8. RELATED PARTY TRANSACTIONS

8.1 OUR GROUP'S RELATED PARTY TRANSACTIONS

Save as disclosed below and the Restructuring Exercise set out in Section 4.1 of this Prospectus, there are no other material transactions entered or to be entered into by our Group which involve the interest of related parties (namely, the Directors or substantial shareholders of our Company or persons connected with them) for the FYE 31 March 2016, 2017, 2018 and 2019 and the Relevant Period.

Further, our Directors also confirmed that there are no material transactions entered into by our Group which involve the interest of our Directors, substantial shareholders and/or persons connected with them but not yet effected up to the date of this Prospectus.

The following is a list of related parties, as discussed in this section, who transacted with our Group during the FYE 31 March 2016, 2017, 2018 and 2019 and the Relevant Period:

Lee Chai	:	Our Group Managing Director and major shareholder of our Company
Kang Ah Chee	:	Our Executive Director and major shareholder of our Company
Lim Yook Kim	:	Our Executive Director and major shareholder of our Company
Lee Sai Boon	:	Our Executive Director and major shareholder of our Company
Lotus Ideal Sdn Bhd ("**Lotus Ideal**")	:	A property investment company that is owned collectively by Lee Chai (30%), Kang Ah Chee (30%), Lim Yook Kim (30%) and Lee Sai Boon (10%). Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon are also directors of Lotus Ideal
Lifestyle Capital Sdn Bhd ("**Lifestyle Capital**")	:	A company that is principally involved in property investment and short term investment in quoted securities, and owned collectively by Lee Chai (25%), Kang Ah Chee (25%), Lim Yook Kim (25%) and Lee Sai Boon (25%). Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon are also directors of Lifestyle Capital
Nusajaya Square Development Sdn Bhd ("**Nusajaya Square**")	:	A joint-venture company that was owned by AME Development (35%) together with PPB Premium Development Sdn Bhd (35%) and Emerging Capital Sdn Bhd (30%). Nusajaya Square and its wholly-owned subsidiary Nusajaya Concept Development Sdn Bhd ("**Nusajaya Concept**") were formed solely for the joint development of 158 units of shop offices in SiLC Iskandar Puteri, Johor which were completed in September 2017. By way of a board resolution dated 28 June 2018, the directors of AME Development approved the distribution of AME Development's 35% equity interest as dividend-in-specie to Lee Chai (10.5%), Kang Ah Chee (10.5%), Lim Yook Kim (10.5%) and Lee Sai Boon (3.5%). On the same day, these shareholders assigned their right to receive the shares in Nusajaya Square to Lotus Ideal. Lee Chai and Lee Sai Boon have resigned as directors of Nusajaya Square on 8 October 2018 and Lee Sai Boon has resigned as a director of Nusajaya Concept on 2 November 2018

Care Land Sdn Bhd (formerly known as AME Land Sdn Bhd) ("**Care Land**")	:	A property investment company that is owned collectively by Lee Chai (30%), Kang Ah Chee (30%), Lim Yook Kim (30%) and Lee Sai Boon (10%). Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon resigned as directors of Care Land on 29 August 2018
THAB Development Sdn Bhd ("**THAB Development**")	:	A joint venture company that is owned by Care Land (35%) together with BP Lands Sdn Bhd (35%), Tat Hong International Pte Ltd (25%) and L&M Ground Engineering Sdn Bhd (5%). THAB Development and its wholly-owned subsidiary THAB PTP Sdn Bhd ("**THAB PTP**") were formed solely for the joint development of the iBP @ Nusajaya business park project in Iskandar Malaysia, Johor Bahru which was completed in January 2017. Lee Chai and Lee Sai Boon resigned as directors of THAB Development and THAB PTP on 8 October 2018
Infinity Park Management Sdn Bhd (formerly known as AME Management Services Sdn Bhd) ("**Infinity Park Management**")	:	A property management company that was owned collectively by Lee Chai (30%), Kang Ah Chee (30%), Lim Yook Kim (30%) and Lee Sai Boon (10%). On 12 September 2018, all the shares in Infinity Park Management were disposed to a third party, Pu Suan Aik. Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon also resigned as directors of Infinity Park Management on 12 September 2018
LT Fabrication & Engineering ("**LT Fabrication & Engineering**")	:	A partnership which is involved in the business of steel fabrication works and installation of steel and precast concrete structures that is 50% owned by Lee Hock, the brother of Lee Chai and Lee Sai Boon and brother-in-law to Lim Yook Kim
Syarikat Asia Mechanical Sdn Bhd ("**Syarikat Asia Mechanical**")	:	A property investment company that is owned collectively by Tan Mui Heong (33.3%), Kang Koh Wei (33.3%) and Lee Ah Eng (33.3%). Tan Mui Heong is the spouse of Lee Chai; Kang Koh Wei is the son of Kang Ah Chee; and Lee Ah Eng is the spouse of Lim Yook Kim and sister of Lee Chai and Lee Sai Boon. Lee Chai, Kang Ah Chee and Lim Yook Kim resigned as directors of Syarikat Asia Mechanical on 29 August 2018.

8.1.1 Related party transactions

(i) Sale of properties to persons connected with our Directors and major shareholders

During the FYE 31 March 2017 and 2018, we sold various properties to Lotus Ideal and Lifestyle Capital. The details of such properties are as follows:

Year of completion of sale	Seller	Purchaser	Description of property	Disposal price
				RM
2018	AME Construction	Lotus Ideal	A piece of vacant land measuring about 5,195 sq. ft. attached to a residential property located in Jalan Kemaman, Johor Bahru	776,561

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

Year of completion of sale	Seller	Purchaser	Description of property	Disposal price
				RM
2018	AME Construction	Lotus Ideal	A unit of semi-detached house built on land measuring 3,983 sq. ft. located in Jalan Kemaman, Johor Bahru	828,482
2018	AME Construction	Lotus Ideal	A condominium unit measuring about 1,442 sq. ft. at St Mary Residences located in Jalan Tengah, Kuala Lumpur	1,594,080
2018	AME Construction	Lotus Ideal	A piece of freehold land held under HS(D) 45975 Lot 6646, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor measuring about 4,434.00 sq. ft. together with a building erected thereon	410,215
2017	Asiamost	Lifestyle Capital	A three-storey shop office measuring about 1,679 sq. ft. in Taman Mount Austin, Johor Bahru	1,800,000

The sale of the properties by AME Construction and Asiamost were at cost, and the disposal prices were lower than prevailing list prices of comparable properties at the relevant times. Our Directors are of the view that the sale of the properties, while not on commercial terms and not on an arm's length basis, were undertaken at cost and formed part of a series of disposals to rationalise assets which are unrelated to the core business of our Group, and was therefore not unfavourable to our Group.

In August 2019, Ipark Development has also in its ordinary course of business, sold a three-storey retail shop on a land size measuring about 2,275 sq. ft. in The Jacaranda, Johor Bahru to Lifestyle Capital for a total consideration of RM1,858,800. Our Directors confirm that the sale of the retail shop to Lifestyle Capital was carried out on normal commercial terms and on an arm's length basis as the sale consideration was similar to that being offered to third parties.

Following the Listing, we will ensure that any sale of properties to our Directors, our major shareholders and/or persons connected with them will continue to be carried out on an arm's length basis, on normal commercial terms and in accordance with the Listing Requirements.

(ii) Distribution of the shares in Nusajaya Square owned by AME Development

Nusajaya Square was formerly an associate of AME Development. On 28 June 2018, the board of directors of AME Development approved a dividend-in-specie of its entire 35% equity interest to in Nusajaya Square valued at around RM18.4 million to Lee Chai (10.5%), Kang Ah Chee (10.5%), Lim Yook Kim (10.5%) and Lee Sai Boon (3.5%). The consideration was based on the audited NA of Nusajaya Square as at 31 March 2018 attributable to the 35% equity interest owned by AME Development. On 28 June 2018, these shareholders assigned their rights to receive the shares in Nusajaya Square to Lotus Ideal. Our Directors are of the view that the distribution, while not on commercial terms and not on an arm's length basis, formed part of a series of disposals to rationalise activities which are unrelated to the core business of our Group, and was therefore not unfavourable to our Group.

Following the Listing, our Group does not intend to undertake similar share distributions to our aforementioned Promoters.

(iii) Advances extended to and from our Directors

From time to time, our Group Managing Director and Executive Directors have each extended non-trade related advances to and made payments on behalf of our Group for working capital and investment purposes. The details of the aggregate amounts owing to our Group Managing Director and Executive Directors from the respective Group companies as at the end of the FYE 31 March 2016, 2017, 2018 and 2019 and the Relevant Period are as follows:

Name	Due from	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 March 2019	As at the LPD
				RM'000		
Lee Chai	Amsun Capital	-	-	60	60	-
	Amsun Industries	2,384	-	-	-	-
	AME Construction	1,173	736	(1)1,886	-	-
	AME Development	276	276	276	276	-
	AME Industrial Park	2,960	2,971	989	989	-
	Tanjung Bebas	2,970	3,214	3,214	3,214	-
	AME Integrated	30	12,038	12,038	8,933	-
	I Stay Management	-	-	498	498	-
	Active Gold	140	-	-	-	-
	Symphony Square	3,073	2,920	1,196	1,196	-
	Twin Sunrich	3,073	3,073	1,077	1,077	-
	LKL Industries	66	-	-	-	-
Kang Ah Chee	Amsun Capital	-	-	60	60	-
	Amsun Industries	2,384	-	-	-	-
	AME Construction	475	251	(1)646	-	-
	AME Development	276	276	276	276	-
	AME Industrial Park	2,960	2,971	989	989	-
	Tanjung Bebas	2,970	3,214	3,214	3,214	-

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

Name	Due from	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 March 2019	As at the LPD
				RM'000		
Kang Ah Chee	AME Integrated	30	12,038	12,038	8,933	-
(cont'd)	I Stay Management	-	-	498	498	-
	Active Gold	140	-	-	-	-
	Symphony Square	3,073	2,920	1,196	1,196	-
	Twin Sunrich	3,073	3,073	1,077	1,077	-
	LKL Industries	26	36	36	36	-
Lim Yook Kim	Amsun Capital	-	-	60	60	-
	Amsun Industries	2,384	-	-	-	-
	AME Construction	332	253	(1)628	-	-
	AME Development	276	276	276	276	-
	AME Industrial Park	2,960	2,971	989	989	-
	Tanjung Bebas	2,970	3,214	3,214	3,214	-
	AME Integrated	30	12,038	12,038	8,933	-
	I Stay Management	-	-	498	498	-
	Active Gold	140	-	-	-	-
	Symphony Square	3,073	2,920	1,196	1,196	-
	Twin Sunrich	3,073	3,073	1,077	1,077	-
	LKL Industries	66	36	36	36	-
Lee Sai Boon	Amsun Capital	-	-	20	20	-
	Amsun Industries	27	-	-	-	-
	AME Construction	703	-	-	-	-
	AME Development	92	92	92	92	-
	AME Industrial Park	987	990	330	330	-
	Tanjung Bebas	990	1,071	1,071	1,071	-
	AME Integrated	10	4,013	4,013	2,978	-
	I Stay Management	-	-	166	166	-
	Active Gold	46	-	-	-	-
	Symphony Square	1,024	973	399	399	-
	Twin Sunrich	1,024	1,024	359	359	-
	LKL Industries	22	12	12	12	-

Note:

(1) Being the outstanding performance bonus due to the Directors of AME Construction for the FYE 2017 and 2018 which were fully paid by AME Construction on 17 October 2018 and 22 November 2018.

The above advances by our Group Managing Director and Executive Directors were unsecured, interest-free and repayable on demand, and were therefore not on normal commercial terms and not on an arm's length basis. Our Directors are of the opinion that these transactions are not unfavourable to our Group.

As at the LPD, all outstanding amounts owing from the respective Group companies to our Group Managing Director and Executive Directors have been settled via capitalisation into new Shares under the Restructuring Exercise set out in Section 4.1 of this Prospectus.

(iv) Advances extended to Care Land, a company connected with our Promoters

In the FYE 31 March 2018, we had advanced an amount of RM16.8 million to Care Land to fund its capital call obligations in THAB Development. Such amount has been fully settled in the same financial year.

The above advance extended to Care Land was not on normal commercial terms and not on an arm's length basis as no fee or interest was paid on such advance, there was no fixed repayment terms and the advance was settled in full. Our Directors are of the view that the transaction is not unfavourable to our Group.

Following the Listing, our Group does not intend to enter into similar transaction with Care Land.

(v) Supply of construction services and advances and guarantee extended to THAB Development and its wholly-owned subsidiary, companies connected with our Promoters

AME Construction was appointed by THAB Development to construct iBP @ Nusajaya business park in the FYE 31 March 2016. In connection with the supply of construction services to THAB Development, there were progress billings by AME Construction and sums retained for defects liability by THAB Development. In addition, AME Construction has extended advances to and made payments on behalf of THAB Development for its general operating expenses.

THAB Development paid to AME Construction the following amounts for construction services rendered for the FYE 31 March 2016, 2017, 2018 and 2019 and the Relevant Period:

	FYE 31 March 2016	FYE 31 March 2017	FYE 31 March 2018	FYE 31 March 2019	1 April 2019 up to the LPD
			RM'000		
Contract income[(1)]	59,846	77,567	7,239	66	-

Note:

(1) Being the progress billings for construction works performed by AME Construction.

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

In addition to the above, the amounts owing by THAB Development as at the end of the FYE 31 March 2016, 2017, 2018 and 2019 and the Relevant Period are as follows:

	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 March 2019	As at the LPD
			RM'000		
Advances and payments on- behalf[(1)]	10	12	4	-	-
Retention sums[(2)]	4,961	-	3,647	-	-

Notes:

(1) Being the aggregate of advances to and payments made on behalf of THAB Development by AME Construction for general operating expenses, including payment of utilities bills and insurance premiums in respect of the joint venture.

(2) Being the retention sum withheld by THAB Development for defects liability.

The above advance by AME Construction to THAB Development was unsecured, interest-free and repayable on demand, and was therefore not on normal commercial terms and not on an arm's length basis. Our Directors are of the opinion that this advance is not unfavourable to our Group.

The progress billings and retention sums paid by THAB Development were on normal commercial terms and on an arm's length basis having regard to the fees we would normally expect to charge to third parties for the provision of equivalent services, and accordingly were not unfavourable to our Group.

Following the Listing, our Group does not intend to enter into similar transactions with THAB Development save for transactions in our ordinary course of business and on normal commercial terms.

In addition, AME Development provided third party corporate guarantees to:

(i) THAB Development for the sum of RM33.95 million to secure banking facilities granted to THAB Development by Malayan Banking Berhad in January 2015 proportionate to the shareholdings of Care Land, a company owned by our Promoters. Malayan Banking Berhad has on 5 August 2019 fully discharged the said guarantee; and

(ii) THAB PTP for the sum of RM10.50 million to secure banking facilities granted to THAB PTP by CIMB Bank Berhad in August 2017 proportionate to the shareholdings of Care Land, a company owned by our Promoters. CIMB Bank Berhad has on 1 August 2019 fully discharged the said guarantee.

As no consideration was paid by Care Land to AME Development, our Directors are of the view that these guarantees were not on normal commercial terms and not on an arm's length basis but they were not unfavourable to our Group as the guarantees were duly discharged without liability on the part of AME Development.

Following the Listing, AME Development does not intend to provide similar guarantees to related parties without the consent of our non-interested shareholders in accordance with the Listing Requirements.

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

(vi) Transactions with Infinity Park Management

During the FYE 31 March 2016, 2017, 2018 and 2019 and the Relevant Period, certain of our subsidiaries, namely AME Development, Active Gold and LKL Industries had entered into management services agreements with Infinity Park Management, where Infinity Park Management provided management services in respect of the industrial units and plots in i-Park @ SiLC and i-Park @ Indahpura owned and/or leased by them. As part of this arrangement, our Group paid Infinity Park Management aggregate fees for the FYE 31 March 2016, 2017, 2018 and 2019 and the Relevant Period as follows:

	FYE 31 March 2016	FYE 31 March 2017	FYE 31 March 2018	FYE 31 March 2019	1 April 2019 up to the LPD
			RM'000		
Aggregate fees paid	163	146	203	56	-

Our Directors confirm that the fees for the provision of management services were reasonable, on normal commercial terms and on an arm's length basis as the fees were comparable to those charged by other unrelated third parties for similar industrial units. In addition, the fees are comparable to those paid by other tenants, for so long as Infinity Park Management continues to provide management services for other industrial units in i-Park @ SiLC and i-Park @ Indahpura.

Since 12 September 2018, Infinity Park Management has ceased to be a related party to our Group. Notwithstanding, after our Listing, our Directors will ensure that future transactions with Infinity Park Management, if any, shall be in accordance with the Listing Requirements and will continue to be carried out on an arm's length basis and on normal commercial terms which will not be more favourable to Infinity Park Management than those generally available to third parties.

(vii) Transactions with LT Fabrication & Engineering

From time to time, AME Engineering has engaged LT Fabrication & Engineering as a sub-contractor for steel fabrication works and installation of steel and precast structures in respect of our construction projects.

The aggregate amounts paid to LT Fabrication & Engineering for such transactions for the FYE 31 March 2016, 2017, 2018 and 2019 and the Relevant Period are set out below.

	FYE 31 March 2016	FYE 31 March 2017	FYE 31 March 2018	FYE 31 March 2019	1 April 2019 up to the LPD
			RM'000		
Aggregate amount incurred	2,299	3,851	3,704	2,389	883

Our Directors confirm that the transactions with LT Fabrication & Engineering were on normal commercial terms and carried out on an arm's length basis having regard to comparable quotes obtained from independent third parties for the same scope of services, and accordingly were not unfavourable to our Group.

Following the Listing, we will be required to seek our shareholders' approval each time we engage LT Fabrication & Engineering as a sub-contractor for steel fabrication works and installation of steel and precast structures in respect of our construction projects in accordance with the Listing Requirements. Our Directors will ensure that transactions with LT Fabrication & Engineering, if any, will be carried out on an arm's length basis and on normal commercial terms which will not be more favourable to LT Fabrication & Engineering than those generally available to third parties.

(viii) Lease of corporate headquarters from Syarikat Asia Mechanical

Prior to August 2018, we leased a double storey detached office premises with a total floor space of 21,780 sq. ft. located at Kawasan Perindustrian Tebrau 2, Johor Bahru from Syarikat Asia Mechanical as our corporate headquarters.

The aggregate rental paid to Syarikat Asia Mechanical for the lease of the office premises for the FYE 31 March 2016, 2017, 2018 and 2019 and the Relevant Period is set out below.

	FYE 31 March 2016	FYE 31 March 2017	FYE 31 March 2018	FYE 31 March 2019(1)	1 April 2019 up to the LPD
			RM'000		
Aggregate rental	(2)240	(2)240	(3)264	(3)(4)99	-

Notes:

(1) Our Group has ceased leasing the office premises from Syarikat Asia Mechanical since 15 August 2018 when we moved to our new headquarters in i-Park @ SAC.

(2) Based on rental of RM20,000 per month.

(3) Based on rental of RM22,000 per month.

(4) For the period commencing 1 April 2018 up to 15 August 2018.

The rental rate was mutually agreed upon between the parties which was lower than the market rental rates, and was therefore not on normal commercial terms and not on an arm's length basis. As such, our Directors are of the opinion that the transaction was not unfavourable to our Group.

The lease was terminated on 15 August 2018 and all amounts due to Syarikat Asia Mechanical for the lease have been fully settled on 20 August 2018.

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

Our Board has confirmed that there are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which our Company and any of our subsidiaries was a party for the FYE 31 March 2016, 2017, 2018 and 2019 and the Relevant Period.

8.1.3 Outstanding loans and/or financial assistance made to or for the benefit of related parties

Our Board has confirmed that save as disclosed in Section 8.1.1 (iv) and (v) of this Prospectus, there are no outstanding loans (including guarantees of any kind) and/or financial assistance made by our Group to or for the benefit of any related parties for the FYE 31 March 2016, 2017, 2018 and 2019 and the Relevant Period.

8.1.4 Provision of securities by our substantial shareholders and Directors for banking facilities granted to our Group

During the FYE 31 March 2016, 2017, 2018 and 2019 and the Relevant Period, our major shareholders and Promoters, namely Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon, provided personal guarantees for credit facilities granted to our Group (including our jointly-controlled entity in proportion to the shareholding interest of our Group in such jointly-controlled entity). The aggregate amount of facilities secured as at LPD was around RM565.88 million.

After our Listing, we intend to request the respective financial institutions to release and discharge of the above securities provided by Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon and substitute them with securities to be provided by our Company. Notwithstanding, Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon have undertaken to continue to provide the aforesaid securities to the financial institutions until the maturity of the loans to which they relate, in the event that these financial institutions do not agree to the release of the securities.

8.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

8.2.1 Audit and Risk Management Committee review

The Audit and Risk Management Committee reviews related party transactions and conflicts of interest situations that may arise within our Company or Group and any related parties outside our Group. The Audit and Risk Management Committee reviews the procedures set by our Company to monitor related party transactions to ensure the integrity of these transactions, procedures or course of conducts. In reviewing the related party transactions, the following, amongst other things will be considered:

(i) the rationale and the cost/benefit to our Company is first considered;

(ii) where possible, comparative quotes will be taken into consideration;

(iii) that the transactions are based on normal commercial terms and not more favourable to the related parties than those generally available to third parties dealing on an arm's length basis; and

(iv) that the transactions are not detrimental to our Company's minority shareholders.

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

8.2.2 Our Group's policy on related party transactions

Related party transactions by their very nature, involve conflicts of interest between our Group and the related parties with whom our Group has entered into such transactions. Some of the Directors of our Group are also directors and in some cases, shareholders of the related parties of our Group, as disclosed in this Prospectus, and with respect to these related party transactions, may individually and in aggregate have conflicts of interest. It is the policy of our Group that all related party transactions are carried out on normal commercial terms which are not more favourable to the related parties than those generally available to the public dealing at arm's length with our Group and are not detrimental to our minority shareholders.

In addition, we plan to adopt a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situation, to comply with the Listing Requirements and adhere to the best extent possible with the guidance principles set out in the MCCG upon our Listing. The procedures which may form part of the framework including, amongst other things, the following:

(i) our Board shall ensure that majority of our Board's members are independent directors and will undertake an annual assessment on our Independent Directors;

(ii) our Directors will be required to immediately make full disclosure of any direct or indirect interest that they may have in any business enterprise that is engaged in or proposed to be engaged in a transaction with our Group, whether or not they believe it is a material transaction. Upon such disclosure the interested Director shall be required to abstain from deliberation and voting on any resolution related to the related party transaction; and

(iii) all existing or potential related party transactions would have to be disclosed by the interested party for management reporting. Our management will propose the transactions to our Audit and Risk Management Committee for evaluation and assessment who would in turn, make a recommendation to our Board.

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9. CONFLICTS OF INTEREST

9.1 INTEREST IN SIMILAR BUSINESS

Save as disclosed below, as at the LPD, none of our Directors and/or substantial shareholders has any interest, direct or indirect, in other businesses or corporations that (i) carry on a similar trade as our Group; or (ii) are customers or suppliers of our Group, and their interests in other businesses and corporations as set out in Section 3.2.3 of this Prospectus would not give rise to a situation of conflict of interest with our Group.

The following is a list of businesses or corporations, as discussed in this section, that (i) carry on a similar trade as our Group; or (ii) are customers or suppliers of our Group and in which our Directors and/or substantial shareholders have interest:

Name of company	Principal activities	Affected persons	Nature of interest	Direct interest	Indirect interest
				%	%
LKL Industries (JB) Sdn Bhd ("**LKL Industries (JB)**")	Property investment	(i) Lee Chai	Directors and shareholders	30.00	-
		(ii) Kang Ah Chee		30.00	-
		(iii) Lim Yook Kim		30.00	-
		(iv) Lee Sai Boon		10.00	-
Lotus Ideal	Property investment	(i) Lee Chai	Directors and shareholders	30.00	-
		(ii) Kang Ah Chee		30.00	-
		(iii) Lim Yook Kim		30.00	-
		(iv) Lee Sai Boon		10.00	-
Nusajaya Square	Property development	(i) Lee Chai	Shareholders	-	(1)10.50
		(ii) Kang Ah Chee		-	(1)10.50
		(iii) Lim Yook Kim		-	(1)10.50
		(iv) Lee Sai Boon		-	(1)3.50

9. CONFLICTS OF INTEREST *(Cont'd)*

Name of company	Principal activities	Affected persons	Nature of interest	Direct interest	Indirect interest
				%	%
Nusajaya Concept	Property development	(i) Lee Chai	Shareholders	-	[(2)]7.35
		(ii) Kang Ah Chee		-	[(2)]7.35
		(iii) Lim Yook Kim		-	[(2)]7.35
		(iv) Lee Sai Boon		-	[(2)]2.45
Smart Attitude Sdn Bhd (“**Smart Attitude**”)	Property investment	(i) Lee Chai	Shareholders	-	[(1)]9.99
		(ii) Kang Ah Chee		-	[(1)]9.99
		(iii) Lim Yook Kim		-	[(1)]9.99
		(iv) Lee Sai Boon		-	[(1)]3.33
Lifestyle Capital	Property investment and short term investment in quoted shares	(i) Lee Chai	Directors and shareholders	25.00	-
		(ii) Kang Ah Chee		25.00	-
		(iii) Lim Yook Kim		25.00	-
		(iv) Lee Sai Boon		25.00	-
Syarikat Asia Mechanical	Property investment	(i) Tan Mui Heong	Directors and shareholders	33.33	-
		(ii) Lee Ah Eng		33.33	-
		(iii) Kang Koh Wei	Persons connected to Lee Chai, Kang Ah Chee and Lim Yook Kim	33.33	-
		(iv) Kang Chai Poh		-	-
Care Realty Sdn Bhd (formerly known as AME Realty Sdn Bhd (“**AME Realty**”)) (“**Care Realty**”)	Property investment	(i) Lee Chai	Shareholders	30.00	-
		(ii) Kang Ah Chee		30.00	-
		(iii) Lim Yook Kim		30.00	-
		(iv) Lee Sai Boon		10.00	-

9. CONFLICTS OF INTEREST *(Cont'd)*

Name of company	Principal activities	Affected persons	Nature of interest	Direct interest	Indirect interest
				%	%
Danga Eighty Eight Sdn Bhd ("**Danga 88**")	Property development	(i) Lee Chai	Shareholders	-	[3]22.50
		(ii) Kang Ah Chee		-	[3]22.50
		(iii) Lim Yook Kim		-	[3]22.50
		(iv) Lee Sai Boon		-	[3]7.50
Care Land	Property investment	(i) Lee Chai	Shareholders	30.00	-
		(ii) Kang Ah Chee		30.00	-
		(iii) Lim Yook Kim		30.00	-
		(iv) Lee Sai Boon		10.00	-
THAB Development	Property development	(i) Lee Chai	Shareholders	-	[4]10.50
		(ii) Kang Ah Chee		-	[4]10.50
		(iii) Lim Yook Kim		-	[4]10.50
		(iv) Lee Sai Boon		-	[4]3.50
THAB PTP	Property development and Investment	(i) Lee Chai	Shareholders	-	[5]10.50
		(ii) Kang Ah Chee		-	[5]10.50
		(iii) Lim Yook Kim		-	[5]10.50
		(iv) Lee Sai Boon		-	[5]3.50

Notes:

(1) *Deemed interested through Lotus Ideal under Section 8 of the Act.*

(2) *Deemed interested through Lotus Ideal and Nusajaya Square under Section 8 of the Act.*

(3) *Deemed interested through Care Realty under Section 8 of the Act.*

(4) *Deemed interested through Care Land under Section 8 of the Act.*

(5) *Deemed interested through Care Land and THAB Development under Section 8 of the Act.*

(i) Interest in LKL Industries (JB)

Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon, being our Directors and substantial shareholders are also the shareholders and directors of LKL Industries (JB), which is principally involved in property investment.

As at the LPD, LKL Industries (JB) owns a plot of vacant commercial land measuring about 130,685 sq. ft. in Mukim Jelutong, Johor Bahru, which was acquired from a third party in 2010 for investment purposes.

Our Board is of the view that there is no existing or potential conflict of interest between our Group and LKL Industries (JB) due to the following:

(a) the land owned by LKL Industries (JB) for investment is outside our industrial parks and is intended for sale, while our Group's property investment activities comprise the leasing of industrial buildings and rental and management of the workers' dormitories within our industrial parks;

(b) the size of the land owned by LKL Industries (JB) is small compared to the average land size of our industrial park developments which measures more than 100 acres;

(c) LKL Industries (JB) has not in the past and is not currently involved in any property investments which are similar or that would compete with the business of our Group;

(d) our Group does not typically engage in the development of land for commercial properties except where the development is adjacent to complement our industrial parks; and

(e) Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon's involvement as directors of LKL Industries (JB) is limited to the extent of attending board meetings, in which they serve and discharge their principal role and duty as directors of LKL Industries (JB). Accordingly, they do not participate in the day-to-day management or operations of LKL Industries (JB).

Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon intend to remain focused on their involvement in our Group. As such, on 29 August 2018, Wong Chee Loong was appointed as a director of LKL Industries (JB) to oversee the day-to-day management and operations of the business of LKL Industries (JB). For the avoidance of doubt, Wong Chee Loong is not in any manner related to Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon.

(ii) Interest in Lotus Ideal

Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon, being our Directors and substantial shareholders are also the shareholders and directors of Lotus Ideal, which is principally involved in property investment.

As at the LPD, Lotus Ideal owns the following lands or properties intended for purposes of sale:

(a) a plot of vacant agricultural land measuring about 201,737 sq. ft. in Kota Tinggi, Johor Bahru, which Lotus Ideal acquired from a third party in 2014;

(b) a piece of vacant land measuring about 5,195 sq. ft. attached to a residential property in Jalan Kemaman, Johor Bahru which AME Construction obtained as a result of a set-off arrangement with a third party customer and sold to Lotus Ideal in 2017;

(c) a single-storey detached factory with mezzanine office measuring about 9,870 sq. ft. in SME City, Kulai Jaya, Johor Bahru which is currently leased to a third party. The lease is for the period from February 2017 to February 2020. AME Construction was involved in the construction of the SME City project with Axis AME IP and Lotus Ideal acquired the said property from Axis AME IP in 2013;

(d) a two-storey semi-detached factory measuring about 15,221 sq. ft. in iBP @ Nusajaya business park, Iskandar Malaysia, Johor Bahru. AME Construction was involved in the construction of the iBP @ Nusajaya business park project with THAB Development and Lotus Ideal acquired the said property from THAB Development in 2015;

(e) two units of commercial shop offices in Johor Bahru. AME Construction was involved in the construction with Nusajaya Square and Lotus Ideal acquired the said property from Nusajaya Square in 2013;

(f) one unit of commercial shop office in Johor Bahru which Lotus Ideal acquired from a third party in 2015;

(g) three units of bungalows in Johor Bahru which Lotus Ideal acquired from various third parties in 2014;

(h) one unit of semi-detached house in Jalan Kemaman, Johor Bahru which AME Construction obtained as a result of a set-off arrangement with a third party customer and sold to Lotus Ideal in 2017; and

(i) one condominium unit at St Mary Residences in Jalan Tengah, Kuala Lumpur which AME Construction obtained from a third party and subsequently sold to Lotus Ideal in 2017.

Our Board is of the view that there is no existing or potential conflict of interest between our Group and Lotus Ideal due to the following:

(a) the lands owned by Lotus Ideal for investment are outside our industrial parks and the category of land use for these lands are agriculture and residential, which are not suitable for an industrial park development. In addition, Lotus Ideal is not involved in property development and/or construction activities;

(b) the two factory units owned by Lotus Ideal are smaller units with no gated and guarded facilities as compared to the buildings within our industrial parks (which are mostly more than 30,000 sq. ft. and all located within managed industrial parks), and therefore do not compete with our product offerings. Further, our Group does not own any factory units in SME City or iBP @ Nusajaya business park as part of our portfolio of investment properties;

(c) Lotus Ideal is only involved in small-scale property investment (small-sized factory units, commercial and residential properties), while our Group's property investment activities focus on leasing of industrial buildings and rental and management of the workers' dormitories within our industrial parks;

(d) Lotus Ideal has not in the past and is not currently involved in any property investments which are similar or that would compete with the business of our Group; and

(e) Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon's involvement as directors of Lotus Ideal is limited to the extent of attending board meetings, in which they serve and discharge their principal role and duty as directors of the company. Accordingly, they do not participate in the day-to-day management or operations of Lotus Ideal.

Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon intend to remain focused on their involvement in our Group. As such, on 29 August 2018, Wong Chee Loong was appointed as a director of Lotus Ideal to oversee the management (such as management of tenants and vendors) as well as operational matters (such as routine and ad-hoc maintenance and inspections and rental collection) of Lotus Ideal. For the avoidance of doubt, Wong Chee Loong is not in any manner related to Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon.

(iii) Interest in Nusajaya Square and Nusajaya Concept

Nusajaya Square is a joint-venture company between Lotus Ideal (35%), PPB Premium Development Sdn Bhd (35%) and Emerging Capital Sdn Bhd (30%). Nusajaya Square and its wholly-owned subsidiary, Nusajaya Concept were formed solely for the joint venture development of approximately 29 acres of land into 158 units shop offices in SiLC Iskandar Puteri, Johor which were completed in September 2017.

As at the LPD, 142 units out of 158 units of shop offices were sold. Save for the development of the shop offices, Lotus Ideal and/or its joint-venture companies, Nusajaya Square and Nusajaya Concept have not in the past, undertaken any other property development activities.

In addition, as at the LPD, Nusajaya Square owns a plot of vacant commercial land measuring about 278,604 sq. ft. in Nusajaya Square, SiLC, Johor which is held for sale.

Our Board is of the view that there is no existing or potential conflict of interest between our Group and Nusajaya Square and Nusajaya Concept due to the following:

(a) Nusajaya Square and Nusajaya Concept are involved in developing commercial land, namely the developed 158 units of shop offices completed in September 2017 and having to own the vacant commercial land measuring about 278,604 sq. ft., while our Group does not typically engage in the development of land for commercial properties except where the development is adjacent to complement our industrial parks;

(b) Nusajaya Square and Nusajaya Concept have not in the past and are not currently involved in any property development activities which are similar or that would compete with the business of our Group; and

(c) Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon are not involved in the daily operations and management of Nusajaya Square and Nusajaya Concept

Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon intend to remain focused on their involvement in our Group. As such, they have on 8 October 2018, appointed Wong Chee Loong as a director of Nusajaya Square and Nusajaya Concept and Pu Suan Aik as a director of Nusajaya Square. Accordingly, Lee Chai and Lee Sai Boon have resigned as director of Nusajaya Square on 8 October 2018 while Lee Sai Boon has resigned as a director of Nusajaya Concept on 2 November 2018. Wong Chee Loong and Pu Suan Aik will oversee the management of Nusajaya Square together with the other two existing directors, while Wong Chee Loong will oversee the management of Nusajaya Concept together with the other two existing directors. For the avoidance of doubt, Wong Chee Loong, Pu Suan Aik and the other existing directors of Nusajaya Square and Nusajaya Concept are not in any manner related to Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon.

(iv) Interest in Smart Attitude

Smart Attitude, a property investment company is owned by Lotus Ideal (33.3%), Kang Seng Huat (16.7%) and Wang Wai Keong @ Wong Wai Keong (33.3%) and Kang Sea Wai (16.7%).

As at the LPD, Smart Attitude owns 16 units of shop lots in Pahang, comprising 10 units of two-storey shop lots and six units of three-storey shop lots. Smart Attitude had earlier sold three units out of a total of 19 units of shop lots it acquired from third parties in 2012.

Our Board is of the view that there is no existing or potential conflict of interest between our Group and Smart Attitude due to the following:

(a) Smart Attitude's property investments involve commercial properties, being the shop lots, while our Group's property investment activities focus on leasing of industrial buildings and rental and management of the workers' dormitories within our industrial parks;

(b) Smart Attitude has not in the past and is not currently involved in any property investments which are similar or that would compete with the business of our Group; and

(c) Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon are not the directors and direct shareholders of Smart Attitude, and they do not participate in the day-to-day management or operations of Smart Attitude.

(v) Interest in Lifestyle Capital

Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon, being our directors and substantial shareholders are also the shareholders and directors of Lifestyle Capital, which is principally involved in property investment and short term investments in quoted shares.

As at the LPD, Lifestyle Capital owns the following properties for investment purposes:

(a) a three-storey shop office measuring about 5,040 sq. ft. in Taman Mount Austin, Johor Bahru acquired from Asiamost in 2017 for investment purposes. The shop office is currently leased to a third party for the period of three years from October 2016 to October 2019; and

(b) a three-storey retail shop on a land size measuring about 2,275 sq. ft. in The Jacaranda, Johor Bahru acquired from Ipark Development in August 2019 for investment purposes.

Our Board is of the view that there is no existing or potential conflict of interest between our Group and Lifestyle Capital due to the following:

(a) Lifestyle Capital is only involved in the investment of two commercial properties, while our Group's property investment activities focus on leasing of industrial buildings and rental and management of the workers' dormitories within our industrial parks;

(b) Lifestyle Capital has not in the past and is not currently involved in any property investments which are similar or that would compete with the business of our Group; and

(c) Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon's involvement as directors of Lifestyle Capital is limited to the extent of attending board meetings, in which they serve and discharge their principal role and duty as directors of the company. Accordingly, they do not participate in the day-to-day management or operations of Lifestyle Capital.

Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon intend to remain focused on their involvement in our Group. As such, on 29 August 2018, Wong Chee Loong was appointed as a director of Lifestyle Capital to oversee the management (such as management of its tenant) as well as operational matters (such as routine and ad-hoc maintenance and inspections and rental collection) of Lifestyle Capital. For the avoidance of doubt, Wong Chee Loong is not in any manner related to Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon.

(vi) Interest in Syarikat Asia Mechanical

The shareholders of Syarikat Asia Mechanical, namely Tan Mui Heong, Kang Koh Wei and Lee Ah Eng are persons connected to Lee Chai (spouse of Tan Mui Heong), Kang Ah Chee (father of Kang Koh Wei and Kang Chai Poh) and Lim Yook Kim (spouse of Lee Ah Eng), the Directors and substantial shareholders of our Group, while the directors of Syarikat Asia Mechanical are Tan Mui Heong, Kang Chai Poh (brother of Kang Koh Wei and son of Kang Ah Chee) and Lee Ah Eng. Syarikat Asia Mechanical is principally involved in property investment.

As at the LPD, Syarikat Asia Mechanical owns the following properties for investment purposes:

(a) a double-storey detached office ("**Office Unit**") measuring about 21,780 sq. ft. in Kawasan Perindustrian Tebrau 2, Johor Bahru, which it owns since 1991. The office was previously rented as our Group's headquarters but our Group has ceased renting the office unit from Syarikat Asia Mechanical since we moved our headquarters in August 2018. Syarikat Asia Mechanical is in the process of negotiations to dispose of the Office Unit to a third party; and

(b) a single-storey detached factory with double storey office block measuring 99,964 sq. ft. in i-Park @ Indahpura, Kulaijaya, Johor Bahru which was acquired from AME Development in 2012 and the construction by AME Construction was completed in 2013. This property is currently leased to a third party for the period from March 2013 to February 2021 with an option to renew by the third party for a further period of seven years. Syarikat Asia Mechanical is in the process of negotiations to dispose of the factory to a third party.

Our Board is of the view that there is no existing or potential conflict of interest between our Group and Syarikat Asia Mechanical due to the following:

(a) notwithstanding that Syarikat Asia Mechanical owns a factory unit situated at i-Park @ Indahpura ("**i-Park @ Indahpura Factory**") as at the LPD, Syarikat Asia Mechanical intends to dispose the factory unit subject to the lease or upon the termination or expiry of the lease on the property on February 2021 or February 2028, as the case may be, to mitigate any potential conflict of interest situation that may arise with our Group's business. Syarikat Asia Mechanical has granted a right of first refusal to AME Development to acquire the i-Park @ Indahpura Factory in the following manner for so long as either Lee Chai, Kang Ah Chee or Lim Yook Kim remain as Directors and substantial shareholders, alone or in aggregate, of our Company ("**i-Park @ Indahpura Factory ROFR**"). If there is (aa) any proposed offer by a third party to purchase Syarikat Asia Mechanical's interest in the i-Park @ Indahpura Factory, or (bb) any proposed offer by a third party to rent or lease the i-Park @ Indahpura Factory (following the termination or expiry of the present lease on the property), Syarikat Asia Mechanical shall be required to offer to AME Development the first right to acquire the i-Park @ Indahpura Factory at a 10% discount to the purchase price offered by the third party for the i-Park @ Indahpura Factory or the market value as ascribed by an independent property valuer, respectively. If AME Development fails or does not wish to exercise the i-Park @ Indahpura Factory ROFR within a specified timeframe, Syarikat Asia Mechanical will be free to dispose or rent/lease the i-Park @ Indahpura Factory to the third party (as the case may be) at the purchase price offered by the third party or proceed to rent/lease the i-Park @ Indahpura Factory to the third party. The exercise of the i-Park @ Indahpura Factory ROFR is entirely at the discretion of our Audit and Risk Management Committee and our interested Directors and/or major shareholders will be required to abstain from all deliberations and voting at the board meeting to consider and approve such proposed acquisition. For avoidance of doubt, the i-Park @ Indahpura Factory ROFR shall be capable of being exercised from time to time until the i-Park @ Indahpura Factory is disposed by Syarikat Asia Mechanical in the manner set out above;

(b) upon disposal of the Office Unit and the i-Park @ Indahpura Factory, Syarikat Asia Mechanical will no longer hold any investment properties; and

(c) save for its one-off investment in the i-Park @ Indahpura Factory, Syarikat Asia Mechanical has not in the past and is not currently involved in any property investments which are similar or would compete with the business of our Group.

Lee Chai, Kang Ah Chee and Lim Yook Kim intend to remain focused on their involvement in our Group. As such, they have on 29 August 2018, appointed Tan Mui Heong, Lee Ah Eng and Kang Chai Poh as directors of Syarikat Asia Mechanical and accordingly, Lee Chai, Kang Ah Chee and Lim Yook Kim have resigned as directors of Syarikat Asia Mechanical on 29 August 2018. Tan Mui Heong, Lee Ah Eng and Kang Chai Poh will oversee the day-to-day management and operation of the business of Syarikat Asia Mechanical.

(vii) Interest in Care Realty and Danga 88

Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon, being our Directors and substantial shareholders are also the shareholders of Care Realty, which is principally involved in property investment. Danga 88, a 75%-owned subsidiary of Care Realty, is involved in property development.

As at the LPD, Danga 88 owns two vacant lands with a total land area measuring about 257,978.64 sq. ft. in Danga Bay, Johor Bahru which were acquired from third parties in 2012 and 2013 respectively. The lands are in a commercial zone and are held for sale.

Our Board is of the view that there is no existing or potential conflict of interest between our Group and Care Realty and Danga 88 due to the following:

(a) the lands owned by Danga 88 are in a commercial zone and are held for sale, while our Group's property investment activities comprise leasing of industrial buildings and rental and management of the workers' dormitories within our industrial parks. Further, our Group does not typically engage in the development of land for commercial properties except where the development is adjacent to complement our industrial parks;

(b) Care Realty and/or Danga 88 have not in the past and are not currently involved in any property investment and property development activities which are similar or that would compete with the business of our Group; and

(c) Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon do not participate in the day-to-day management or operations of Care Realty and/or Danga 88.

Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon intend to remain focused on their involvement in our Group. As such, they have on 29 August 2018, appointed Wong Chee Loong and Pu Suan Aik as directors of Care Realty and Danga 88 and accordingly, Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon have resigned as directors of Care Realty, and Lee Chai and Lee Sai Boon have resigned as directors of Danga 88 on 29 August 2018. Wong Chee Loong and Pu Suan Aik will oversee the management of Care Realty, while the day-to-day management and operation of the business of Danga 88 will be assumed jointly by Wong Chee Loong and Pu Suan Aik together with the other two existing directors of Danga 88. For the avoidance of doubt, Wong Chee Loong, Pu Suan Aik and the other two existing directors of Danga 88 are not in any manner related to Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon.

9. CONFLICTS OF INTEREST *(Cont'd)*

(viii) Interest in Care Land, THAB Development and THAB PTP

Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon, being our directors and substantial shareholders are also the shareholders of Care Land, which is principally involved in property investment. Care Land holds 35% equity interest in THAB Development, a joint-venture company that was formed together with BP Lands Sdn Bhd (35%), Tat Hong International Pte Ltd (25%) and L&M Ground Engineering Sdn Bhd (5%).

THAB Development and its wholly-owned subsidiary, THAB PTP were formed solely for the joint venture development of the iBP @ Nusajaya business park project in Iskandar Malaysia, Johor Bahru. The iBP @ Nusajaya business park project was launched in October 2015 and the development of commercial units within the business park was completed in January 2017. As at the LPD, 48 out of the total 92 completed units were sold and one out of the total 92 completed units were leased. Save for the development of iBP @ Nusajaya, Care Land and/or its joint-venture companies, THAB Development and THAB PTP have not in the past, undertaken any other property and/or construction activities.

Our Board is of the view that there is no existing or potential conflict of interest between our Group and Care Land, THAB Development and THAB PTP due to the following:

(a) the development of the iBP @ Nusajaya business park project completed in January 2017. The remaining 50 of factory units for sale are not located in the vicinity of our industrial parks and are smaller units measuring between 5,000 to 10,000 sq. ft. with no gated and guarded facilities compared to the buildings within our industrial parks (which are mostly more than 30,000 sq. ft. and all located within managed industrial parks), and therefore do not compete with our product offerings. Further, our Group does not own any factory units in the iBP @ Nusajaya business park as part of our portfolio of investment properties;

(b) Care Land and its joint-venture companies, THAB Development and THAB PTP have not in the past and are not currently involved in any property development activities which are similar or that would compete with the business of our Group;

(c) our Group does not typically engage in the development of land for commercial properties except where the development is adjacent to complement our industrial parks; and

(d) Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon do not participate in the day-to-day management or operations of Care Land, THAB Development and THAB PTP.

Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon intend to remain focused on their involvement in our Group. As such, Wong Chee Loong and Pu Suan Aik were appointed as directors of Care Land on 29 August 2018, THAB Development and THAB PTP on 8 October 2018. Accordingly, Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon have resigned as directors of Care Land on 29 August 2018 while Lee Chai and Lee Sai Boon have resigned as directors of THAB Development and THAB PTP on 8 October 2018. Wong Chee Loong and Pu Suan Aik will oversee the management of Care Land, while the day-to-day management and operation of the business of THAB Development and THAB PTP will be assumed jointly by Wong Chee Loong and Pu Suan Aik together with the other four existing directors of the companies. For the avoidance of doubt, Wong Chee Loong, Pu Suan Aik and the other four existing directors of THAB Development and THAB PTP are not in any manner related to Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon.

In view of the above companies carrying on a similar trade as our Group, our Group Managing Director and Executive Directors, namely Lee Chai, Lim Yook Kim, Kang Ah Chee and Lee Sai Boon have also each provided letters dated 11 November 2018 irrevocably undertaking that to the extent permissible by law, they will each procure, in their respective capacity as director and/or shareholder of the aforementioned companies in Section 9.1 of this Prospectus ("**Related Companies**"), that the Related Companies will not in any way carry on or be engaged, concerned or interested directly or indirectly, in any business competing with the following business of the Group namely, (i) the development of industrial parks; (ii) construction of manufacturing plants and industrial properties; (iii) steel engineering works, precast concrete works and mechanical & electrical engineering services; and (iv) rental and management of workers' dormitories. The undertakings shall subsist so long as each of them respectively remain as director and/or shareholder of the respective Related Companies.

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

9.2 DECLARATION BY ADVISERS FOR OUR IPO

(i) Declaration by CIMB

CIMB, its related and associated companies, as well as its holding company, CIMB Group Holdings Berhad and the subsidiaries and associated companies of its holding company ("**CIMB Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction service businesses. CIMB Group has not engaged but may in the future, engage in transactions with and perform services for our Company, in addition to the roles set out in this Prospectus.

In addition, in the ordinary course of business, any member of the CIMB Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with our Company, our shareholders, our affiliates, and/ or any other entity or person, hold long or short positions in securities issued by our Company, make investment recommendations and/ or publish or express independent research views on such securities, and may trade or otherwise effect transactions for its own account or for the account of its customers in debt or equity securities or senior loans of our Company and/ or our affiliates. This is a result of the businesses of CIMB Group generally acting independent of each other, and accordingly there may be situations where parts of the CIMB Group and/ or its customers now have or in the future, may have interest or take actions that may conflict with the interests of our Company.

CIMB has also confirmed that there is no existing or potential conflict of interest situation in its capacity as the Principal Adviser in relation to the IPO, the Joint Bookrunner for the Institutional Offering as well as the Managing Underwriter and the Joint Underwriter for the Retail Offering.

(ii) Declaration by RHB

RHB has confirmed that there is no existing or potential conflict of interest in its capacity as the Joint Bookrunner for the Institutional Offering and the Joint Underwriter for the Retail Offering.

(iii) Declaration by Lee Hishammuddin Allen & Gledhill

Lee Hishammuddin Allen & Gledhill has confirmed that there is no existing or potential conflict of interest in its capacity as the Legal Advisers to our Company in relation to the IPO.

(iv) Declaration by Wong Beh & Toh

Wong Beh & Toh has confirmed that there is no existing or potential conflict of interest in its capacity as the Legal Advisers to the Joint Bookrunners, Managing Underwriter and Joint Underwriters in relation to the IPO.

(v) Declaration by KPMG PLT

KPMG PLT has confirmed that there is no existing or potential conflict of interest in its capacity as the Auditors and the Reporting Accountants to our Company in relation to the IPO.

(vi) Declaration by Smith Zander

Smith Zander has confirmed that there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher to our Company in relation to the IPO.

(vii) Declaration by C H Willliams Talhar & Wong

C H Williams Talhar & Wong has confirmed that there is no existing or potential conflict of interest in its capacity as the independent Valuers to our Company in relation to the IPO.

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10. FINANCIAL INFORMATION

10.1 SELECTED HISTORICAL COMBINED FINANCIAL INFORMATION

Our Company was incorporated in Malaysia under the Act on 27 August 2018. The formation of our Group was undertaken through a Restructuring Exercise, details of which are set out in Section 4.1 of this Prospectus. The Restructuring Exercise was completed on 1 June 2019.

You should read the following selected historical combined financial information for the financial years and as at the dates indicated below in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Section 10.3 of this Prospectus and our historical combined financial statements and the accompanying notes as set out in the Accountants' Report included in Section 11 of this Prospectus.

The historical results for any prior financial years are not necessarily indicative of results to be expected for a full financial year or for any future financial year.

Our Company and the companies acquired under the Restructuring Exercise have been under the common control of Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon throughout the financial years under review and are regarded as a continuing entity. Accordingly, the selected historical combined financial information of our Group has been prepared on the basis as if our Company has always been the holding company of our Group throughout the financial years under review. All intra-group balances, transactions, income and expenses are eliminated in full on combination.

The selected historical combined statements of comprehensive income have been prepared as if our Group structure had been in existence throughout the financial years under review. The selected historical combined statements of financial position of our Group have been prepared to present the assets and liabilities of our Group as if our Group structure has been in existence as at the reporting dates. For the basis of combination, please refer to Note 1 of the Accountants' Report included in Section 11 of this Prospectus.

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10.1.1 Selected historical combined statements of comprehensive income

The following table sets out the selected combined statements of comprehensive income of our Group for the periods indicated:

	FYE 31 March			
	2016	2017	2018	2019
	RM'000	RM'000	RM'000	RM'000
Revenue	249,243	298,958	341,320	339,013
Cost of sales	(195,127)	(217,033)	(248,612)	(244,960)
Gross profit	**54,116**	**81,925**	**92,708**	**94,053**
Other income	8,195	18,351	29,304	18,469
Distribution expenses	(1,094)	(3,171)	(2,441)	(3,768)
Administrative expenses	(22,952)	(27,148)	(28,152)	(31,956)
Other expenses	(421)	(1,708)	(1,247)	(207)
Results from operating activities	**37,844**	**68,249**	**90,172**	**76,591**
Finance income	4,016	4,269	3,877	3,202
Finance costs	(3,428)	(4,543)	(4,313)	(6,616)
Net finance income/ (costs)	**588**	**(274)**	**(436)**	**(3,414)**
Share of profit of an equity-accounted joint venture	2,686	6,559	5,483	(586)
PBT	**41,118**	**74,534**	**95,219**	**72,591**
Tax expense	(8,506)	(17,430)	(17,004)	(21,602)
PAT	**32,612**	**57,104**	**78,215**	**50,989**
Profit attributable to:				
Owners of our Company	32,610	57,661	70,971	47,347
Non-controlling interests	2	(557)	7,244	3,642
PAT	**32,612**	**57,104**	**78,215**	**50,989**
EBITDA[(1)]	45,472	80,174	101,287	81,372
EBITDA margin[(2)] (%)	18.24	26.82	29.68	24.00
GP margin[(3)] (%)	21.71	27.40	27.16	27.74
PBT margin[(4)] (%)	16.50	24.93	27.90	21.41
PAT margin[(5)] (%)	13.08	19.10	22.92	15.04
EPS (sen)				
- Basic and diluted[(6)]	9.54	16.88	20.77	13.86
- Adjusted[(7)]	7.63	13.50	16.62	11.09

Notes:

(1) EBITDA is computed based on the following:

	FYE 31 March			
	2016	***2017***	***2018***	***2019***
	RM'000	***RM'000***	***RM'000***	***RM'000***
PBT	*41,118*	*74,534*	*95,219*	*72,591*
Add:				
Finance costs	*3,428*	*4,543*	*4,313*	*6,616*
Depreciation	*4,942*	*5,366*	*5,632*	*5,367*
Less:				
Finance income	*(4,016)*	*(4,269)*	*(3,877)*	*(3,202)*
EBITDA	***45,472***	***80,174***	***101,287***	***81,372***

(2) Computed based on EBITDA over total revenue of our Group.

(3) Computed based on gross profit over total revenue of our Group.

(4) Computed based on PBT over total revenue of our Group.

(5) Computed based on PAT over total revenue of our Group.

(6) For comparative purposes, the basic and diluted EPS for the period under review has been computed based on profit attributable to owners of our Company and our share capital comprising 341,692,101 Shares before the IPO.

(7) For comparative purposes, the adjusted EPS for the period under review has been computed based on profit attributable to owners of our Company and our share capital comprising 427,115,101 Shares after the IPO.

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10.1.2 Selected historical combined statements of financial position

The following table sets out the selected financial information of the combined statements of financial position of our Group as at 31 March 2016, 2017, 2018 and 2019:

	FYE 31 March			
	2016	**2017**	**2018**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total non-current assets	196,853	285,220	370,192	418,277
Total current assets	323,970	511,254	487,336	475,104
Total assets	**520,823**	**796,474**	**857,528**	**893,381**
Total non-current liabilities	73,333	231,951	209,833	214,260
Total current liabilities	143,076	237,053	252,011	242,446
Total liabilities	**216,409**	**469,004**	**461,844**	**456,706**
Net current assets	180,894	274,201	235,325	232,658
Equity attributable to owners of our Company	304,507	308,090	369,061	406,409
Non-controlling interests	(93)	19,380	26,623	30,266
Total equity	**304,414**	**327,470**	**395,684**	**436,675**
Issued capital and reserves	304,414	327,470	395,684	436,675

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10.2 CAPITALISATION AND INDEBTEDNESS

The following information should be read in conjunction with the Reporting Accountant's Report on the Pro Forma Statements of Financial Position set out in Section 10.7 of this Prospectus.

The table below sets out our Group's capitalisation and indebtedness information based on the unaudited management accounts of our Group as at 31 July 2019. The pro forma financial information below has been prepared for illustrative purposes only and has been adjusted for our IPO and the use of proceeds arising from the Public Issue, on the assumption that the aforesaid were completed on 31 July 2019.

		Pro Forma I	Pro Forma II	Pro Forma III
	(1)Unaudited as at 31 July 2019	**(2)After adjustments for subsequent events**	**After Pro Forma I and the IPO**	**After Pro Forma II and use of IPO proceeds**
		RM'000		
Current				
Secured and guaranteed bank borrowings	26,795	26,795	26,795	26,795
Secured finance lease liabilities	1,828	1,828	1,828	1,828
Advances from a related party	703	703	703	703
	29,326	29,326	29,326	29,326
Non-current				
Secured and guaranteed bank borrowings	202,002	307,002	307,002	307,002
Secured finance lease liabilities	1,846	1,846	1,846	1,846
Advances from a related party	10,000	10,000	10,000	10,000
	213,848	318,848	318,848	318,848
Contingent liabilities	44,450	-	-	-
Total indebtedness	**287,624**	**(3)348,174**	**348,174**	**348,174**
Equity attributable to owners of the Company(4)	475,376	475,376	586,426	576,426
Non-controlling interests	31,982	31,982	31,982	31,982
Total capitalisation	**507,358**	**507,358**	**618,408**	**608,408**
Total capitalisation and indebtedness	**794,982**	**855,532**	**966,582**	**956,582**

Notes:

(1) Based on the unaudited management accounts of our Group.

(2) The following events took place subsequent to 31 July 2019:

(i) Contingent liabilities made up of corporate guarantees amounting to RM10.50 million and RM33.95 million have been fully discharged on 1 August 2019 and 5 August 2019, respectively.

(ii) Drawdown of term loan amounting to RM105.00 million for the acquisition of a parcel of land for the Phase 3 development of i-Park @ SAC on 27 August 2019.

(3) Our total indebtedness of RM348.17 million comprises the following:

(i) Short-term and long-term bank borrowings of RM26.80 million and RM202.00 million, respectively. These bank borrowings were mainly obtained to finance our investment properties and properties held for sale, bore interest ranging from about 4.67% to 7.95% and were secured over our investment properties and properties held for sale and guarantees from our Promoters. Our bank borrowings increased between 31 March 2019 and 31 July 2019 mainly due to drawdown of term loans for the financing of the construction costs associated with our investment properties;

(ii) Short-term and long-term finance leases liabilities of RM1.83 million and RM1.85 million, respectively. These finance leases liabilities were obtained for the hire purchase of machinery and equipment, and motor vehicles, bore interest ranging from about 2.34% to 4.61% and were secured over the machinery and equipment and motor vehicles; and

(iii) Advances from a related party of RM10.70 million. The non-current portion was an advance from a minority shareholder of RM10.00 million for working capital purposes of Ipark Development and was unsecured and bore interest at 0.50% per annum above the six month Kuala Lumpur Interbank Offered Rate. The current portion comprised of interest payable to the minority shareholder.

(4) The total listing expenses to be borne by us is estimated to be RM10.00 million, of which RM3.87 million will be set-off against equity and the remaining RM6.13 million will be charged to the profit and loss of our Group.

Save as disclosed above and in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Section 10.3 of this Prospectus, we have no other indebtedness in the form of borrowings, finance lease commitments, guarantees or contingent liabilities as at 31 July 2019.

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

The following management's discussion and analysis relates to the historical combined financial information of our Group as at and for the FYE 31 March 2016, 2017, 2018 and 2019.

You should read the following discussion in conjunction with the Reporting Accountant's Report on the Pro Forma Statements of Financial Position and the Accountants' Report as set out in Sections 10.7 and 11 of this Prospectus, respectively. The historical combined financial information was prepared as if our Group structure had been in existence throughout the financial years under review.

This discussion and analysis contains data derived from our audited combined financial statements as well as forward-looking statements that involve risks and uncertainties. The actual results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 7 of this Prospectus.

10.3.1 Overview of our operations

We are a construction and property group with core expertise in the construction of customised large manufacturing plants as well as design-and-build and development of industrial parks, complemented by our offerings in engineering services and property investment and management services in Malaysia.

Our integrated business model and capabilities culminates from our experience in designing and constructing customised large manufacturing plants and industrial buildings for MNCs and local enterprises since AME Construction's commencement of business in 1995. In this regard, we have completed the construction of around 200 manufacturing plants and industrial buildings of various sizes in Peninsular Malaysia for, amongst others, the steel, oleo chemical, oil and gas, electrical and electronics, consumer products, food and beverage, logistics and automotive industries. AME Construction is registered with CIDB as a Grade G7 contractor, enabling it to tender for contracts of unlimited value since 2000.

In 1996, we started to provide M&E engineering services which entail the provision of servicing, maintenance and installation of fire protection systems, and expanded our service offerings to external customers to include steel engineering works such as fabrication of steel structures, frames and piping in 2008 and precast concrete in 2015. All of these are also intended to complement our construction projects. Although we generally focus on projects involving industrial properties, we also provide M&E engineering services for residential and commercial buildings such as hotels and serviced residences. From time to time, we also perform retrofitting and renovation services in respect of existing industrial buildings for our customers/tenants as well as external customers, as and when required.

Following our success in the construction business, we ventured into the development of industrial parks in Johor since 2011. Our track record in developing industrial parks comprises customised industrial properties which are tailored to suit our customers' specific needs, as well as ready-built industrial properties, for sale or lease. Between 2011 and 2016, we completed the development of three industrial parks with a total GDV of RM766 million. As at the LPD, we are developing i-Park @ SAC (Phase 1 and 2) with an estimated GDV of RM717 million (excluding the four plots of commercial land for future development) through Ipark Development, while our jointly-controlled entity, Axis AME IP is developing i-Park @ Indahpura (Phase 3) with an estimated GDV of RM456 million. We expect to commence the construction of i-Park @ SAC (Phase 3) by the first quarter of 2020 following our acquisition of a parcel of land for the Phase 3 development of the project on 27 August 2019. We estimate all the phases of development of i-Park @ Indahpura and i-Park @ SAC to complete by 2023 and 2025, respectively.

Over the past eight years, we have also developed and retained a portfolio of investment properties comprising primarily ready-built and customised industrial factory units for lease, and in 2014 ventured into the rental of workers' dormitories to our customers and tenants as accommodation for their workers, including the management, maintenance and operation of the workers' dormitories.

Our principal business activities can be categorised into four segments as follows:

Business activities

Construction services	Property development	Engineering services	Property investment and management
Provision of construction services to external customers for the construction of manufacturing plants as well as for industrial properties developed by us	Development of industrial parks comprising customised and ready-built industrial properties for sale or lease	Provision of steel engineering, precast concrete works and M&E services to external customers as well as to complement our property development and construction activities	Leasing of industrial properties that we have developed within our industrial parks, as well as rental, management, maintenance and operation of workers' dormitories

Please refer to Section 5 of this Prospectus for our Group's detailed business overview.

10.3.2 Significant factors affecting our financial condition and results of operations

Our financial condition and results of operations have been and are expected to be affected by, amongst others, the following factors:

(i) Economic growth and the growth of the industrial property sector in Malaysia

Our business has benefited, and is expected to continue to benefit from the economic growth in Malaysia, investments in the manufacturing sector and the corresponding demand for industrial properties in the country. During the four FYE 31 March 2016, 2017, 2018 and 2019, we have experienced strong demand for our construction services and industrial properties, as well as growth in rental income and value of our investment properties. We have also been able to attract MNCs to operate in our industrial parks, which we believe has helped to attract other MNCs and local enterprises to purchase or lease property units within our industrial parks.

Any economic downturn in Malaysia, changes in market conditions affecting the property market and foreign direct investments in the manufacturing industry, particularly in Johor and the regions where we operate in the future, may affect the demand for industrial properties. This could potentially have an adverse impact on our business and profitability due to the possibility of postponement, delay or cancellation of construction projects. Further, this may adversely affect the business, operation, financial condition and results of operations of the buyers and tenants of our industrial properties which in turn affect our revenue generated from the sale and lease of properties.

(ii) The progress of our construction and industrial property development projects and our ability to complete such projects as scheduled

Our results of operations with respect to construction services and property sales may fluctuate significantly from period to period depending on the number, value and stage of completion of projects undertaken by us. We recognise revenue with respect to construction services and property sales based on the percentage of completion method. As the development and construction schedules of our projects are not spread evenly over time, our results of operations may differ significantly from time to time. If there is any delay in delivery of our projects for any reason, many of which are beyond our control, our results of operations during the period could be materially and adversely affected.

(iii) Our ability to continually secure buyers and tenants for the sale and lease of our properties

Our sales of properties are affected by a number of factors, including (i) the number of units we sell, (ii) their selling prices, (iii) the market response to the launch of our projects, (iv) the stage of development and status of completion of the overall industrial park development project. We determine the selling prices of our properties based on property type, the design and quality, as well as supply and demand of industrial properties. The selling prices for property units are also likely to be higher when our industrial park development project moves to the later phase(s) of development.

For our customised properties which we sell prior to completion, the sales value is recognised as revenue progressively over a period of six to 24 months and is typically pegged to construction milestones. For ready-built properties, the sales value is recognised in full as revenue upon the purchase of the unit by the customer.

Our revenue derived from rental of our investment properties in any given period may vary significantly depending on the rental and occupancy rates of our properties. The rental and occupancy rates of our industrial park properties are affected by a number of factors, including the overall attractiveness of our projects, supply and demand of industrial properties, our tenant mix, market rental rates of similar properties and general economic conditions.

(iv) The availability, suitability and cost of land for future industrial park development

Our growth depends in part on our ability to continuously identify and obtain suitable land parcels, in desirable locations and at a commercially acceptable cost for future development projects. We plan to acquire land to satisfy our development requirements for the next three to five years on a rolling basis. In FYE 31 March 2016, we paid RM36.99 million as deposit for three parcels of land for our i-Park @ SAC industrial park development project and RM197.69 million as the remaining balances for the first two parcels of the said land in FYE 31 March 2017, representing 245.39% and 531.32% of our revenue from sale of properties in these years, respectively. On 27 August 2019, we acquired the third and final parcel of land for our i-Park @ SAC industrial park development project for RM135.13 million using our internally generated funds and bank borrowings. Changes in the price of land may significantly affect our business, results of operations and financial condition. We expect that competition for land bank for industrial park development projects will intensify and land acquisition costs will rise, which will have a significant impact on our results of operations.

(v) Cost of our construction and engineering services and property development projects

Our results of operations depend on our ability to control our contract costs and costs of property development. The major component of contract costs relates to our construction and engineering services projects and include sub-contractors costs for structural, construction and M&E works and labour supply, and cost of raw materials such as ready-mix concrete, steel bar and steel materials, metal roofing and purlin/lip channel, to name a few. For FYE 31 March 2016, 2017, 2018 and 2019, our total sub-contractors costs and raw material costs in aggregate accounted for around 78.39%, 78.11%, 61.06% and 70.35% of our total cost of sales, respectively.

Our cost of property development mainly comprises construction costs such as infrastructure costs, earthworks, piling works and M&E works and payments for land costs and stamp duty on purchase of land. For FYE 31 March 2016, 2017, 2018 and 2019, our construction costs, and land and related costs in aggregate accounted for around 1.88%, 4.34%, 18.14% and 6.72% of our total cost of sales, respectively.

The cost of sub-contractors, construction costs and raw materials may continue to fluctuate from time to time. As such, any significant increase in land and related costs and the above components of cost in respect of our construction and engineering services and property development projects will adversely affect our overall cost of sales.

(vi) The proportion of investment properties and change in fair value of our investment properties

Although we have derived, and expect to continue to derive more revenue from sale of properties as opposed to rental income from lease of properties, we hold a number of properties we develop as investment properties in accordance with our development plan to enjoy the recurring rental income and capital appreciation. Depending on our cash flow requirements and market conditions, we may adjust the proportion of properties we hold as investment properties from time to time. As a result, if the proportion of properties held for sale decreases, our revenue, cash flows and gross profit margin may be affected in a certain period.

Changes in fair value of our investment properties have had, and are expected to have, a substantial effect on our results of operations. Investment properties are initially measured at cost and subsequently stated at their fair value based on valuations performed by an independent property valuer, and subsequent gains or losses arising from changes in these fair values are recorded as fair value gains or losses on investment properties. Changes in fair value can arise from either completed investment properties or investment properties under development. Their fair values may increase or decrease based on a wide range of factors, including social and economic environment and government policies. For FYE 31 March 2016, 2017, 2018 and 2019, we recorded net fair value gains on our investment properties of around RM6.34 million, RM16.57 million, RM25.77 million and RM16.38 million, respectively. These adjustments reflected unrealised capital gains on our investment properties as of the relevant reporting dates, and did not generate cash flow. We expect the impact of valuation adjustments on our results of operations will continue to be significant as a result of market fluctuations, and have significant impact on our results of operations.

(vii) Our access to and cost of financing

Bank borrowings are important sources of funding for our property development and construction and engineering services business. As at 31 March 2016, 2017, 2018 and 2019, our outstanding bank borrowings amounted to RM73.90 million, RM250.90 million, RM219.70 million and RM215.84 million, respectively. The average effective interest rates of our bank borrowings for the FYE 31 March 2016, 2017, 2018 and 2019 were around 5.07%, 5.03%, 5.48% and 5.56%, respectively. Average effective interest rates are derived by dividing the total interest costs for the relevant period by the amount of our bank borrowings as at the end of that period, multiplying by 365 days and dividing by the number of days in that period. The interest rates of our bank borrowings are affected by the benchmark interest rates published and the interest spread required, which are in turn affected by the general economic conditions in Malaysia and the Malaysian Government's monetary policies. Our access to capital and cost of financing are also affected by limitations imposed from time to time by Bank Negara Malaysia on bank lending for property development.

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10.3.3 Significant accounting estimates and judgments

The preparation of financial statements in conformity with MFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

We review our estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

We believe there are no significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those set out below. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(i) Revenue recognition of construction services

Revenue is measured at the fair value of the consideration received or receivable for the services in the ordinary course of our Group's activities. Revenue is shown, net of discounts. Our Group recognised revenue when the amount of revenue can be reliably measured, when it is probable that the future economic benefits will flow to the entity.

Our Group's performance creates or enhances an asset or work-in-progress that the customer controls as the asset is created or enhanced, thus our Group satisfies a performance obligation and recognises revenue over time, by reference to the survey of work performed.

(ii) Revenue recognition of property development

We recognise revenue when or as the control of the assets is transferred to the customer. Depending on the terms of the contract, control of the assets may transfer over time or at a point in time. Control of the assets is transferred over time if our Group's performance:

(a) provides all of the benefits received and consumed simultaneously by the customer; or

(b) creates and enhances an asset that the customer controls as our Group performs; or

(c) do not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to-date.

If control of the assets transfer over time, we recognise revenue over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the assets.

The progress towards complete satisfaction of the performance obligation is measured based on our Group's internal surveys of inputs for the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

For completed property and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and our Group has present right to payment and the collection of the consideration is probable.

(iii) Valuation of investment properties

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

Investment properties are measured initially at cost and subsequently at fair value with any change recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised finance costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised in other comprehensive income and accumulated in equity as revaluation reserve. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(iv) Contract assets/liabilities

Contract asset relates to our Group's right to consideration for completed performance under the contract but not billed at the reporting date. The contract assets are transferred to receivables when the right to consideration becomes unconditional.

Contract liability is our Group's obligation to transfer goods or services to a customer for which our Group has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognised as revenue when performance obligations are satisfied.

10.3.4 New accounting pronouncement applicable in the preparation of the financial statements

The combined financial statements of our Group for the FYE 31 March 2016, 2017, 2018 and 2019 have been prepared in accordance with MFRS.

We have not early adopted certain new standards, amendments to standards and interpretations that will be effective for the financial year beginning on or after 1 April 2019. The initial application of these new standards, amendments and interpretations are not expected to have any material financial impacts to the financial statements of our Group for the current financial year and other prior periods upon their first adoption.

MFRS 16 'Leases' which replaces the guidance in MFRS 117 'Leases', IC Interpretation 4 'Determining whether an Arrangement contains a Lease, IC Interpretation 115 'Operating Leases – Incentives and IC Interpretation 127 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

Based on our preliminary assessment as at the LPD, we do not expect the adoption of MFRS 16 to have any material financial impact to the financial statements of our Group for the current and/or previous financial years/periods.

For further information on the summary of our significant accounting policies, please refer to Note 2 of the Accountants' Report included in Section 11 of this Prospectus.

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10.3.5 Results of operations

The components of our combined statement of comprehensive income are as follows:

(i) Revenue

We derive revenue from the construction of large manufacturing plants and industrial properties. We also develop industrial parks and sell the industrial properties within those parks, which provide us immediate access to capital from property sales to fund our capital expenditures. In addition, we also own and lease some of the industrial properties that we have developed, which provide us with long-term returns through recurring rental income and appreciation in the value of our investment properties. To complement our property development and construction segment, we provide steel engineering works, precast concrete works and M&E engineering services for the industrial buildings that we develop and construct. We also rent the workers' dormitories within our industrial parks to our customers and tenants as accommodation for their workers and engage in the management, maintenance and operation of the workers' dormitories.

Our revenue is recognised when control over goods or services are transferred to a customer, on the following bases:

(a) from construction and engineering services contracts, when performance obligations are satisfied over time, by reference to work completed or performed;

(b) from property development, when the control of the assets is transferred to the customer. Control of property under development may transfer over time or at a point in time depending on the terms of contract, while completed property would be at a point in time;

(c) from rental income, on a straight line basis over the term of the lease; and

(d) from the rendering of property management services, when such services are rendered.

All of our revenue for the FYE 31 March 2016, 2017, 2018 and 2019 were substantially derived in Malaysia.

	FYE 31 March							
	2016		2017		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	247,619	99.35	296,457	99.16	333,854	97.81	326,567	96.33
Singapore	1,624	0.65	1,841	0.62	5,898	1.73	11,865	3.50
Australia	-	-	660	0.22	1,568	0.46	581	0.17
Total revenue	**249,243**	**100.00**	**298,958**	**100.00**	**341,320**	**100.00**	**339,013**	**100.00**

The following tables set out our revenue by business segment and subsidiaries for the FYE 31 March 2016, 2017, 2018 and 2019:

(a) By business segment

	FYE 31 March							
	2016		2017		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Construction services segment[1]								
- Construction of plants and industrial properties	157,964	63.38	206,958	69.23	214,049	62.71	233,670	68.93
Property development segment								
- Development of industrial parks and sale of industrial properties	15,074	6.05	37,207	12.45	85,430	25.03	43,143	12.73
Engineering services segment[1]								
- Steel engineering and precast concrete works	30,130	12.09	9,255	3.09	9,558	2.80	19,975	5.89
- M&E engineering works	34,632	13.89	30,747	10.28	16,875	4.94	20,703	6.11
Property investment and management services segment								
- Letting/ leasing of properties	7,772	3.12	9,560	3.20	9,368	2.75	15,096	4.45
- Rental and management of workers' dormitories	3,671	1.47	5,231	1.75	6,040	1.77	6,426	1.89
Total revenue	**249,243**	**100.00**	**298,958**	**100.00**	**341,320**	**100.00**	**339,013**	**100.00**

Note:

(1) The aggregate revenue from our construction services segment and engineering services segment is classified as contract income in the Accountants' Report in Section 11 of this Prospectus.

10. FINANCIAL INFORMATION *(Cont'd)*

(b) By subsidiaries

	FYE 31 March							
	2016		2017		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Amsun Industries	-	-	49,500	16.56	9,000	2.64	8,000	2.36
AME Construction	169,903	68.17	234,576	78.46	256,587	75.17	306,186	90.32
AME Development	26,390	10.59	75,124	25.13	14,636	4.29	17,009	5.02
AME Industrial Park	-	-	-	-	-	-	3,000	0.88
AME Engineering	50,966	20.45	52,731	17.64	35,590	10.43	46,930	13.84
Asiamost	44,880	18.00	51,578	17.25	48,715	14.27	45,012	13.28
Amsun Capital	1,854	0.74	2,143	0.72	2,703	0.79	2,960	0.87
Tanjung Bebas	1,800	0.72	1,800	0.60	1,854	0.54	2,124	0.63
Ipark Development	-	-	4,710	1.58	101,184	29.65	48,777	14.39
I Stay Management	3,671	1.47	5,231	1.75	6,039	1.77	6,426	1.90
Asiamost Engineering	1,687	0.68	2,517	0.84	2,553	0.75	1,899	0.56
Active Gold	594	0.24	840	0.28	1,210	0.35	1,437	0.42
Symphony Square	497	0.20	745	0.25	800	0.23	1,170	0.35
Twin Sunrich	-	-	14,451	4.83	883	0.26	883	0.26
LKL Industries	745	0.30	375	0.12	708	0.21	718	0.21
AME	-	-	-	-	-	-	318	0.09
AME Integrated	-	-	-	-	-	-	-	-
	302,987	**121.56**	**496,321**	**166.01**	**482,462**	**141.35**	**492,849**	**145.38**
Less: Consolidation eliminations[(1)]	(53,744)	(21.56)	(197,363)	(66.01)	(141,142)	(41.35)	(153,836)	(45.38)
Total revenue	**249,243**	**100.00**	**298,958**	**100.00**	**341,320**	**100.00**	**339,013**	**100.00**

Note:

(1) The consolidation eliminations are in relation to inter-company transactions.

Construction services revenue

We recognise contract income from our construction services projects as construction services revenue. Our construction services segment was the largest contributor to our Group's revenue, accounting for about 63.38%, 69.23%, 62.71% and 68.93% of our total revenue for the FYE 31 March 2016, 2017, 2018 and 2019, respectively.

As we derive revenue primarily from contract income from our construction projects, our results of operations for a given period depend on the number, value and stage of completion of the construction projects that we undertake during such period.

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10. FINANCIAL INFORMATION *(Cont'd)*

The following table sets out our top three construction services projects by revenue contribution for each of the FYE 31 March 2016, 2017, 2018 and 2019:

Project description	Property type	Subsidiary	Actual / Expected completion period	Revenue contribution for FYE 31 March 2016	2017	2018	2019
				RM'000	RM'000	RM'000	RM'000
Temporary site facilities for contractors, comprising single-storey administrative office, single-storey warehouse, canteen, shelters etc.	Buildings and warehouse	AME Construction	4th quarter of 2015	13,274	-	-	-
A single-storey parts and accessories warehouse with a two-storey office and covered car park	Warehouse	AME Construction	3rd quarter of 2016	26,978	17,851	9	-
100 units of single-storey semi detached and detached industrial facilities with three-storey office block	Industrial factory	AME Construction	1st quarter of 2017	59,846	69,260	2,499	-
A seven-storey polymer production facility with a two-storey office block	Manufacturing plant	AME Construction	1st quarter of 2018	-	39,344	27,183	4,677
A single-storey logistics warehouse with a two-storey office block	Warehouse	AME Construction	1st quarter of 2018	-	26,897	101,164	8,739
A facility for aerospace components with an office block	Warehouse	AME Construction	2nd quarter of 2019	-	-	-	46,280
A multi-storey logistics warehouse with a multi-storey office block	Warehouse	AME Construction	3rd quarter of 2019	-	-	25,398	144,636
Others	Shop lots, warehouse, plant and renovation works	AME Construction	By 2nd quarter of 2020	57,866	53,606	57,796	29,338
Total				**157,964**	**206,958**	**214,049**	**233,670**

FYE 31 March 2016

Our revenue from the construction of plants and industrial properties amounted to RM157.96 million, or about 63.38% of our total revenue for the year. The revenue was recognised by AME Construction mainly from the following services provided to customers:

(a) construction of 100 units of industrial facilities for the iBP @ Nusajaya business park development project in Iskandar Puteri, Johor amounting to RM59.85 million;

(b) construction of a parts and accessories warehouse in Senai Free Trade Zone, Johor amounting to RM26.98 million; and

(c) construction of temporary site facilities for contractors, comprising an administrative office, warehouse, canteen, shelters etc. in Pengerang, Johor amounting to RM13.27 million.

FYE 31 March 2017

Our revenue from the construction of plants and industrial properties amounted to RM206.96 million, or about 69.23% of our total revenue for the year. The revenue was recognised by AME Construction mainly from the following services provided to customers:

(a) construction of 100 units of industrial facilities for the iBP @ Nusajaya business park development project in Iskandar Puteri, Johor amounting to RM69.26 million;

(b) construction of a polymer production facility with an office block in Tanjung Langsat, Johor amounting to RM39.34 million; and

(c) construction of a logistics warehouse with an office block located outside Johor amounting to RM26.90 million.

FYE 31 March 2018

Our revenue from the construction of plants and industrial properties amounted to RM214.05 million, or about 62.71% of our total revenue for the year. The revenue was recognised by AME Construction mainly from the following services provided to customers:

(a) construction of a logistics warehouse with an office block located outside Johor amounting to RM101.16 million;

(b) construction of a polymer production facility with an office block in Tanjung Langsat, Johor amounting to RM27.18 million; and

(c) construction of a multi-storey logistics warehouse with a multi-storey office block located outside Johor amounting to RM25.40 million.

FYE 31 March 2019

Our revenue from the construction of plants and industrial properties amounted to RM233.67 million, or about 68.93% of our total revenue for the year. The revenue was recognised by AME Construction mainly from the following services provided to customers:

(a) construction of a multi-storey logistics warehouse with a multi-storey office block located outside Johor amounting to RM144.64 million;

(b) construction of a facility for aerospace components with an office block located outside Johor amounting to RM46.28 million; and

(c) construction of a logistics warehouse with an office block located outside Johor amounting to RM8.74 million.

Property development revenue

Property development revenue refers to revenue derived from the sale of properties within our industrial parks. We recognise revenue from property sales based on the following:

(a) for properties which are under development, based on the relevant stages of completion; and

(b) for properties which have been completed, from the sale of such completed properties.

Since 2011, our Group has completed three industrial park projects, namely i-Park @ SiLC, District 6 and i-Park @ Indahpura (Phase 1 and 2). In addition, we have completed the development of SME City through our jointly-controlled entity, Axis AME IP. As at the LPD, our Group is developing i-Park @ SAC (Phase 1 and 2) and Axis AME IP is developing i-Park @ Indahpura (Phase 3).

The table below sets out, for the periods indicated, our revenue from property development by project:

	FYE 31 March							
	2016		**2017**		**2018**		**2019**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
i-Park @ Indahpura (Phase 1 and 2)	15,074	100.00	32,497	87.34	-	-	-	-
i-Park @ SAC (Phase 1 and 2)	-	-	4,710	12.66	85,430	100.00	43,143	100.00
Total revenue from property development	**15,074**	**100.00**	**37,207**	**100.00**	**85,430**	**100.00**	**43,143**	**100.00**

We do not recognise revenue earned by our jointly-controlled entity, Axis AME IP, and instead recognise a proportionate share of its results. For further details, please refer to Section 10.3.5(viii) below.

Our results of operations may vary significantly from period to period depending on, amongst other things, the volume of properties we sell, the prices we sell the properties at, the market response to the launch of our projects, the timing of our project launches and the progressive revenue recognition of our sales. For example, our revenue from property development for the FYE 31 March 2018 accounted for around 25.03% of our total revenue for the year mainly due to the stage of completion of 11 industrial factory units in i-Park @ SAC (Phase 1 and Phase 2) which were sold following the launch of the project in the first quarter of 2017.

FYE 31 March 2016

Our revenue from property development amounted to RM15.07 million, or about 6.05% of our total revenue for the year. This was entirely attributed to revenue recognised by AME Development from the receipt of the final progressive payment for one customised industrial factory unit sold in August 2014, and the sale of one completed industrial factory unit held as inventory in i-Park @ Indahpura (Phase 1 and 2) totaling RM9.25 million as well as variation order works of RM5.82 million during the year.

FYE 31 March 2017

Our revenue from property development amounted to RM37.21 million, or about 12.45% of our total revenue for the year. Our revenue from property development was attributed to revenue recognised by:

(a) AME Development for the sale of three completed industrial factory units held as inventory in i-Park @ Indahpura (Phase 1 and 2) amounting to RM32.06 million and variation order works of RM0.44 million; and

(b) Ipark Development based on the stage of completion of seven sold industrial factory units in i-Park @ SAC (Phase 1 and 2) amounting to RM4.71 million.

FYE 31 March 2018

Our revenue from property development amounted to RM85.43 million, or about 25.03% of our total revenue for the year. The revenue from property development for the year was entirely attributed to revenue recognised by Ipark Development for the following:

(a) stage of completion of the seven industrial factory units in i-Park @ SAC (Phase 1 and 2) sold in FYE 31 March 2017 amounting to RM39.93 million; and

(b) stage of completion of the four industrial factory units in i-Park @ SAC (Phase 1 and Phase 2) sold in FYE 31 March 2018 amounting to RM45.50 million. Out of the four industrial factory units, two units were completed in FYE 31 March 2018.

FYE 31 March 2019

Our revenue from property development amounted to RM43.14 million, or about 12.73% of our total revenue for the year. The revenue from property development for the year was mainly attributed to revenue recognised by Ipark Development for the following:

(a) stage of completion of the seven industrial factory units in i-Park @ SAC (Phase 1 and 2) sold in FYE 31 March 2017 amounting to RM3.53 million. Out of the seven industrial factory units, four units were completed in FYE 31 March 2019;

(b) the completion of two industrial factory units in i-Park @ SAC (Phase 1 and Phase 2) sold in FYE 31 March 2018 amounting to RM3.15 million;

(c) stage of completion of the seven industrial factory units in i-Park @ SAC (Phase 1 and Phase 2) sold in FYE 31 March 2019 amounting to RM32.35 million. Out of the seven industrial factory units, three units were completed in FYE 31 March 2019; and

(d) stage of completion of 21 commercial shop lots in the Jacaranda at i-Park @ SAC sold in FYE 31 March 2019 amounting to RM2.61 million.

Engineering services revenue

We recognise contract income from our engineering services projects as engineering services revenue. Our engineering services segment accounted for about 25.98%, 13.37%, 7.74% and 12.00% of our total revenue for the FYE 31 March 2016, 2017, 2018 and 2019, respectively.

Similar to construction services revenue, we recognise revenue from contract income from our engineering services projects and accordingly, our results of operations for a given period depend on the number, value and stage of completion of the engineering projects that we undertake during such period.

The table below sets out the revenue from engineering services projects that contributed to our total revenue for the FYE 31 March 2016, 2017, 2018 and 2019.

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(a) Details of our engineering services projects (steel engineering and precast concrete works)

The following table sets out our top three engineering services projects involving steel engineering and precast concrete works by revenue contribution for each of the FYE 31 March 2016, 2017, 2018 and 2019:

Project description	Type of engineering works	Subsidiary	Actual / Expected completion period	Revenue contribution for FYE 31 March 2016	2017	2018	2019
				RM'000	RM'000	RM'000	RM'000
Steel structure works for the construction of five blocks of dormitories	Steel fabrication and building works	AME Engineering	2nd quarter of 2016	16,297	2,217	-	-
Steel structures and roofing works for three units of open-air cinema	Steel fabrication	AME Engineering	2nd quarter of 2016	4,031	(45)	-	-
Fabrication of precast concrete seats for a multi-storey civic and community/sports & recreation development	Precast concrete works	AME Engineering	3rd quarter of 2016	(1)146	(2)1,220	-	-
Steel and precast components for part of a resort	Steel fabrication	AME Engineering	4th quarter of 2016	3,463	60	-	-
Steel structures for a six-storey drymix plant	Steel fabrication	AME Engineering	2nd quarter of 2017	-	2,220	595	-
Steel structures for a mixing plant project which were delivered to Brisbane, Australia	Steel fabrication	AME Engineering	2nd quarter of 2017	-	(3)660	(4)1,568	-
Precast components for a four-storey research building within a university campus	Precast concrete works	AME Engineering	4th quarter of 2017	-	-	(5)4,070	(6)10
Precast components for mushroom trees structure and escalator for a seven-storey hotel development	Precast concrete works	AME Engineering	2nd quarter of 2018	-	-	(6)1,164	(6)418

10. FINANCIAL INFORMATION *(Cont'd)*

Project description	Type of engineering works	Subsidiary	Actual / Expected completion period	Revenue contribution for FYE 31 March			
				2016	2017	2018	2019
				RM'000	RM'000	RM'000	RM'000
Precast components for a residential flat development comprising two blocks of 36-storey apartments	Precast concrete works	AME Engineering	2nd quarter of 2020	-	-	-	(6)6,929
Prefabrication and delivery of steel structures for an industrial chemical plant	Steel fabrication	AME Engineering	2nd quarter of 2019	-	-	-	6,315
Precast components for a school development comprising two six-storey teaching blocks, one administrative/library building, one performing arts centre and one multi-purpose hall	Precast concrete works	AME Engineering	2nd quarter of 2018	-	-	-	(6)1,168
Others	Steel fabrication and precast concrete works	AME Engineering	By 1st quarter of 2020	6,193	2,923	2,161	5,135
Total				**30,130**	**9,255**	**9,558**	**19,975**

Notes:

(1) Revenue recognised by AME Engineering in RM based on the average exchange rate of SGD1:RM3.21.

(2) Revenue recognised by AME Engineering in RM based on the average exchange rate of SGD1:RM2.96.

(3) Revenue recognised by AME Engineering in RM based on the average exchange rate of EUR1:RM4.70.

(4) Revenue recognised by AME Engineering in RM based on the average exchange rate of EUR1:RM5.01.

(5) Revenue recognised by AME Engineering in RM based on the average exchange rate of SGD1:RM3.09.

(6) Revenue recognised by AME Engineering in RM based on the average exchange rate of SGD1:RM3.02.

(b) Details of our engineering services projects (M&E engineering services)

The following table sets out our top three M&E engineering services projects by revenue contribution for each of the FYE 31 March 2016, 2017, 2018 and 2019:

Project description	Type of engineering services	Subsidiary	Actual / Expected completion period	Revenue contribution for FYE 31 March			
				2016	2017	2018	2019
				RM'000	RM'000	RM'000	RM'000
Engineering works to retrofit three single-storey detached industrial factories	Mechanical & electrical	Asiamost	3rd quarter of 2015	12,312	-	-	-
Fire protection system for a one-storey consumer product production facility with a two-storey office block	Fire protection system	Asiamost	4th quarter of 2015	3,514	1,175	-	-
Fire protection system and additional electrical works for a 1½ storey detached industrial factory	Fire protection system and mechanical & electrical	Asiamost	1st quarter of 2017	1,329	5,898	-	-
Fire protection system for a single-storey industrial factory with an office block and production plant with a hostel and apartment	Fire protection system	Asiamost	4th quarter of 2016	-	4,988	(1)(653)	-
Civil and structural engineering and M&E services for a single-storey detached industrial factory with a two-storey office block	Mechanical & electrical	Asiamost	2nd quarter of 2017	-	6,487	4,403	-
Fire protection system for a resins production facility	Fire protection system	Asiamost	2nd quarter of 2017	-	684	1,813	-
Fire protection system for two expanded single-storey medium industrial warehouses with a single-storey production factory and a four-storey hostel	Fire protection system	Asiamost	1st quarter of 2018	-	736	4,931	-

10. FINANCIAL INFORMATION *(Cont'd)*

Project description	Type of engineering services	Subsidiary	Actual / Expected completion period	Revenue contribution for FYE 31 March 2016	2017	2018	2019
				RM'000	RM'000	RM'000	RM'000
Fire protection system for an industrial plant with a two-storey warehouse, three-storey office, car park, guard house, sub-station, bin house, pump house and 5 units of resting hut	Fire protection system	Asiamost / Asiamost Engineering	2nd quarter of 2018	-	-	-	4,851
Fire protection system for a light industrial plant with a two-storey warehouse, two-storey office, car park, guard house, sub-station, bin house and pump house	Fire protection system	Asiamost / Asiamost Engineering	2nd quarter of 2018	-	-	444	3,995
Fire protection system for a consumer product production facility	Fire protection system	Asiamost / Asiamost Engineering	1st quarter of 2019	-	-	-	1,353
Others	Fire protection system and mechanical & electrical	Asiamost / Asiamost Engineering	By 1st quarter of 2020	17,477	10,779	5,937	10,504
Total				**34,632**	**30,747**	**16,875**	**20,703**

Note:

(1) Due to the reversal of revenue arising from a discount given to our customer for the project.

FYE 31 March 2016

Our revenue from steel engineering and precast concrete works amounted to RM30.13 million, or about 12.09% of our total revenue for the year. The revenue was recognised by AME Engineering mainly from the following works provided to customers:

(a) steel fabrication and building works for five blocks of dormitories in Pengerang, Johor amounting to RM16.30 million;

(b) steel structures and roofing works for three units of open-air cinema in Pengerang, Johor amounting to RM4.03 million; and

(c) fabrication of steel and precast components for part of a resort in Pengerang, Johor amounting to RM3.46 million.

Our revenue from M&E engineering services amounted to RM34.63 million, or about 13.89% of our total revenue for the year. The revenue was recognised by Asiamost and Asiamost Engineering mainly from the following works provided to customers:

(a) engineering works to retrofit three detached industrial factories on Plots 127, 128 and 129 of our i-Park @ Indahpura industrial park project in Kulaijaya, Johor amounting to RM12.31 million;

(b) fire protection system for a consumer product production facility with an office block in Senai, Johor amounting to RM3.51 million; and

(c) fire protection system and additional electrical works for a detached industrial factory on Plot 30 of our i-Park @ Indahpura industrial park project in Kulaijaya, Johor amounting to RM1.33 million.

FYE 31 March 2017

Our revenue from steel engineering and precast concrete works amounted to RM9.26million, or about 3.09% of our total revenue for the year. The revenue was recognised by AME Engineering mainly from the following works provided to customers:

(a) steel structure works for a drymix plant in Ulu Tiram, Johor amounting to RM2.22 million;

(b) steel fabrication and building works for five blocks of dormitories in Pengerang, Johor amounting to RM2.22 million; and

(c) fabrication of precast concrete seats for a multi-storey civic and community/sports & recreation development in Singapore amounting to RM1.22 million.

Our revenue from M&E engineering works amounted to RM30.75 million, or about 10.28% of our total revenue for the year. The revenue was recognised by Asiamost and Asiamost Engineering mainly from the following works provided to customers:

(a) civil and structural engineering and M&E services for a detached industrial factory with an office block on Plots 130 and 131 of our i-Park @ Indahpura industrial park project in Kulaijaya, Johor amounting to RM6.49 million;

(b) fire protection system for two medium industrial warehouse with an office block and a production plant with a hostel and apartment in Senai, Johor amounting to RM4.99 million; and

(c) fire protection system and additional electrical works for a detached industrial factory on Plot 30 of our i-Park @ Indahpura industrial park project in Kulaijaya, Johor amounting to RM5.90 million.

FYE 31 March 2018

Our revenue from steel engineering and precast concrete works amounted to RM9.56 million, or about 2.80% of our total revenue for the year. The revenue was recognised by AME Engineering mainly from the following works provided to customers:

(a) steel structures for a mixing plant project which were delivered to Brisbane, Australia amounting to RM1.57 million;

(b) precast components for a research building within a university campus in Singapore amounting to RM4.07 million; and

(c) precast components for mushroom trees structure and escalator for a hotel development in Singapore amounting to RM1.16 million.

Our revenue from M&E engineering works amounted to RM16.88 million, or about 4.94% of our total revenue for the year. The revenue was recognised by Asiamost and Asiamost Engineering mainly from the following works provided to customers:

(a) fire protection system for two expanded medium industrial warehouses with a production factory and a hostel in Bukit Batu, Kulai, Johor amounting to RM4.93 million;

(b) civil and structural engineering and M&E services for a detached industrial factory with an office block on Plots 130 and 131 of our i-Park @ Indahpura industrial park project in Kulaijaya, Johor amounting to RM4.40 million; and

(c) fire protection system for a resins production facility in Sungei Tiram, Johor amounting to RM1.81 million.

FYE 31 March 2019

Our revenue from steel engineering and precast concrete works amounted to RM19.98 million, or about 5.89% of our total revenue for the year. The revenue was recognised by AME Engineering mainly from the following works provided to customers:

(a) precast components for a residential flat development comprising two blocks of apartments in Singapore amounting to RM6.93 million;

(b) prefabrication and delivery of steel structures for an industrial chemical plant in Kerteh, Terengganu amounting to RM6.32 million; and

(c) precast components for a school development comprising two teaching blocks, one administrative/library building, one performing arts centre and one multi-purpose hall in Singapore amounting to RM1.17 million.

Our revenue from M&E engineering works amounted to RM20.70 million, or about 6.11% of our total revenue for the year. The revenue was recognised by Asiamost and Asiamost Engineering mainly from the following works provided to customers:

(a) fire protection system for an industrial plant in Tanjung Kupang, Johor amounting to RM4.85 million;

(b) fire protection system for a light industrial plant in Pasir Gudang, Johor amounting to RM4.00 million; and

(c) fire protection system for a consumer product production facility in Perlabuhan Tanjung Pelepas, Johor amounting to RM1.35 million.

Rental income

Rental income represents revenue from the following:

(a) letting or leasing out industrial factory units that we have developed and own; and

(b) rental and management of our workers' dormitories.

For the FYE 31 March 2016, 2017, 2018 and 2019, revenue from rental income accounted for about 4.59%, 4.95%, 4.52% and 6.34% of our total revenue, respectively. We recognise revenue from rental income on a time proportion basis over the terms of the lease, and from the rendering of property management services when the services are rendered.

The table below sets out, for the periods indicated, our revenue from rental income:

	FYE 31 March							
	2016		2017		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Investment properties/ inventory units								
i-Park @ Indahpura	5,824	50.90	6,709	45.36	(2)6,326	41.06	7,994	37.14
i-Park @ SiLC	683	5.96	683	4.61	683	4.43	713	3.31
District 6	566	4.95	2,168	14.66	2,359	15.31	(3)2,106	9.79
i-Park @ SAC	-	-	-	-	-	-	4,283	19.90
Others	(1)699	6.11	-	-	-	-	-	-
Workers' dormitories								
i-Park @ Indahpura	3,671	32.08	5,231	35.37	6,040	39.20	6,426	29.86
Total rental income	**11,443**	**100.00**	**14,791**	**100.00**	**15,408**	**100.00**	**21,522**	**100.00**

Notes:

(1) Being the revenue recognised from rental income from one industrial factory unit owned by LKL Industries which was subsequently sold to a third party in August 2015.

(2) The decrease in rental income was due to the loss in rental income in FYE 31 March 2018 as a result of the sale of three industrial factory units (average about 61,000 sq ft per unit) which were previously leased to third parties in FYE 31 March 2017, and partially offset by the rental income from three additional leased industrial factory units (average about 27,000 sq ft per unit) in FYE 31 March 2018.

(3) The decrease in rental income was due to the loss in rental income in FYE 31 March 2019 as a result of the expiry of two tenancy agreements with lease periods of 5 months and 12 months respectively which were recognised in FYE 31 March 2018, and partially offset by the increase in lease rate for one industrial factory unit arising from the renewal of lease terms.

For the FYE 31 March 2016, 2017, 2018 and 2019, our revenue from rental income was mainly attributed to revenue recognised by:

(a) AME Development for the lease of industrial factory units in i-Park @ Indahpura and i-Park @ SiLC;

(b) Twin Sunrich and Symphony Square for the lease of industrial factory units in District 6;

(c) Ipark Development for the lease of industrial factory units in i-Park @ SAC; and

(d) I Stay Management for the rental and management of workers' dormitories in i-Park @ Indahpura.

Our Board believes that revenue from rental income will continue to grow in view of the ongoing development of i-Park @ SAC, which will provide our Group more industrial factory units and workers' dormitories for lease/rent following the completion of i-Park @ SAC in phases up until 2025.

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(ii) Cost of sales

Our cost of sales primarily comprises costs incurred for our construction services segment and engineering services segment, as we typically engage third party sub-contractors and purchase large quantities of raw materials to carry out our construction and engineering works.

We also incur costs directly to develop our industrial parks under our property development segment, including construction costs, land and related costs and infrastructure costs. In addition, we are subjected to depreciation costs, upkeep and maintenance costs, assessment and quit rent fees and other services fees for our investment properties and workers' dormitories.

The following tables set out, for the periods indicated, our cost of sales by business segment and subsidiaries:

(a) By business segment

	FYE 31 March							
	2016		2017		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Construction services segment[1]								
- Contract costs	129,744	66.49	171,246	78.90	168,532	67.79	189,216	77.24
Property development segment								
- Cost of property development	9,019	4.62	13,253	6.11	57,832	23.26	21,447	8.76
Engineering services segment[1]								
- Contract costs	52,714	27.02	29,397	13.54	18,758	7.55	30,549	12.47
Property investment and management services segment								
- Cost of services	3,650	1.87	3,137	1.45	3,490	1.40	3,748	1.53
Total cost of sales	**195,127**	**100.00**	**217,033**	**100.00**	**248,612**	**100.00**	**244,960**	**100.00**

Note:

(1) The aggregate cost of sales from our construction services segment and engineering services segment is classified as contract costs in the Accountants' Report in Section 11 of this Prospectus.

10. FINANCIAL INFORMATION *(Cont'd)*

(b) By subsidiaries

	FYE 31 March							
	2016		2017		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Amsun Industries	-	-	-	-	-	-	-	-
AME Construction	136,275	69.84	197,362	90.94	207,514	83.47	266,223	108.68
AME Development	12,699	6.51	33,398	15.39	1,147	0.46	3,453	1.41
AME Industrial Park	-	-	-	-	-	-	-	-
AME Engineering	43,020	22.05	42,995	19.81	29,616	11.91	41,489	16.94
Asiamost	35,970	18.44	44,113	20.33	42,106	16.94	38,519	15.72
Asiamost Engineering	723	0.37	1,266	0.58	1,291	0.52	1,629	0.67
AME Integrated	-	-	-	-	-	-	-	-
Amsun Capital	1,570	0.80	2,085	0.96	2,559	1.03	2,657	1.08
Tanjung Bebas	149	0.08	274	0.13	155	0.06	165	0.07
Ipark Development	-	-	3,201	1.48	82,540	33.20	27,310	11.15
I Stay Management	3,133	1.60	4,893	2.25	4,933	1.99	4,875	1.99
AME	-	-	-	-	-	-	423	0.17
Active Gold	42	0.02	94	0.04	106	0.04	122	0.05
Symphony Square	116	0.06	53	0.02	54	0.02	87	0.04
Twin Sunrich	-	-	10,332	4.76	75	0.03	55	0.02
LKL Industries	37	0.02	80	0.04	147	0.06	84	0.03
	233,734	**119.79**	**340,146**	**156.73**	**372,243**	**149.73**	**387,091**	**158.02**
Less: Consolidation eliminations[(1)]	(38,607)	(19.79)	(123,113)	(56.73)	(123,631)	(49.73)	(142,131)	(58.02)
Total cost of sales	**195,127**	**100.00**	**217,033**	**100.00**	**248,612**	**100.00**	**244,960**	**100.00**

10. FINANCIAL INFORMATION *(Cont'd)*

Note:

(1) The consolidation eliminations are in relation to inter-company transactions.

Construction services contract costs

Construction services contract costs constitute the largest component of our cost of sales, accounting for about 66.49%, 78.90%, 67.79% and 77.24% of our total cost of sales for the FYE 31 March 2016, 2017, 2018 and 2019, respectively. Construction services contract costs mainly comprise all costs attributable to the design and construction of a plant or industrial property, including sub-contractors costs, raw materials costs, salary and wages of our staff, hiring cost for plant and machinery and overhead costs.

The table below sets out the components of construction contract costs that contributed to our total cost of sales for the periods indicated:

	FYE 31 March							
	2016		**2017**		**2018**		**2019**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Sub-contractors costs	71,455	55.07	102,929	60.10	86,465	51.30	87,775	46.39
Raw materials costs	35,940	27.70	42,046	24.55	49,736	29.51	61,865	32.70
Salary and wages	10,637	8.20	10,063	5.88	11,957	7.09	13,399	7.08
Hiring cost for plant and machinery	8,485	6.54	8,747	5.11	9,840	5.84	14,922	7.89
Overhead costs	2,602	2.01	4,053	2.37	5,569	3.30	3,864	2.04
Others	625	0.48	3,408	1.99	4,965	2.96	7,391	3.90
Total construction contract costs	**129,744**	**100.00**	**171,246**	**100.00**	**168,532**	**100.00**	**189,216**	**100.00**

Sub-contractors costs

We engage various sub-contractors for construction works such as earthwork, piling works, building works, M&E works and external works as well as labour supply for our construction projects. Having been in the industry for more than 20 years, we have identified a panel of sub-contractors to invite for tenders. We also accept recommendations from our consultants. After securing a project, we would negotiate and agree upfront the scope of work and cost of the sub-contractors, including the workmanship and labour charges involved in delivering the outsourced work. We select sub-contractors for our construction projects in closed tenders based on factors such as track record, financial strength, workmanship, efficiency, reliability, capacity and pricing.

Sub-contractors costs for our construction projects amounted to RM71.46 million, RM102.93 million, RM86.47 million and RM87.78 million for the FYE 31 March 2016, 2017, 2018 and 2019, respectively. In those years, sub-contractors costs accounted for about 55.07%, 60.10%, 51.30% and 46.39% of our total construction contract costs and about 36.62%, 47.43%, 34.78% and 35.83% of our total cost of sales.

The increase in sub-contractors costs for our construction projects from the FYE 31 March 2016 to 2017 was mainly due to the increase in number of projects, mainly the construction of a production plant in Johor and a logistics warehouse with an office block located outside Johor. Sub-contractors costs for our construction projects decreased from the FYE 31 March 2017 to 2018 as a result of two of our construction services projects reaching completion as well as the reduction in sub-contracted works as we carried out more construction works ourselves in 2018. Notwithstanding a relatively higher increase in construction revenue for FYE 31 March 2019, the increase in sub-contractors costs was marginal as we continue to carry out more construction works ourselves.

The key components of sub-contractors costs which form our construction contract costs are similar to the key components of construction costs for our property development activities, details of which are further described below.

Raw materials costs

Our raw materials mainly consist of ready-mix concrete, steel bar and steel materials, metal roofing, purlin/lip channel, piping, bricks, plywood, BRC wire mesh and cement, and are part of the structural and architectural components in our construction services projects. These materials are generally widely available and sourced from both local and foreign suppliers, including suppliers specified by our customers. Their prices are mainly influenced by the overall market supply and demand conditions. We have not experienced any shortages in the supply of our raw materials to-date.

Raw materials costs for our construction projects amounted to RM35.94 million, RM42.05 million, RM49.74 million and RM61.87 million for the FYE 31 March 2016, 2017, 2018 and 2019, respectively. Raw materials cost for our construction projects accounted for about 27.70%, 24.55%, 29.51% and 32.70% of our total construction contract costs, and about 18.42%, 19.37%, 20.01% and 25.26% of our total cost of sales in those financial years. The increase in raw materials costs from FYE 31 March 2016 to 2018 was due to the increase in the quantities of raw materials purchased to cater for the higher number as well as the larger scale of construction projects in the FYE 31 March 2017 and 2018. Despite the decrease in the number of new construction projects secured in FYE 31 March 2019, the increase in quantities of raw materials purchased from FYE 31 March 2018 to 2019 was due to the larger scale of construction projects in FYE 31 March 2019 as well as the increase in average price of steel purchased in FYE 31 March 2019 as compared to FYE 31 March 2018.

Salary and wages

Salary and wages mainly consist of salaries, bonuses, employees' provident fund contributions and other staff-related benefits for our construction services workforce. Our construction services workforce comprise project directors and managers, construction supervisors and project engineers.

For the FYE 31 March 2016, 2017, 2018 and 2019, salary and wages for our construction projects amounted to RM10.64 million, RM10.06 million, RM11.96 million and RM13.40 million, respectively. Salary and wages for our construction projects accounted for about 8.20%, 5.88%, 7.09% and 7.08% of our total construction contract costs, and about 5.45%, 4.64%, 4.81% and 5.47% of our total cost of sales in those financial years.

Hiring cost for plant and machinery

We rely on plant and machinery such as cranes, excavators, scaffolding and sky-lifts for our construction services segment. The duration of the hiring of plant and machinery is dependent on the duration required for a construction project (typically one to two years).

For the FYE 31 March 2016, 2017, 2018 and 2019, hiring cost for plant and machinery for our construction projects amounted to RM8.49 million, RM8.75 million, RM9.84 million and RM14.92 million, respectively, representing about 6.54%, 5.11%, 5.84% and 7.89% of our total construction contract costs in those financial years.

Overhead costs

Overhead costs mainly comprise diesel, petrol, insurance, upkeep of machinery and foreign workers levy for our construction services segment.

For the FYE 31 March 2016, 2017, 2018 and 2019, overhead costs for our construction projects amounted to RM2.60 million, RM4.05 million, RM5.57 million and RM3.86 million, respectively, representing 2.01%, 2.37%, 3.30% and 2.04% of our total construction contract costs in those financial years.

Others

Other costs mainly comprise costs of consumables for our construction services projects.

For the FYE 31 March 2016, 2017, 2018 and 2019, other costs for our construction projects amounted to RM0.63 million, RM3.41 million, RM4.97 million and RM7.39 million, respectively, representing 0.48%, 1.99%, 2.96% and 3.90% of our total construction contract costs in those financial years.

Cost of property development

Cost of property development refers to costs incurred directly for our property development, including construction cost, land and related costs, infrastructure costs, M&E costs, professional fees, statutory contributions, capitalised borrowings costs, costs involved for additional work order and other development costs.

For the FYE 31 March 2016, 2017, 2018 and 2019, cost of property development amounted to RM9.02 million, RM13.25 million, RM57.83 million and RM21.45 million, respectively. Cost of property development accounted for about 4.62%, 6.11%, 23.26% and 8.76% of our total cost of sales in those financial years.

The higher property development costs in FYE 31 March 2017 and 2018 was mainly due to:

(a) costs recognised by AME Development for the sale of three industrial factory units held as inventory in i-Park @ Indahpura (Phase 1 and 2) and the costs recognised by Ipark Development for the stage of completion of seven industrial factory units sold in i-Park @ SAC (Phase 1 and 2) in FYE 31 March 2017; and

(b) costs recognised by Ipark Development for the stage of completion of seven industrial factory units in i-Park @ SAC (Phase 1 and 2) sold in FYE 31 March 2017 and the stage of completion of four industrial factory units in i-Park @ SAC (Phase 1 and 2) sold in FYE 31 March 2018, of which two units were completed in FYE 31 March 2018.

The lower property development costs in FYE 31 March 2019 was mainly due to:

(a) the lower costs recognised by Ipark Development as the seven and two factory units in i-Park @ SAC (Phase 1 and 2) sold in FYE 31 March 2017 and 2018, respectively were close to completion or completed in FYE 31 March 2019;

(b) costs recognised by Ipark Development for the stage of completion of seven industrial factory units in i-Park @ SAC (Phase 1 and 2) sold in FYE 31 March 2019, of which only three units were completed in FYE 31 March 2019 and the remaining four units are in the initial stage of construction; and

(c) costs recognised by Ipark Development for the initial stage of construction of 21 commercial shop lots in the Jacaranda at i-Park @ SAC sold in FYE 31 March 2019.

The table below sets out, for the periods indicated, the property development costs that contributed to our total cost of sales:

	FYE 31 March							
	2016		2017		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Construction costs	2,950	32.71	5,526	41.70	19,866	34.35	9,380	43.74
Land and related costs	726	8.05	3,883	29.30	25,235	43.64	7,081	33.02
Infrastructure costs	373	4.14	1,599	12.07	2,638	4.56	1,233	5.75
M&E costs	371	4.11	896	6.76	3,773	6.52	2,159	10.07
Borrowings costs	39	0.43	230	1.74	1,559	2.70	201	0.94
Cost for additional work order	4,285	47.51	57	0.42	-	-	215	1.00
Other development costs	275	3.05	1,062	8.01	4,761	8.23	1,178	5.48
Total cost of property development	**9,019**	**100.00**	**13,253**	**100.00**	**57,832**	**100.00**	**21,447**	**100.00**

Construction costs

Construction costs accounted for about 32.71%, 41.70%, 34.35% and 43.74% of our total cost of property development, and about 1.51%, 2.55%, 7.99% and 3.83% of our total cost of sales for the FYE 31 March 2016, 2017, 2018 and 2019, respectively.

The key components of construction costs include the following:

(a) Earthwork

Earthwork is typically carried out at the early stage of construction. Earthwork process normally includes, amongst others, soil investigation, site clearance, excavation/backfill earth to required level and compaction to make the ground surface even.

(b) Piling works

Piling works commence upon the completion of earthwork and generally comprise foundation piling and construction of retaining structure using bored piling techniques as well as precast foundation column. Time and costs of this stage of work is dependent on the acreage of the site as well as the soil condition. Cost of piling works includes supply of piles, handling and transport of piles, cutting and joining of piles and load testing.

(c) Building works

Building works which constitute the main bulk of construction cost include structural and architectural works

(aa) Structural and architectural

Building materials like steel bar, ready-mix concrete, tiles, bricks and aluminium door/windows are part of the structural and architectural components in all construction projects. These form the main building cost, inclusive of sub-structure (basement) and super-structure (roof structure) and are amongst the key determinants of the cost of overall land development.

(bb) Finishes

Finishes include fittings to the building like tiles, water heater and sanitary wares. Factors which determine the type and quality of finishes used in a particular property include the level of customisation according to a customer's requirements. This will eventually affect the final pricing of our properties.

(d) External works

External works include road work, drainage, sewerage, water and telephone reticulation, street light and compound lighting, landscaping and fencing. The quantum of costs required for external works depends on the type and plan of property, e.g. whether additional amenities/facilities and landscaping are part of the project plans.

The time taken for various stages of construction work such as the earthwork, piling and architectural works is critical in determining the completion of our projects, and as such affects our revenue recognition. For example, earthwork and piling processes are undertaken during the initial construction stage and will determine the timing of the subsequent building stage. The main component, which is the building works (inclusive of structural, architectural, M&E works and finishes) generally take up majority of the project duration while external works constitute the remaining time. Timely completion of each stage is essential to ensure completion of projects to the schedule and consequently, the commencement of revenue generation for each project.

Land and related costs

Land and related costs accounted for about 8.05%, 29.30%, 43.64% and 33.02% of our cost of property development for the FYE 31 March 2016, 2017, 2018 and 2019, respectively.

Land and related costs include payment for acquisition of land, stamp duties and legal fees on transfer of title and other land related matters. Land costs are recognised as part of the cost of sales based on the stage of completion of the relevant properties in our industrial parks which are typically customised based on requirements of our customers.

Infrastructure costs

Infrastructure costs consist mainly of site clearance, earthwork, sewerage, water supplies, road and drainage works. Infrastructure costs accounted for about 4.14%, 12.07%, 4.56% and 5.75% of our cost of property development for the FYE 31 March 2016, 2017, 2018 and 2019, respectively.

Infrastructure costs are mainly incurred at the beginning of the project development cycle and recognised as part of the cost of sales based on the stage of completion of the relevant properties in our industrial parks.

M&E costs

M&E costs consist mainly of works related to mechanical and electrical services, internal and external wiring, main switch board, air-conditioning works, reticulation, fire protection system, generator set and lift systems. M&E costs accounted for about 4.11%, 6.76%, 6.52% and 10.07% of our cost of property development for the FYE 31 March 2016, 2017, 2018 and 2019, respectively.

M&E costs are mainly incurred during the construction stage of the project development cycle and recognised as part of the cost of sales based on the stage of completion of the relevant properties in our industrial parks.

Borrowings costs

Borrowings costs comprise mainly interest expenses on bank borrowings less capitalised interest. Borrowings costs accounted for about 0.43%, 1.74%, 2.70% and 0.94% of our cost of property development for the FYE 31 March 2016, 2017, 2018 and 2019, respectively.

We capitalise a portion of our borrowing costs to the extent that such costs are directly attributable to the construction and production of a qualifying property. Under MFRSs, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of these assets.

Our borrowing costs for the FYE 31 March 2016, 2017, 2018 and 2019 relate to borrowings obtained for working capital requirement and for the purchase of land for the development of i-Park @ SAC. For the FYE 31 March 2016, 2017, 2018 and 2019, we capitalised interest amounting to RM0.52 million, RM2.26 million, RM7.23 million and RM3.12 million, respectively.

Cost for additional work order

Cost for additional work order entails such costs arising from requests by customers to renovate their property in accordance to their specifications. The cost for additional work order accounted for about 47.51%, 0.42% and 1.00% of our cost of property development for the FYE 31 March 2016, 2017 and 2019, respectively.

Other development costs

Included in other development costs are the following:

(a) professional fees such as architectural fee and consultancy fees covering, amongst others, civil and structural works, plan, internal wiring and fire protection system; and

(b) statutory contributions consisting mainly of improvement service fund to local authorities, water and electricity connection contributions, plan processing fee to local authorities.

Engineering services contract costs

Engineering services contract costs accounted for about 27.02%, 13.54%, 7.55% and 12.47% of our total cost of sales for the FYE 31 March 2016, 2017, 2018 and 2019, respectively. Engineering services contract costs comprise sub-contractors costs, raw materials costs, salary and wages of our staff, hiring cost for plant and machinery as well as overhead costs attributable to our steel engineering and pre-cast concrete works and M&E engineering services.

The engineering services contract costs of RM52.71 million, RM29.40 million, RM18.76 million and RM30.55 million for the FYE 31 March 2016, 2017, 2018 and 2019, respectively, were mainly incurred for the various engineering projects of AME Engineering and Asiamost during the period.

The table below sets out the components of engineering contract costs that contributed to our total cost of sales for the periods indicated:

	FYE 31 March							
	2016		2017		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sub-contractors costs	29,519	56.00	13,561	46.13	10,287	54.84	11,037	36.13
Raw materials costs	16,043	30.43	10,977	37.34	5,321	28.37	11,641	38.10
Salary and wages	1,701	3.23	1,512	5.14	1,211	6.46	2,597	8.50
Hiring cost for plant and machinery	1,503	2.85	839	2.86	630	3.35	638	2.09
Overhead costs	1,908	3.62	953	3.24	751	4.00	1,215	3.98
Others	2,040	3.87	1,555	5.29	558	2.98	3,421	11.20
Total engineering contract costs	**52,714**	**100.00**	**29,397**	**100.00**	**18,758**	**100.00**	**30,549**	**100.00**

Sub-contractors costs

We engage various sub-contractors for engineering works such as structural steel fabrication and erection, precast concrete and painting works, M&E works as well as labour supply for our engineering services projects. M&E works include works related to mechanical and electrical services, internal and external wiring, main switch board, air-conditioning works, reticulation, fire protection system, generator set and lift systems.

Similar to our construction projects, we typically invite sub-contractors for tenders and consider recommendations for sub-contractors for engineering works from our consultants. The scope of work and associated costs of sub-contractors are determined upfront. Similarly, we also select our sub-contractors for our engineering services projects in closed tenders based on factors such as track record, financial strength, workmanship, efficiency, reliability, capacity and pricing.

Sub-contractors costs for our engineering projects amounted to RM29.52 million, RM13.56 million, RM10.29 million and RM11.04 million for the FYE 31 March 2016, 2017, 2018 and 2019, respectively. In those years, sub-contractors costs accounted for about 56.00%, 46.13%, 54.84% and 36.13% of our total engineering contract costs and about 15.13%, 6.25%, 4.14% and 4.51% of our total cost of sales. Sub-contractors costs for our engineering projects decreased from the FYE 31 March 2016 to 2018 mainly due to the smaller scale and lower value of new engineering projects secured in 2017 and 2018. Despite the increase in the number as well as the higher value of new engineering projects secured in FYE 31 March 2019, the increase in sub-contractors costs of 7.29% is less than the increase in revenue for our engineering projects of 53.89% for FYE 31 March 2019 as we carried out more of the new engineering projects secured in FYE 31 March 2019 by ourselves.

Raw materials costs

Our raw materials mainly consist of ready-mix concrete, steel bar and steel materials for our engineering services projects. We generally have easy access to raw materials for our engineering services projects as there are many suppliers of such materials, with prices mainly determined by the overall market demand and supply. We have not experienced any shortages in the supply of our raw materials to-date.

Raw materials costs for our engineering projects amounted to RM16.04 million, RM10.98 million, RM5.32 million and RM11.64 million for the FYE 31 March 2016, 2017, 2018 and 2019, respectively. Raw materials cost for our engineering projects accounted for about 30.43%, 37.34%, 28.37% and 38.10% of our total engineering contract costs, and about 8.22%, 5.06%, 2.14% and 4.75% of our total cost of sales in those financial years. The decline in raw materials costs from FYE 31 March 2016 to 2018 was due to the lower quantity of raw materials purchased as the new engineering projects secured in 2017 and 2018, when compared to 2016 and 2017 respectively, are smaller in scale and have lower contract value. The increase in raw materials costs from FYE 31 March 2018 to 2019 was due to the increase in the quantities of raw materials purchased to cater for the higher value and larger scale of the new engineering projects secured in 2019 as well as the increase in price of steel purchased in FYE 31 March 2019 as compared to FYE 31 March 2018.

Salary and wages

Salary and wages mainly consist of salaries, bonuses, employees' provident fund contributions and other staff-related benefits for our engineering services workforce. Our engineering services workforce comprise project directors and managers, supervisors, engineers and technicians.

For the FYE 31 March 2016, 2017, 2018 and 2019, salary and wages for our engineering projects amounted to RM1.70 million, RM1.51 million, RM1.21 million and RM2.60 million, respectively. Salary and wages for our engineering projects accounted for about 3.23%, 5.14%, 6.46% and 8.50% of our total engineering contract costs, and about 0.87%, 0.70%, 0.49% and 1.06% of our total cost of sales in those financial years.

Hiring cost for plant and machinery

We rely on plant and machinery such as cranes, generators, boom-lifts and sky-lifts for our engineering services segment. The duration of the hiring of plant and machinery is dependent on the duration required for an engineering project (typically a few months to two years).

For the FYE 31 March 2016, 2017, 2018 and 2019, hiring cost for plant and machinery for our engineering projects amounted to RM1.50 million, RM0.84 million, RM0.63 million and RM0.64 million, respectively, representing about 2.85%, 2.86%, 3.35% and 2.09% of our total engineering contract costs in those financial years.

Overhead costs

Overhead costs mainly comprise diesel, petrol, insurance, upkeep of machinery and foreign workers levy for our engineering services segment.

For the FYE 31 March 2016, 2017, 2018 and 2019, overhead costs for our engineering projects amounted to RM1.91 million, RM0.95 million, RM0.75 million and RM1.22 million, respectively, representing about 3.62%, 3.24%, 4.00% and 3.98% of our total engineering contract costs in those financial years.

Others

Other costs mainly comprise costs of consumables for our engineering services projects.

For the FYE 31 March 2016, 2017, 2018 and 2019, other costs for our engineering projects amounted to RM2.04 million, RM1.56 million, RM0.56 million and RM3.42 million, respectively, representing about 3.87%, 5.29%, 2.98% and 11.20% of our total engineering contract costs in those financial years. The increase in other costs for our engineering projects from FYE 31 March 2018 to 2019 was mainly due to the higher price of consumables such as fasteners, galvanising and paint materials purchased for our new project involving prefabrication of steel structures for an industrial chemical plant in Terengganu as our customer requested for special fasteners and galvanising for the structural design and requirement of their plant.

Cost of services

Our cost of services accounted for about 1.87%, 1.45%, 1.40% and 1.53% of our total cost of sales for the FYE 31 March 2016, 2017, 2018 and 2019, respectively. Cost of services represents the costs involved in making our investment properties and inventory units as well as our workers' dormitories ready for lease/rent.

For our investment properties and inventory units, cost of services primarily includes assessment and quit rent, security services, insurance, and upkeep and maintenance costs for factory units. Cost of services for our workers' dormitories on the other hand mainly includes depreciation, upkeep and maintenance costs, security services, insurance, wages, utilities, landscape management and other costs.

The table below sets out the components of our cost of services for the periods indicated:

	FYE 31 March							
	2016		2017		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Depreciation	1,224	33.54	1,190	37.94	1,095	31.37	818	21.82
Assessment and quit rent	737	20.19	645	20.56	718	20.57	741	19.77
Upkeep and maintenance of properties and workers' dormitories	411	11.26	194	6.19	507	14.53	405	10.81
Security services	284	7.78	342	10.90	336	9.63	351	9.36
Insurance	160	4.38	231	7.36	283	8.11	440	11.74
Wages	227	6.22	204	6.50	253	7.25	311	8.30
Utilities	81	2.22	95	3.03	96	2.75	66	1.76
Landscape management	229	6.27	91	2.90	-	-	-	-
Others	297	8.14	145	4.62	202	5.79	616	16.44
Total cost of services	**3,650**	**100.00**	**3,137**	**100.00**	**3,490**	**100.00**	**3,748**	**100.00**

The table below sets out the number of units for our investment properties, inventory units and workers' dormitories for the periods indicated:

	As at 31 March			
	2016	2017	2018	2019
	No. of units	No. of units	No. of units	No. of units
Investment properties[(1)]				
- i-Park @ SiLC	3	3	3	3
- i-Park @ Indahpura	5	8	8	8
- District 6	1	2	2	2
- i-Park @ SAC	-	12	14	14
	9	**25**	**27**	**27**
Inventory units[(2)]				
- i-Park @ Indahpura	8	4	4	4
- District 6	5	4	4	4
- i-Park @ SAC	-	-	1	7
	13	**8**	**9**	**15**
Workers' dormitories				
- i-Park @ Indahpura	1	1	1	1
- i-Park @ SAC	-	-	-	1
	1	**1**	**1**	**2**

Notes:

(1) Being investment properties held for lease.

(2) Being completed properties held for sale.

Depreciation

Depreciation cost consists of depreciation charges on our office equipment such as notebooks and printers, motor vehicles as well as the furniture and fittings in our workers' dormitories over estimated useful lives of these assets. Depreciation accounted for about 33.54%, 37.94%, 31.37% and 21.82% of our cost of services for the FYE 31 March 2016, 2017, 2018 and 2019, respectively.

Assessment and quit rent

We pay assessment and quit rent for our property investment units in i-Park @ SiLC, i-Park @ Indahpura, District 6 and i-Park @ SAC as well as for our workers' dormitories at i-Park @ Indahpura and i-Park @ SAC. Assessment and quit rent accounted for about 20.19%, 20.56%, 20.57% and 19.77% of our cost of services for the FYE 31 March 2016, 2017, 2018 and 2019, respectively.

Upkeep and maintenance of properties and workers' dormitories

Upkeep and maintenance of properties mainly comprise gated and guarded maintenance services for our properties at i-Park @SiLC, i-Park @ Indahpura and i-Park @ SAC. Upkeep and maintenance of workers' dormitories includes general maintenance of workers' dormitories such as doors, locks and painting. Upkeep and maintenance of properties and workers' dormitories in aggregate accounted for about 11.26%, 6.19%, 14.53% and 10.81% of our cost of services for the FYE 31 March 2016, 2017, 2018 and 2019, respectively. As regard to our workers' dormitories in i-Park @ SAC, we have not incurred any upkeep and maintenance costs in FYE 31 March 2019 as the dormitories were only completed in March 2019.

Security services

We engage external security services for our workers' dormitories and properties at District 6, as they are not confined within the gated and guarded premises of i-Park @ Indahpura or District 6. The security services accounted for about 7.78%, 10.90%, 9.63% and 9.36% of our cost of services for the FYE 31 March 2016, 2017, 2018 and 2019, respectively. As regard to our workers' dormitories in i-Park @ SAC, we have not incurred any costs for security services in FYE 31 March 2019 as the dormitories were only completed in March 2019.

Insurance

We take out insurance comprising fire insurance and consequential loss and public liability insurance for our properties in i-Park @ SiLC, i-Park @ Indahpura, District 6 and i-Park @ SAC as well as our workers' dormitories in i-Park @ Indahpura and i-Park @ SAC. The insurance cost accounted for 4.38%, 7.36%, 8.11% and 11.74% of our cost of services for the FYE 31 March 2016, 2017, 2018 and 2019, respectively. The increase in insurance cost in FYE 31 March 2019 was due to the insurance purchased for the additional 10 completed and leased industrial factory units in i-Park @ SAC.

Wages

We pay wages to general workers to maintain our workers' dormitories in i-Park @ Indahpura. The cost of wages accounted for about 6.22%, 6.50%, 7.25% and 8.30% of our cost of services for the FYE 31 March 2016, 2017, 2018 and 2019, respectively.

Utilities

We incur utilities costs such as electricity and water for the common areas of our workers' dormitories, while the utilities costs for the units occupied by workers are borne by their employers. Utilities costs accounted for about 2.22%, 3.03%, 2.75% and 1.76% of our cost of services for the FYE 31 March 2016, 2017, 2018 and 2019, respectively.

Landscape management

During the FYE 31 March 2016 and 2017, I Stay Management provided landscape management services to owners and tenants who requested for landscaping within their own factory compound. Landscape management costs accounted for 6.27% and 2.90% of our cost of services for the FYE 31 March 2016 and 2017, respectively. I Stay Management has since July 2016 ceased to provide landscape management services and is presently focused on the management of our workers' dormitories.

Other cost of services

Other cost of services mainly comprise legal and stamping fee on the tenancy agreements of our properties and workers' dormitories, general supplies as well as levy and work permit fees for our workers. These costs in aggregate accounted for about 8.14%, 4.62%, 5.79% and 16.44% of our cost of services for the FYE 31 March 2016, 2017, 2018 and 2019, respectively. The increase in other cost of services in FYE 31 March 2019 was mainly due to the additional legal and stamping fees incurred for the new tenancy agreements entered into for our leased factory units in i-Park @ SAC.

(iii) Gross profit and gross profit margins

For the FYE 31 March 2016, 2017, 2018 and 2019, our gross profit was RM54.12 million, RM81.93 million, RM92.71 million and RM94.05 million, while gross profit margins were about 21.71%, 27.40%, 27.16% and 27.74%, respectively, for those years.

The following tables set out our gross profit and gross profit margins by business segment for the periods indicated:

(a) Gross profit

	FYE 31 March							
	2016		2017		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Construction services	28,220	52.15	35,712	43.59	45,517	49.10	44,454	47.26
Property development	6,055	11.19	23,954	29.24	27,598	29.77	21,696	23.07
Engineering services	12,048	22.26	10,605	12.94	7,675	8.28	10,129	10.77
Property investment and management services	7,793	14.40	11,654	14.23	11,918	12.85	17,774	18.90
Total gross profit	**54,116**	**100.00**	**81,925**	**100.00**	**92,708**	**100.00**	**94,053**	**100.00**

(b) Gross profit margin

	FYE 31 March			
	2016	2017	2018	2019
	%	%	%	%
Construction services	17.86	17.26	21.26	19.02
Property development	40.17	64.38	32.30	50.29
Engineering services	18.60	26.51	29.04	24.90
Property investment and management services	68.10	78.79	77.35	82.59
Overall gross profit margin	**21.71**	**27.40**	**27.16**	**27.74**

Our construction services segment was the main contributor to our gross profit, representing about 52.15%, 43.59%, 49.10% and 47.26% of our total gross profit for the FYE 31 March 2016, 2017, 2018 and 2019, respectively.

Gross profit margins of our construction services segment and engineering services segment varied during the FYE 31 March 2016 to FYE 31 March 2018 mainly due to the different type of plants and industrial facilities, as well as variation orders in respect of construction and engineering services provided during the respective periods. The decrease in gross profit margins of our construction services segment and engineering services segment in FYE 31 March 2019 was mainly due to the increase in average price of steel purchased in FYE 31 March 2019 which affected our gross profit margins.

Gross profit margin of our property development segment increased in FYE 31 March 2017 mainly due to the sale of three industrial factory units held as inventory in i-Park @ Indahpura (Phase 1 and 2) at higher selling prices as compared to their value in FYE 31 March 2016. Despite the sale of four industrial factory units in i-Park @ SAC (Phase 1 and 2) in FYE 31 March 2018, the lower gross profit margin in FYE 31 March 2018 was mainly because we did not sell any industrial factory units in i-Park @ Indahpura which carry a higher profit margin due to the lower cost of land for the i-Park @ Indahpura development project. The increase in gross profit margin in FYE 31 March 2019 was mainly due to the sale of seven industrial factory units in i-Park @ SAC (Phase 1 and 2) and 21 commercial shop lots in the Jacaranda at i-Park @ SAC which yield higher gross profit margin.

Gross profit margins of our property investment and management services business increased after the FYE 31 March 2016 and were generally stable in FYE 31 March 2017 and 2018 mainly due to consistent receipt of rental income and cost of services incurred. The increase in gross profit margin in FYE 31 March 2019 was mainly due to the additional 10 industrial factory units in i-Park @ SAC being leased at a higher gross profit margin.

(iv) Other income

Our other income comprises fair value gain on investment properties, gain on disposal of assets and other gains. For the FYE 31 March 2016, 2017, 2018 and 2019, our other income amounted to RM8.20 million, RM18.35 million, RM29.30 million and RM18.47 million, respectively.

The table below sets out the components of our other income for the periods indicated:

	FYE 31 March							
	2016		2017		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Fair value gain on investment properties	6,344	77.41	16,569	90.29	25,768	87.93	16,376	88.67
Gain on disposal of assets	155	1.89	262	1.43	922	3.15	384	2.08
Others gains	1,696	20.70	1,520	8.28	2,614	8.92	1,709	9.25
Total other income	**8,195**	**100.00**	**18,351**	**100.00**	**29,304**	**100.00**	**18,469**	**100.00**

Note:

(1) Other gains include rental of water tanker, administrative fee charged on the new occupants in workers' dormitories, gain on disposal of investments and gain on foreign exchange.

Investment properties are interest in land and factory buildings held to earn recurring rental income. Investment properties are stated at their fair value as of each reporting date. Gains or losses arising from changes in the fair value of our investment properties are included in our combined statements of profit or loss in the period in which they arise.

Changes in the fair value of both completed investment properties and investment properties under construction will affect our results of operation. During the FYE 31 March 2016 to FYE 31 March 2019, we had changes in fair value of investment properties of RM6.34 million, RM16.57 million, RM25.77 million and RM16.38 million, respectively. These adjustments reflected unrealised capital gains on our investment properties, and therefore did not generate cash. For our significant accounting policies in relation to changes in the fair value of our investment properties, please refer to the Accountants' Report included in Section 11 of this Prospectus.

(v) Operating expenses

For the FYE 31 March 2016, 2017, 2018 and 2019, our operating expenses amounted to RM24.47 million, RM32.03 million, RM31.84 million and RM35.93 million, respectively, representing about 9.82%, 10.71%, 9.33% and 10.60% of our total revenue in those years.

The table below sets out the components of our operating expenses for the periods indicated:

	FYE 31 March							
	2016		**2017**		**2018**		**2019**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Administrative expenses	22,952	93.81	27,148	84.77	28,152	88.42	31,956	88.94
Distribution expenses	1,094	4.47	3,171	9.90	2,441	7.67	3,768	10.49
Other operating expenses	421	1.72	1,708	5.33	1,247	3.91	207	0.57
Total operating expenses	**24,467**	**100.00**	**32,027**	**100.00**	**31,840**	**100.00**	**35,931**	**100.00**

Administrative expenses

Administrative expenses are the largest contributor to our operating expenses. Administrative expenses mainly comprise (i) staff cost which includes salaries, bonuses, employee contributions and other staff related expenses, (ii) directors remuneration and related cost and (iii) depreciation of property, plant and equipment.

The table below sets out, for the periods indicated, the components of our administrative expenses:

	FYE 31 March							
	2016		2017		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff salary, bonus and related expenses	7,446	32.44	8,443	31.10	9,180	32.61	9,523	29.80
Directors remuneration and related cost	5,340	23.27	9,008	33.18	7,749	27.53	8,783	27.48
Depreciation	2,174	9.47	2,299	8.47	2,488	8.84	2,448	7.66
Insurance	637	2.78	446	1.64	543	1.93	628	1.97
Professional fee	516	2.25	369	1.36	835	2.97	2,567	8.03
Legal fee	699	3.04	320	1.18	325	1.15	431	1.35
Petrol and mileage	432	1.88	438	1.61	494	1.75	507	1.59
Rental of office and car park	238	1.04	276	1.02	416	1.48	25	0.08
Upkeep of motor vehicles	292	1.27	293	1.08	275	0.98	314	0.98
Utilities	206	0.90	285	1.05	314	1.12	275	0.86
Other administrative expenses(1)	4,972	21.66	4,971	18.31	5,533	19.64	6,455	20.20
Total administrative expenses	**22,952**	**100.00**	**27,148**	**100.00**	**28,152**	**100.00**	**31,956**	**100.00**

Note:

(1) Other administrative expenses include audit and tax fees, entertainment, gift and donations, staff welfare, staff medical fee, transport and travelling and relocation expenses. Each item of other administrative expenses contributes less than 5% of our total administrative expenses.

Distribution expenses

Distribution expenses consist mainly of sales and marketing expenses, which include sales commission, printing of buntings and flyers, signboards, advertisements and events expenses.

Other operating expenses

Other operating expenses mainly comprise fair value loss on investment in quoted shares, fixed assets written-off, loss on disposal of quoted shares, allowance for doubtful debts and fair value loss on investment property.

(vi) Finance income

Our finance income amounted to RM4.02 million, RM4.27 million, RM3.88 million and RM3.20 million for the FYE 31 March 2016, 2017, 2018 and 2019, respectively.

The table below sets out the components of our finance income for the periods indicated:

	FYE 31 March							
	2016		2017		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest income	3,452	85.96	3,820	89.48	3,415	88.08	3,027	94.53
Interest on amount due from a former joint venture	564	14.04	449	10.52	462	11.92	175	5.47
Total finance income	**4,016**	**100.00**	**4,269**	**100.00**	**3,877**	**100.00**	**3,202**	**100.00**

Our finance income mainly comprises interest income derived from fixed deposits placed with licensed banks and financial institutions as well as interest earned from current account.

Interest on amount due from a former joint venture was derived from advances to Nusajaya Square, which is non-trade in nature and subject to interest at 6.89% per annum, unsecured and has no fixed terms of repayment. On 28 June 2018, our entire 35% equity interest in Nusajaya Square was distributed by way of dividend-in-specie to Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon and the entire amount due from Nusajaya Square to our Group of RM8,231,563 (being the principal amount and including the outstanding interest) has been offset against the amount due to Directors.

For further details of the disposal of Nusajaya Square, please refer to Section 8.1.1 of this Prospectus.

Finance costs

Our finance costs comprise mainly interest expenses on bank borrowings taken to finance the working capital requirements of our Group. Our finance costs amounted to RM3.43 million, RM4.54 million, RM4.31 million and RM6.62 million for the FYE 31 March 2016, 2017, 2018 and 2019, respectively.

The table below sets out the components of our finance costs for the periods indicated:

	FYE 31 March							
	2016		2017		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Term loan interest	2,636	76.90	4,019	88.47	3,832	88.85	6,053	91.49
Other interest(1)	792	23.10	524	11.53	481	11.15	563	8.51
Total finance costs	**3,428**	**100.00**	**4,543**	**100.00**	**4,313**	**100.00**	**6,616**	**100.00**

Note:

(1) Including interest expenses on bank overdraft and trade facilities for the working capital of our Group.

For the FYE 31 March 2016, 2017, 2018 and 2019, our borrowing costs represented an effective interest rate of about 5.07%, 5.03%, 5.48% and 5.56%, respectively. Average effective interest rates are derived by dividing the total interest expenses for the relevant period by total bank borrowings as at the end of that period, and multiplying by 365 days and dividing by the number of days in that period.

(viii) Share of profit/(loss) of equity-accounted joint venture

Our share of profit/(loss) of equity-accounted joint venture reflects our share of the profit/(loss) from our equity-accounted jointly-controlled entity, Axis AME IP, for the industrial property development projects in SME City and i-Park @ Indahpura (Phase 3).

For the FYE 31 March 2016, 2017 and 2018, our share of profit of equity-accounted joint venture amounted to RM2.69 million, RM6.56 million and RM5.48 million, respectively. For the FYE 31 March 2019, our share of loss of equity-accounted joint venture of RM0.59 million was mainly due to the reversal of a fair value gain of RM6.40 million realised by Axis AME IP through the sale of an investment property factory unit in FYE 31 March 2019 as the fair value gain has already been recognised by our Group in the previous years.

(ix) Tax expense

Our tax expense represents the aggregate amount of our current financial year's income tax and any under or overprovision of taxation in the previous year. Our tax expenses amounted to RM8.51 million, RM17.43 million, RM17.00 million and RM21.60 million for the FYE 31 March 2016, 2017, 2018 and 2019, respectively.

The table below sets out the components of our tax expenses for the periods indicated:

	FYE 31 March			
	2016	**2017**	**2018**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current tax expense	8,694	15,705	14,114	13,891
Deferred tax expense/(income)	(188)	1,725	2,890	7,711
Total tax charge for the year	**8,506**	**17,430**	**17,004**	**21,602**

For the FYE 31 March 2016, 2017, 2018 and 2019, our effective tax rates were around 21%, 23%, 18% and 30%, respectively. Effective tax rates are derived by dividing total tax charge for the relevant period by profit before tax for that period. Our effective tax rate is mainly affected by, amongst other things, the statutory tax rate, non-deductive expenses and non-taxable income.

The table below sets out a comparison between our effective and statutory tax rates for the periods indicated.

	FYE 31 March			
	2016	**2017**	**2018**	**2019**
Effective tax rate (%)	21	23	18	30
Statutory tax rate (%)	24	24	24	24

For FYE 31 March 2016, 2017 and 2018, our effective tax rates were lower than the statutory tax rates mainly due to the fair value gains of our investment properties of around RM6.34 million, RM16.57 million and RM25.77 million for the FYE 31 March 2016, 2017 and 2018, respectively, which were subjected to the expected Real Property Gains Tax at 5% and share of profit of an equity-accounted joint venture on a net of tax basis.

For FYE 31 March 2019, our effective tax rate was higher than the statutory tax rate mainly due to the following:

(a) the change in Real Property Gains Tax from 5% to 10%. As such, the deferred tax liability for the fair value gains of our investment properties increased by RM5.05 million from RM2.93 million as at 31 March 2018 to RM7.98 million as at 31 March 2019; and

(b) the increase in additional non-deductible expenses relating to professional fees for our listing exercise of about RM2.23 million.

10.3.6 Commentary on our results of operations

(i) FYE 31 March 2017 compared to FYE 31 March 2016

Revenue

Our revenue was RM298.96 million in FYE 31 March 2017 as compared with RM249.24 million in FYE 31 March 2016. The increase in our revenue by RM49.72 million, or about 19.95%, was due to the increase in construction services revenue, revenue from property development and rental income by RM48.99 million, RM22.13 million and RM3.35 million, respectively and partially offset by the decrease in engineering services revenue by RM24.76 million.

Construction services

Our revenue from construction of plants and industrial properties increased by 31.02% to RM206.96 million in FYE 31 March 2017, mainly due to the following new projects:

(a) Production plant in Tanjung Langsat, Pasir Gudang, Johor

This project commenced in April 2016 and reached about 59.00% completion by 31 March 2017. Revenue recognised based on the percentage of construction completed during the year was around RM39.34 million.

(b) Logistics warehouse located outside Johor

This project commenced in October 2016 and reached about 18% completion by 31 March 2017. Revenue recognised based on the percentage of construction completed during the year was around RM26.90 million.

Property development

Our revenue from property development increased by around 146.83% to RM37.21 million in FYE 31 March 2017 mainly due to the sale of three completed industrial factory units held as inventory in i-Park @ Indahpura (Phase 1 and 2) and the sale and development of seven industrial factory units in i-Park @ SAC (Phase 1 and 2) during the year. Revenue recognised based on the stage of work completed as well as sales cumulated up to 31 March 2017 was around RM37.21 million.

Engineering services

Our revenue from our engineering services segment decreased by 38.23% to RM40.00 million in FYE 31 March 2017, mainly due to:

(a) the decrease in revenue from steel engineering and precast concrete works by RM20.88 million, or about 69.28%, as three of our projects, being (i) five blocks of dormitories, (ii) open-air cinema and (iii) steel and precast components for part of a resort in Johor were completed in 2016. The remaining revenue attributable to these projects of around RM2.23 million was recognised during the year; and

(b) the decrease in revenue from M&E engineering works by RM3.89 million, or about 11.22%, as our projects involving (i) three new detached industrial factories on Plots 128 and 129 in i-Park @ Indahpura, (ii) three new detached industrial factories on Plot 127 in i-Park @ Indahpura and (iii) a factory in Senai in Johor were completed in 2016. The remaining revenue attributable to these projects of around RM1.18 million was recognised during the year.

Rental income

Our revenue from rental income increased by around 29.26% to RM14.79 million in FYE 31 March 2017 mainly due to the following:

(a) increase in rental income by RM2.12 million arising from additional factory units (held as investment property) and workers' dormitories in i-Park @ Indahpura being leased and rented out during the year; and

(b) increase in rental income by RM1.53 million through the securing of new tenants for our factory units in District 6 with higher lease rates compared to FYE 31 March 2016.

Cost of sales

Our cost of sales was RM217.03 million in FYE 31 March 2017 as compared with RM195.13 million in FYE 31 March 2016. The increase in our cost of sales by RM21.90 million, or about 11.22%, was mainly due to the increase in construction services contract cost and cost of property development by RM41.50 million and RM4.23 million, respectively and partially offset by the decrease in engineering services contract cost of RM23.32 million.

Construction services

Our construction services contract cost increased by around 31.99% to RM171.25 million in FYE 31 March 2017, mainly due to the increase in sub-contractors costs and raw materials costs of RM31.47 million and RM6.11 million, respectively as a result of the increase in the number of projects, mainly the construction of (i) a polymer production facility with an office block in Tanjung Langsat, Pasir Gudang, Johor and (ii) a logistics warehouse with an office block located outside Johor.

Cost of property development

Our cost of property development increased by around 46.95% to RM13.25 million in FYE 31 March 2017, mainly due to the following:

(a) increase in construction costs by RM2.58 million and increase in land and related cost by RM3.16 million in line with the increase in sales of our factory units in i-Park @ Indahpura (Phase 1 and 2) for the FYE 31 March 2017;

(b) increase in infrastructure costs by RM1.23 million and M&E costs by RM0.53 million due to the additional units sold in 2017 and costs involved in setting up the initial infrastructure and M&E works for the launch of i-Park @ SAC (Phase 1 and 2); and

(c) increase in the aggregate cost of professional fees, statutory contributions, finance charges and project management fees by RM0.98 million due to increase in number of completed units sold in i-Park @ Indahpura (Phase 1 and 2) and i-Park @ SAC (Phase 1 and 2) for the FYE 31 March 2017.

Engineering services

Our engineering services contract cost decreased by around 44.23% to RM29.40 million in FYE 31 March 2017, mainly due to the decrease in sub-contractors costs of RM15.96 million and raw materials costs of RM5.07 million following the reduction in revenue from our engineering services segment mainly due to the lower value of new engineering projects secured in 2017.

Cost of services

Our cost of services decreased by around 14.05% to RM3.14 million in FYE 31 March 2017, mainly due the following:

(a) decrease in the cost of upkeep and maintenance of our factories of RM0.22 million due to the additional upkeep work performed for the water pump and control system for our workers' dormitories in i-Park @ Indahpura and additional steel structure works performed for a factory unit in i-Park @ Indahpura, in FYE 31 March 2016. The abovementioned works were non-recurring in FYE 31 March 2017;

(b) an outstanding amount of assessment and quit rent of RM0.10 million which was due in FYE 31 March 2015 but was only paid in FYE 31 March 2016; and

(c) decrease in landscape management cost of RM0.14 million after I Stay Management stopped providing landscape services to our customers in i-Park @ Indahpura since July 2016 and is presently focused on the management of our workers' dormitories.

Gross profit and gross profit margin

Our gross profit was RM81.93 million in FYE 31 March 2017 as compared with RM54.12 million in FYE 31 March 2016. Our gross profit margin increased to around 27.40% in FYE 31 March 2017 from around 21.71% in FYE 31 March 2016 primarily due to the higher gross profit margin with respect to our sale of properties.

Gross profit margin of our construction business decreased marginally from around 17.86% in FYE 31 March 2016 to around 17.26% in FYE 31 March 2017 primarily due to new projects with slightly lower margins secured.

Gross profit margin of our property development business increased from around 40.17% in FYE 31 March 2016 to around 64.38% in FYE 31 March 2017. The increase was mainly attributed to the sale of three industrial factory units held as inventory in i-Park @ Indahpura (Phase 1 & 2) at higher selling prices as compared to their value in FYE 31 March 2016.

Gross profit margin of our engineering business increased from 18.60% in FYE 31 March 2016 to 26.51% in FYE 31 March 2017 mainly due to new projects with higher margins secured.

Gross profit margin of our property investment and management services business increased from around 68.10% in FYE 31 March 2016 to around 78.79% in FYE 31 March 2017. The increase was mainly due to the increase in the number of leased factory units in i-Park @ Indahpura (Phase 1 & 2) and District 6 with higher lease rates compared to FYE 31 March 2016.

Other income

Our other income was RM18.35 million in FYE 31 March 2017 as compared with RM8.20 million in FYE 31 March 2016, representing an increase of RM10.15 million, or about 123.78%, primarily due to the fair value gain on investment properties arising from the valuation exercise conducted in respect of our investment properties in i-Park @ SAC.

Our fair value gain on investment properties was due to the appreciation in value of our investment properties and industrial factory units held as inventory over time.

Operating expenses

Our operating expenses was RM32.03 million in FYE 31 March 2017 as compared with RM24.47 million in FYE 31 March 2016, representing an increase of RM7.56 million, or about 30.90%, primarily due to the following:

(i) increase in administrative expenses by RM4.20 million;

(ii) increase in distribution expenses by RM2.08 million; and

(iii) increase in other operating expenses by RM1.29 million.

<u>Administrative expenses</u>

Our administrative expenses increased by around 18.28% to RM27.15 million in FYE 31 March 2017 mainly due to the increase in staff salary, bonus and related cost by RM1.00 million and increase in directors' remuneration and related costs by RM3.67 million, following our achievement of operating and financial performance targets for the FYE 31 March 2017.

<u>Distribution expenses</u>

Our distribution expenses increased by around 189.85% to RM3.17 million in FYE 31 March 2017, primarily due to the increase in sales commissions paid as a result of the sale of factory units in i-Park @ SAC which was launched in the first quarter of 2017, as well as increase in costs for advertisement, events, signboards and printing of buntings, flyers and signboards for i-Park @ SAC.

<u>Other operating expenses</u>

Our other expenses increased by around 305.70% to RM1.71 million in FYE 31 March 2017, primarily due to the increase in our allowance for doubtful debts by RM0.53 million as a result of a customer who had a disagreement on our final progressive billing for the work performed and difficulty in collections from some of the other customers for our M&E engineering works projects, and increase in loss on disposal of quoted shares amounting to RM0.46 million. Following the above, only RM6,258 has been collected after the FYE 31 March 2017.

Finance income

Our finance income increased by around 6.30% to RM4.27 million in FYE 31 March 2017, mainly due to the increase in interest income of RM0.37 million derived from additional deposits placed with licensed banks.

Finance costs

Our finance cost increased by around 32.53% to RM4.54 million in FYE 31 March 2017, mainly due to the increase in term loan interest of RM1.38 million arising from additional term loan drawdown, of which RM147.27 million was used by Ipark Development to fund the working capital requirements for i-Park @ SAC, and RM12.80 million was used by Active Gold to finance the purchase of a factory unit in i-Park @ Indahpura, held as an investment property.

Share of profit of equity-accounted joint venture

Our share of profit of equity-accounted joint venture increased by around 144.19% to RM6.56 million in FYE 31 March 2017 mainly due to the increase in profit recorded by Axis AME IP arising from the increase in the number of factory units sold in SME City and i-Park @ Indahpura (Phase 3) and the fair value gain on investment property of RM5.57 million in FYE 31 March 2017 as compared to FYE 31 March 2016.

PBT and PBT margin

Our PBT was RM74.53 million in FYE 31 March 2017 as compared with RM41.12 million in FYE 31 March 2016. Our PBT margin increased to about 24.93% in FYE 31 March 2017 from about 16.50% in FYE 31 March 2016, primarily due to the higher gross profit and other income in FYE 31 March 2017 as compared to FYE 31 March 2016.

Tax expense

Our tax expense was RM17.43 million in FYE 31 March 2017 as compared with RM8.51 million in FYE 31 March 2016, representing an increase of RM8.92 million. This increase was primarily attributed to an increase in our PBT due to an increase in the sale of properties in FYE 31 March 2017.

PAT and PAT margin

As a result of the foregoing, our PAT was RM57.10 million in FYE 31 March 2017 as compared with RM32.61 million in FYE 31 March 2016, representing an increase of RM24.49 million, or about 75.10%. Our PAT and PAT margin were generally consistent with the growth in our PBT and PBT margin for the FYE 31 March 2017.

(ii) FYE 31 March 2018 compared to FYE 31 March 2017

Revenue

Our revenue was RM341.32 million in FYE 31 March 2018 as compared with RM298.96 million in FYE 31 March 2017. The increase in our revenue by RM42.36 million, or about 14.17%, was mainly due to the increase in revenue from property development by RM48.22 million.

Construction services

Our revenue from construction of plants and industrial properties increased by 3.43% to RM214.05 million in FYE 31 March 2018, mainly due to the increase in stage of completion for the following projects:

(a) Production plant in Tanjung Langsat, Pasir Gudang, Johor

This project was completed in FYE 31 March 2018 during which the stage of completion increased by around 41.00% from 59.00% to 100.00%. Revenue recognised based on the percentage of construction completed during the year was around RM27.18 million.

(b) Logistics warehouse located outside Johor

The stage of completion of this project increased by around 67.00% from 18.00% to 85.00% in the FYE 31 March 2018. Revenue recognised based on the percentage of construction completed during the year was around RM101.16 million.

Property development

Our revenue from property development increased by around 129.61% to RM85.43 million in FYE 31 March 2018 mainly due to (i) the increase in revenue recognised based on the stage of work completed for the seven industrial factory units in i-Park @ SAC (Phase 1 and 2) sold in FYE 31 March 2017; and (ii) the stage of work completed for the four industrial factory units in i-Park @ SAC (Phase 1 and Phase 2) sold in FYE 31 March 2018, of which two units were completed in FYE 31 March 2018. Revenue recognised based on the stage of work completed for the abovementioned factory units during the year was around RM85.43 million.

Engineering services

Our revenue from our engineering services segment decreased by 33.92% to RM26.43 million in FYE 31 March 2018, mainly due to the decrease in revenue from M&E engineering works by RM13.87 million, or 45.12%, as our projects, involving (i) substation, switch gear room and electrical work at guard house and bin room on Plot 131 in i-Park @ Indahpura; and (ii) fire protection system and additional electrical works for a detached industrial factory on Plot 30 in i-Park @ Indahpura projects in Johor, were completed in 2017 and 2018, respectively. The remaining revenue attributable to these projects of around RM4.40 million was recognised during the year.

The decrease in revenue from our engineering services segment was partially offset by higher revenue from steel engineering and precast concrete works mainly due to the increase in revenue by RM0.30 million, or about 3.27%, arising from the commencement of new projects involving (i) fabrication of steel structures for a mixing plant which were delivered to Brisbane, Australia in April 2017, (ii) precast components for a research building within a university campus, which were delivered to Singapore in June 2017 and (iii) precast components for mushroom trees structure and escalator for a hotel development which were delivered to Singapore in October 2017; and partially offset by the decrease in revenue due to the completion of the five blocks of dormitories project in 2017.

Rental income

Our revenue from rental income increased by around 4.17% to RM15.41 million in FYE 31 March 2018 mainly due to the following:

(a) increase in rental rates for our workers' dormitories in i-Park @ Indahpura effective January 2018 to reflect the market rental rates for other comparable workers' dormitories in Johor;

(b) timing of lease payments in relation to a new tenancy for one of our factory units in District 6 which commenced in June 2016 but full year lease payments were only paid in FYE 31 March 2018; and

(c) increase in lease rates for our existing factory unit in District 6 effective August 2017 for the renewal of lease terms.

Cost of sales

Our cost of sales was RM248.61 million in FYE 31 March 2018 as compared with RM217.03 million in FYE 31 March 2017. The increase in our cost of sales by RM31.58 million, or about 14.55%, was mainly due to the increase in our cost of property development by RM44.58 million.

Construction services

Our construction services contract cost decreased by around 1.58% to RM168.53 million in FYE 31 March 2018, mainly due to the decrease in sub-contractors costs of RM16.46 million arising from the decrease in sub-contracted works as we carried out more construction works ourselves in 2018 as well as the following projects reaching completion:

(a) a production plant in Tanjung Langsat, Pasir Gudang, Johor; and

(b) 100 units of industrial facilities for the iBP @ Nusajaya business park development project in Iskandar Puteri, Johor.

Cost of property development

Our cost of property development increased by around 336.37% to RM57.83 million in FYE 31 March 2018, mainly due to the following:

(a) increase in construction costs by RM14.34 million and increase in land and related cost by RM21.35 million in line with the increase in sales of our factory units in i-Park @ SAC (Phase 1 and 2); and

(b) increase in infrastructure costs by RM1.04 million due to the additional costs involved to set up the facilities and amenities for i-Park @ SAC (Phase 1 and 2) such as drainage, road, fencing, power and water supply system and communication system.

Engineering services

Our engineering services contract cost decreased by around 36.19% to RM18.76 million in FYE 31 March 2018, mainly due to the lower value of new engineering projects secured in 2018 as well as the completion of the following projects:

(a) substation, switch gear room and electrical work at guard house and bin room on Plot 131 in i-Park @ Indahpura in 2017; and

(b) fire protection system and additional electrical works for a detached industrial factory on Plot 30 of our i-Park @ Indahpura in 2018.

Cost of services

Our cost of services increased by around 11.25% to RM3.49 million in FYE 31 March 2018, mainly due the increase in (i) the cost of upkeep and maintenance of factories of RM0.31 million in relation to painting and roofing of certain factory units in i-Park @ Indahpura (Phase 1 and 2); and (ii) assessment and quit rent of RM0.07 million due to the development of i-Park @ SAC.

Gross profit and gross profit margin

Our gross profit was RM92.71 million in FYE 31 March 2018 as compared with RM81.93 million in FYE 31 March 2017. Our gross profit margin decreased to around 27.16% in FYE 31 March 2018 from around 27.40% in FYE 31 March 2017 primarily due to our lower gross profit margin from sale of properties in 2018.

Gross profit margin of our construction business increased from around 17.26% in FYE 31 March 2017 to 21.26% in FYE 31 March 2018 primarily due to new projects with higher margins secured.

Gross profit margin of our property development business decreased from around 64.38% in FYE 31 March 2017 to around 32.30% in FYE 31 March 2018. Despite the sale of four industrial factory units in i-Park @ SAC (Phase 1 and 2) in FYE 31 March 2018, the decrease in gross profit margin was mainly because we did not sell any industrial factory units in i-Park @ Indahpura in FYE 31 March 2018 which carry a higher profit margin due to the lower cost of land for the i-Park @ Indahpura development project.

Gross profit margin of our engineering business increased from around 26.51% in FYE 31 March 2017 to 29.04% in FYE 31 March 2018 mainly due to new projects secured with higher margins.

Gross profit margin of our property investment and management services business decreased marginally from around 78.79% in FYE 31 March 2017 to around 77.35% in FYE 31 March 2018. The decrease was mainly contributed by the increase in the number of rented units in our workers' dormitories at i-Park @ Indahpura which yield a lower gross profit margin compared to our leased factory units.

Other income

Our other income was RM29.30 million in FYE 31 March 2018 as compared with RM18.35 million in FYE 31 March 2017, representing an increase of RM10.95 million, or about 59.67%, primarily due to the fair value gain on our investment properties in i-Park @ SAC and the income on forfeiture of rental and deposit amounting to RM1.86 million due to the default by our tenant on its lease agreement for an industrial factory unit in District 6.

Operating expenses

Our operating expenses was RM31.84 million in FYE 31 March 2018 as compared with RM32.03 million in FYE 31 March 2017, representing a decrease of RM0.19 million, or about 0.59%, primarily due to the decrease in distribution expenses and other operating expenses totaling RM1.19 million, which offset the increase in administrative expenses of RM1.00 million.

Administrative expenses

Our administrative expenses increased by 3.70% to RM28.15 million in FYE 31 March 2018 mainly due to the following:

(a) increase in staff salary, bonus and related cost by RM0.74 million as a result of the increased staff headcount for FYE 31 March 2018;

(b) increase in depreciation cost of RM0.19 million due to additional fixed assets, mainly a new drilling line machine for the cutting and drilling of steel bars/beams and overhead crane for our engineering division as well as motor vehicles for our staff use; and

(c) increase in other administrative expenses of RM0.56 million due to security charges for our guard house in i-Park @ SAC, stamping fees on new lease/tenancy agreements for our dormitories and factory units for lease and loan facilities procured in FYE 31 March 2018.

Distribution expenses

Our distribution expenses decreased by around 23.02% to RM2.44 million in FYE 31 March 2018, primarily due to the decrease in sales commissions of RM1.34 million as a result of the lower number of factory units sold by our appointed sales agents in FYE 31 March 2018 as compared to the FYE 31 March 2017.

Other operating expenses

Our other expenses decreased by around 27.00% to RM1.25 million in FYE 31 March 2018, primarily due to the lower allowance for doubtful debts as a result of increase in collection efforts during the year. The allowance of doubtful debt of RM60,515 was a result of difficulty in collections from a customer for our M&E engineering services project who had a change in management and another customer for our M&E engineering services project who faced financial difficulties, and lower loss on disposal of quoted shares as compared to FYE 31 March 2017.

Finance income

Our finance income decreased by around 9.18% to RM3.88 million in FYE 31 March 2018, mainly due to the decrease in interest income of RM0.41 million as a result of the withdrawal of RM50.42 million of fixed deposits to partially finance the land acquisition cost of i-Park @ SAC and to fund the working capital requirements for the operations of i-Park @ SAC during the FYE 31 March 2018.

Finance costs

Our finance cost decreased by around 5.06% to RM4.31 million in FYE 31 March 2018, mainly due to the decrease in term loan interest of RM0.19 million as a result of the repayment of term loans during the year.

Share of profit of equity-accounted joint venture

Our share of profit of equity-accounted joint venture decreased by around 16.40% to RM5.48 million in FYE 31 March 2018 mainly due to the lower profit recorded by Axis AME IP arising from the lower number of factory units sold in SME City and i-Park @ Indahpura (Phase 3) and the lower fair value gain on investment property of RM2.77 million in FYE 31 March 2018 as compared to FYE 31 March 2017.

PBT and PBT margin

Our PBT was RM95.22 million in FYE 31 March 2018 as compared with RM74.53 million in FYE 31 March 2017. Our PBT margin increased to 27.90% in FYE 31 March 2018 from 24.93% in FYE 31 March 2017, primarily due to the higher gross profit recorded coupled with a one-off fair value gain on additional investment properties identified for i-Park @ SAC.

Tax expense

Our tax expense was RM17.00 million in FYE 31 March 2018 as compared with RM17.43 million in FYE 31 March 2017, representing a decrease of RM0.43 million. Our tax expense decreased despite the increase in our PBT mainly because of the higher gain recorded on the fair value of our investment properties in FYE 31 March 2018 which was subject to Real Property Gain Tax at 5%.

PAT and PAT margin

Our PAT was RM78.22 million in FYE 31 March 2018 as compared with RM57.10 million in FYE 31 March 2017, representing an increase of RM21.12 million, or about 36.97%. Our PAT and PAT margin were generally consistent with the growth in our PBT and PBT margin for FYE 31 March 2018.

(iii) FYE 31 March 2019 compared to FYE 31 March 2018

Revenue

Our revenue was RM339.01 million in FYE 31 March 2019 as compared with RM341.32 million in FYE 31 March 2018. The slight decrease in our revenue by RM2.31 million, or about 0.68%, was due to the decrease in revenue from property development by RM42.29 million and partially offset by the increases in construction services revenue, engineering services revenue and rental income by RM19.62 million, RM14.24 million and RM6.12 million, respectively.

Construction services

Our revenue from construction of plants and industrial properties increased by 9.17% to RM233.67 million in FYE 31 March 2019, mainly due to the increase in stage of completion for the following projects:

(a) Multi-storey logistic warehouse located outside Johor

The stage of completion of this project increased by around 70.00% from 11.00% to 81.00% in the FYE 31 March 2019. Revenue recognised based on the percentage of construction completed during the year was around RM144.64 million.

(b) A facility for aerospace components located outside Johor

This project commenced in FYE 31 March 2019 and was completed in the same financial year. Revenue recognised from the project was around RM46.28 million.

Property development

Our revenue from property development decreased by around 49.50% to RM43.14 million in FYE 31 March 2019 mainly due to the lower revenue recognised for the following:

(a) the percentage of work done for the seven industrial factory units in i-Park @ SAC (Phase 1 and 2) sold in FYE 31 March 2017 was lesser as four of the units reached completion in FYE 31 March 2019;

(b) similarly, two industrial factory units in i-Park @ SAC (Phase 1 and 2) sold in FYE 31 March 2018 also reached completion; and

(c) the stage of work completed for seven industrial factory units in i-Park @ SAC (Phase 1 and 2) and 21 commercial shop lots in the Jacaranda at i-Park @ SAC sold in FYE 31 March 2019. Out of the properties sold, three industrial factory units were completed during the year and the stage of completion for the remaining four industrial factory units and 21 units of shop lots are only at the early stage of construction works.

Revenue recognised based on the stage of work completed for the abovementioned properties during the FYE 31 March 2019 was around RM43.14 million.

Engineering services

Our revenue from our engineering services segment increased by 53.89% to RM40.68 million in FYE 31 March 2019, mainly due to the increase in revenue from:

(a) steel engineering and precast concrete works by RM10.42 million, or 108.99% arising from the commencement of new projects involving (i) precast components for a residential flat development comprising two blocks of apartments in Singapore; (ii) prefabrication of steel structures for an industrial chemical plant in Terengganu; and (iii) precast components for a school development comprising two teaching blocks, one administrative/library building, one performing arts centre and one multi-purpose hall which was delivered to Singapore in January 2018; and

(b) M&E engineering works by RM3.83 million, or 22.68%, mainly due to the commencement of new projects involving (i) fire protection system for an industrial plant in Johor; and (ii) fire protection system for a consumer product production facility in Johor. Revenue recognised from these projects was around RM6.20 million; and (iii) the completion of a project involving fire protection system for a light industrial plant in Johor. The remaining revenue attributable to this project of around RM4.00 million was recognised during the year.

Rental income

Our revenue from rental income increased by around 39.69% to RM21.52 million in FYE 31 March 2019 mainly due to the following:

(a) increase in rental rates for our workers' dormitories in i-Park @ Indahpura effective January 2018 to reflect the market rental rates for other comparable workers' dormitories in Johor;

(b) increase in lease rates for our existing factory units in i-Park @ Indahpura, i-Park @ SiLC and District 6 during the year arising from the renewal of lease terms; and

(c) additional four inventory units and six investment property factory units in i-Park @ SAC that were rented out during the FYE 31 March 2019.

Cost of sales

Our cost of sales was RM244.96 million in FYE 31 March 2019 as compared with RM248.61 million in FYE 31 March 2018. The slight decrease in our cost of sales by RM3.65 million, or about 1.47%, was mainly due to the decrease in our cost of property development by RM36.38 million and partially offset by the increase in construction services contract costs by RM20.68 million, engineering services contract costs by RM11.79 million and cost of services by RM0.26 million.

Construction services

Our construction services contract cost increased by around 12.27% to RM189.22 million in FYE 31 March 2019, mainly due to the increase in raw materials costs and hiring cost for plant and machinery of RM12.13 million and RM5.08 million, respectively to cater for the larger scale construction projects in FYE 31 March 2019 as well as the increase in average price of steel purchased in FYE 31 March 2019 as compared to FYE 31 March 2018.

Cost of property development

Our cost of property development decreased by around 62.91% to RM21.45 million in FYE 31 March 2019, mainly due to the decrease in construction costs by RM10.49 million and decrease in land and related cost by RM18.15 million due to the following:

(a) four out of seven units at i-Park @ SAC sold in FYE 31 March 2017 and two units at i-Park @ SAC sold in FYE 31 March 2018 have been completed while the remaining three are nearing the end stages of completion in FYE 31 March 2019; and

(b) four units out of the seven industrial factory units at i-Park @ SAC as well as the 21 commercial shop lots in the Jacaranda at i-Park @ SAC which were sold in FYE 31 March 2019 are only in the initial stage of construction.

Engineering services

Our engineering services contract cost increased by around 62.86% to RM30.55 million in FYE 31 March 2019, mainly due to the increase in raw materials costs of RM6.32 million as a result of the higher value and larger scale of new engineering projects secured in 2019 as well as the increase in price of steel purchased in FYE 31 March 2019 compared to FYE 31 March 2018.

Cost of services

Our cost of services increased by around 7.39% to RM3.75 million in FYE 31 March 2019, mainly due to the additional legal and stamping feesof RM0.36 million incurred for the new tenancy agreements entered into for our leased factory units in i-Park @ SAC.

Gross profit and gross profit margin

Our gross profit was RM94.05 million in FYE 31 March 2019 as compared with RM92.71 million in FYE 31 March 2018. Our gross profit margin increased marginally to around 27.74% in FYE 31 March 2019 from around 27.16% in FYE 31 March 2018 primarily due to the higher gross profit margin from the sale of properties in 2019.

Gross profit margin of our construction business decreased from around 21.26% in FYE 31 March 2018 to 19.02% in FYE 31 March 2019 primarily due to the increase in average price of steel purchased in FYE 31 March 2019 which affected our gross profit margin.

Gross profit margin of our property development business increased from around 32.30% in FYE 31 March 2018 to around 50.29% in FYE 31 March 2019. The increase in gross profit margin was mainly due to the sale of seven industrial factory units in i-Park @ SAC and 21 commercial shop lots in the Jacaranda at i-Park @ SAC with higher gross profit margins.

Gross profit margin of our engineering business decreased from around 29.04% in FYE 31 March 2018 to 24.90% in FYE 31 March 2019 mainly due to the increase in average price of steel purchased in FYE 31 March 2019 which affected our gross profit margin.

Gross profit margin of our property investment and management services business increased from around 77.35% in FYE 31 March 2018 to around 82.59% in FYE 31 March 2019. The increase was mainly contributed by the additional 10 leased factory units in i-Park @ SAC with higher gross profit margins.

Other income

Our other income was RM18.47 million in FYE 31 March 2019 as compared with RM29.30 million in FYE 31 March 2018, representing a decrease of RM10.83 million, or about 36.96%, primarily due to the lower fair value gain on investment properties as no additional investment properties were identified in FYE 31 March 2018.

Operating expenses

Our operating expenses was RM35.93 million in FYE 31 March 2019 as compared with RM31.84 million in FYE 31 March 2018, representing an increase of RM4.09 million, or about 12.85% mainly due to the increases in administrative expenses and distribution expenses by RM3.80 million and RM1.33 million respectively, which offset the decrease in other operating expenses by RM1.04 million.

Administrative expenses

Our administrative expenses increased by 13.51% to RM31.96 million in FYE 31 March 2019 mainly due to the following:

(a) increase in professional fees by RM1.73 million in relation to our listing exercise;

(b) increase in Directors' remuneration and related cost by RM1.03 million as a result of a revision to our Directors' annual salary as well as Directors' fees on the appointment of Independent Directors for our listing exercise; and

(c) increase in other administrative expenses of RM0.92 million due to the expenses incurred for our relocation to the new corporate office at i-Park @ SAC in FYE 31 March 2019.

Distribution expenses

Our distribution expenses increased by around 54.36% to RM3.77 million in FYE 31 March 2019, primarily due to the increase in sales commissions of RM2.07 million as a result of the higher number of factory units sold and leased in i-Park @ SAC (Phase 1 and 2) as well as the sale of the commercial shop lots in the Jacaranda, by our appointed sales agents during the financial year.

Other operating expenses

Our other expenses decreased by around 83.40% to RM0.21 million in FYE 31 March 2019, primarily due to the recognition of (i) allowance for doubtful debts; (ii) fair value loss on investment in quoted shares; and (iii) loss on disposal of quoted shares in FYE 31 March 2018.

Finance income

Our finance income decreased by around 17.41% to RM3.20 million in FYE 31 March 2019, mainly due to the decrease in interest income of RM0.39 million as a result of the withdrawal of RM30.94 million of fixed deposits to fund the working capital requirements for the development of i-Park @ SAC during the FYE 31 March 2019.

Finance costs

Our finance cost increased by around 53.40% to RM6.62 million in FYE 31 March 2019, mainly due to the increase in term loan interest of RM2.22 million as a result of the additional drawdown of term loans during the year for the on-going development of i-Park @ SAC.

Share of loss of equity-accounted joint venture

Our share of loss of equity-accounted joint venture of RM0.59 million in FYE 31 March 2019 as compared with a share of profit of equity-accounted joint venture of RM5.48 million in FYE 31 March 2018 mainly due to the reversal of a fair value gain of RM6.40 million realised by Axis AME IP through the sale of an investment property factory unit in FYE 31 March 2019 as the fair value gain has already been recognised by our Group in the previous years.

PBT and PBT margin

Our PBT was RM72.59 million in FYE 31 March 2019 as compared with RM95.22 million in FYE 31 March 2018. Our PBT margin decreased to 21.41% in FYE 31 March 2019 from 27.90% in FYE 31 March 2018, primarily due to lower gain recorded on the fair value of our investment properties, higher operating expenses and finance cost as well as the share of loss of equity-accounted joint venture.

Tax expense

Our tax expense was RM21.60 million in FYE 31 March 2019 as compared with RM17.00 million in FYE 31 March 2018, representing an increase of RM4.60 million. Our tax expense increased despite the decrease in our PBT mainly due to the change in Real Property Gain Tax from 5% to 10% resulting in the deferred tax liability for the fair value gains of our investment properties to increase by RM5.05 million and the increase in additional non-deductible expenses relating to professional fees for our listing exercise of about RM2.23 million.

PAT and PAT margin

As a result of the foregoing, our PAT for FYE 31 March 2019 decreased by RM27.23 million or about 34.81% from RM78.22 million in FYE 31 March 2018 to RM50.99 million in FYE 31 March 2019, while our PAT margin also decreased from 22.92% in FYE 31 March 2018 to 15.04% in FYE 31 March 2019.

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10.3.7 Discussion on selected historical combined statement of financial position items

The components of our combined statement of financial position are as follows:

(i) Non-current assets

As at 31 March 2016, 2017, 2018 and 2019, our non-current assets were RM196.85 million, RM285.22 million, RM370.19 million and RM418.28 million, respectively. The increase in our non-current assets was mainly due to our investment properties, comprising freehold land and factory buildings which amounted to RM84.36 million, RM171.85 million, RM237.00 million and RM278.80 million, respectively, as at 31 March 2016, 2017, 2018 and 2019. We hold some of the industrial buildings within our industrial parks as investment properties in accordance with our development plan to enjoy recurring income and capital appreciation.

The table below sets out the changes in the fair value of our investment properties as of the dates indicated:

	FYE 31 March			
	2016	**2017**	**2018**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
As of 1 April	101,287	84,360	171,853	236,995
Additions	4,124	55,395	30,727	25,425
Disposals	(29,197)	(1,800)	-	-
Transfer from inventories:				
- completed properties held for sale	-	17,329	-	-
- property development cost	1,802	-	8,647	-
Changes in fair value	6,344	16,569	25,768	16,376
	84,360	**171,853**	**236,995**	**278,796**

Our investment properties increased by RM87.49 million to RM171.85 million as at 31 March 2017 mainly due to additional investment properties of RM55.40 million, which were identified for development at i-Park @ SAC. The investment properties increased by RM65.14 million to RM237.00 million as at 31 March 2018 mainly due to additional investment properties of RM30.73 million, which were further identified for development at i-Park @ SAC as well as the progressive work completed for our investment properties in i-Park @ SAC. The investment properties increased by RM41.80 million to RM278.80 million as at 31 March 2019 mainly due to additional investment properties of RM25.43 million arising from the progressive work completed for our investment properties in i-Park @ SAC. The additional investment properties as of the dates indicated in the table above arose from our continuous review of the appropriate sale-to-lease ratio of our existing and future industrial factory units, taking into consideration a number of factors, including property market conditions and demand, customer trends, our internal resources available for long-term investments, taxation and availability and costs of external financing.

Further increase in our investment properties were due to fair value gain of RM16.57 million in FYE 31 March 2017, RM25.77 million in FYE 31 March 2018 and RM16.38 million in FYE 31 March 2019, respectively.

(ii) Current assets

As at 31 March 2016, 2017, 2018 and 2019, our current assets were RM323.97 million, RM511.25 million, RM487.34 million and RM475.10 million, respectively. The changes in the value of our current assets were mainly due to property development cost, trade and other receivables, as well as contract assets.

Property development cost

As at 31 March 2016, 2017, 2018 and 2019, our property development cost amounted to RM8.56 million, RM186.33 million, RM175.16 million and RM147.49 million, respectively. Property development cost comprises all costs that are directly attributable to our property development activities or that can be allocated on a reasonable basis to such activities.

The table below sets out our property development cost as of the dates indicated:

	FYE 31 March			
	2016	**2017**	**2018**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Freehold land	8,085	175,235	158,771	120,556
Development costs	479	11,093	16,385	26,930
Total property development cost	**8,564**	**186,328**	**175,156**	**147,486**

The increase in our property development cost by RM177.76 million as at 31 March 2017 was mainly due to the cost associated with the acquisition of land for our development of i-Park @ SAC. The decrease in our property development cost by RM11.17 million as at 31 March 2018 and RM27.67 million as at 31 March 2019 was the result of the completion of several industrial factory units in i-Park @ SAC and transfer of such properties to completed properties held for sale and investment properties during the FYE 31 March 2018 and 2019.

Trade and other receivables

As at 31 March 2016, 2017, 2018 and 2019, our trade and other receivables amounted to RM114.55 million, RM100.70 million, RM78.43 million and RM94.43 million, respectively.

Our trade and other receivables include:

(a) trade receivables from non-related parties of RM26.52 million, RM12.51 million, RM19.86 million and RM53.38 million as at 31 March 2016, 2017, 2018 and 2019, respectively, relating to receivables from customers for our construction, engineering, property development and property investment business;

(b) retention sum of RM6.36 million, RM11.13 million, RM13.13 million and RM5.25 million as at 31 March 2016, 2017, 2018 and 2019, respectively, relating to receivables from our third party customers for our construction and engineering businesses, to be repaid on the expiry of the defects liability period, which is less than one year from the end of the respective financial year;

(c) deposits and other costs of RM39.76 million, RM17.31 million, RM17.46 million and RM17.55 million as at 31 March 2016, 2017, 2018 and 2019, respectively, mainly relating to down payments made for the purchase of three parcels of land for our i-Park @ SAC industrial park development project;

(d) prepayments of RM1.40 million, RM2.39 million, RM3.71 million and RM6.94 million as at 31 March 2016, 2017, 2018 and 2019, respectively, relating to project development cost for the Phase 3 development of i-Park @ SAC and insurance, quit rent and assessment for our investment properties, inventory units and workers' dormitories;

(e) goods and service tax recoverable of RM2.24 million, RM8.79 million, RM0.71 million and RM0.87 million as at 31 March 2016, 2017, 2018 and 2019, respectively; and

(f) other receivables of RM7.11 million, RM6.66 million, RM8.06 million as at 31 March 2016, 2017 and 2018, respectively, relating to amount due from a former joint venture. As at 31 March 2019, the outstanding amount due from a former joint venture of RM8.23 million has been fully settled.

The decreases in our trade and other receivables from FYE 31 March 2016 to FYE 31 March 2018 were mainly due to our enhanced collection efforts. For further details on our trade receivables turnover days, please refer Section 10.4.10(i) of this Prospectus. The increase in trade and other receivables in FYE 31 March 2019 was mainly due to the larger scale and value of our construction and engineering projects secured and the slightly longer repayment period in FYE 31 March 2019 as compared to FYE 31 March 2018.

Contract assets

As at 31 March 2016, 2017, 2018 and 2019, our contract assets amounted to RM25.52 million, RM48.95 million, RM62.39 million and RM28.09 million, respectively. Contract assets primarily include amounts due from external customers for work performed on our construction, property development and engineering projects but not billed at the reporting date.

The table below sets out the amounts and movement of our contract assets and contract liabilities (included in current liabilities) as of the dates indicated.

	FYE 31 March			
	2016	**2017**	**2018**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
As at 1 April	5,136	24,552	35,968	50,773
Net revenue recognised during the year	237,800	284,167	325,912	317,492
Net progress billing during the year	(218,384)	(272,751)	(311,107)	(361,471)
As at 31 March	**24,552**	**35,968**	**50,773**	**6,794**
Consist of:				
Contract assets	25,519	48,949	62,388	28,092
Contract liabilities[1]	(967)	(12,981)	(11,615)	(21,298)
As at 31 March	**24,552**	**35,968**	**50,773**	**6,794**

Note:

(1) Represents the consideration received from customers over and above our works performed at the reporting date.

The delay in progress billing to our customers is due to the time required for our architect to issue the necessary certificates in relation to the work performed before we are able to bill our customers.

The increase in our contract assets from FYE 31 March 2016 to FYE 31 March 2018 was mainly due to the higher net revenue recognised for work performed on our construction, property development and engineering projects but not billed to our customers prior to the respective FYE 31 March 2016, 2017 and 2018. The decrease in our contract assets in FYE 31 March 2019 was mainly because the revenue recognition for works performed and billed to our customers in the same FYE 31 March 2019.

(iii) Non-current liabilities

As at 31 March 2016, 2017, 2018 and 2019, our non-current liabilities were RM73.33 million, RM231.95 million, RM209.83 million and RM214.26 million, respectively. The increase in our non-current liabilities by RM158.62 million as at 31 March 2017 was mainly due to the additional loan drawdown of RM147.27 million for the purchase of two parcels of land for our i-Park @ SAC industrial park development project. Our non-current liabilities decreased by RM22.12 million as at 31 March 2018 mainly due to the repayment of loans and borrowings of RM20.37 million. The increase in non-current liabilities of RM4.43 million in FYE 31 March 2019 was mainly due to the additional amount of RM10.00 million shareholder's advance provided to fund the working capital requirements for the development of i-Park @ SAC.

(iv) Current liabilities

As at 31 March 2016, 2017, 2018 and 2019, our current liabilities were RM143.08 million, RM237.05 million, RM252.01 million and RM242.45 million, respectively. The increase in our current liabilities by RM93.98 million as at 31 March 2017 was mainly due to:

(a) the increase in our trade and other payables by RM37.46 million mainly relating to retention sums payable to sub-contractors, advance payment from a project customer and accrued sub-contractor costs; and

(b) the increase in our short-term borrowings of RM9.68 million and advances from Directors of RM32.99 million to fund the working capital requirements for the development of i-Park @SAC.

Our Group's current liabilities increased by RM14.96 million as at 31 March 2018 mainly due to:

(a) the increase in our trade and other payables by RM37.40 million mainly relating to advance payment from a project customer, accrued sub-contractor costs and retention sums payable to sub-contractors; and

(b) the repayment of short-term loans and borrowings of RM10.83 million and repayment of amount due to Directors of RM9.93 million.

Our Group's current liabilities decreased by RM9.56 million as at 31 March 2019 mainly due to:

(a) the decrease in our trade and other payables by RM12.37 million mainly relating to payments made to sub-contractors and retention sums payable;

(b) the repayment of amount due to Directors totalling RM14.12 million which were previously provided to fund the working capital and investments of our Group;

(c) the increase in short-term loans and borrowings of RM7.10 million to fund the working capital requirements for the development of i-Park @ SAC; and

(d) the increase in contract liabilities of RM9.68 million mainly relating to accrued revenue on our construction, property development and engineering projects.

(v) Amounts due to Directors

As at 31 March 2016, 2017, 2018 and 2019, our amounts due to Directors amounted to RM51.86 million, RM84.89 million, RM68.35 million and RM54.23 million, respectively. The amounts due to Directors were mainly related to amounts extended by Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon for our Group's working capital and investment purposes as well as the performance bonuses due to the Directors of AME Construction for the FYE 31 March 2017 and 2018. Under the Restructuring Exercise, Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon have made additional advances amounting to RM1.50 million to our Company after 31 March 2019 ("**Additional Advances**").

All the above amounts due to Directors are non-trade in nature, unsecured, interest free and have no fixed terms of repayment.

As at 31 March 2019, the outstanding amount due to Directors is RM54.23 million. As at the LPD, the entire outstanding amount due to Directors (including the Additional Advances) of RM55.73 million have been settled via capitalisation into new Shares under the Restructuring Exercise set out in Section 4.1 of this Prospectus.

(vi) Total equity

As at 31 March 2016, 2017, 2018 and 2019, our total equity amounted to RM304.41 million, RM327.47 million, RM395.68 million and RM436.67 million, respectively.

The increase in our total equity by RM23.06 million as at 31 March 2017 was mainly due to the following:

(a) increase in our retained profits of RM57.10 million;

(b) increase in shares issued of RM0.57 million;

(c) increase in non-controlling interest of RM20.03 million attributable to Fujiplates Manufacturing Sdn Bhd, being its share of equity contribution as a shareholder of Ipark Development; and

(d) payment of dividends of RM54.65 million to our shareholders for the FYE 31 March 2017.

The increase in our total equity by RM68.21 million as at 31 March 2018 was mainly due to the following:

(a) increase in our retained profits of RM78.21 million;

(b) increase in shares issued of RM0.30 million; and

(c) payment of dividends of RM10.30 million to our shareholders for the FYE 31 March 2018.

The increase in our total equity by RM40.99 million as at 31 March 2019 was mainly due to the following:

(a) increase in our retained profits of RM50.99 million; and

(b) payment of dividends of RM10.00 million to our shareholders for the FYE 31 March 2019.

10.3.8 Order book

The table below sets out the state of our external order book for our construction and engineering segment as at the LPD.

Project details	Location	Expected completion date	Remaining order book as at LPD
			RM million
A warehouse with an office block	Kuala Lumpur	3rd quarter 2019	16.04
Fire protection system for an industrial factory unit in i-Park @ SAC (Phase 1 and 2)	Johor	3rd quarter 2019	0.48
Fit out work for an industrial factory in i-Park @ SAC (Phase 1 and 2)	Johor	3rd quarter 2019	7.26
Construction works for a chemical plant	Johor	3rd quarter 2019	4.77
Fire protection system for an industrial factory	Selangor	3rd quarter 2019	0.67
Fire protection system for an electronics industrial factory	Johor	4th quarter 2019	0.40
Construction works for a single storey industrial factory unit with two-storey office in i-Park @ SAC	Johor	1st quarter 2020	23.51
Precast works for a residential flat development comprising two blocks of apartment	Singapore	2nd quarter 2020	27.18
Construction works for a single-storey industrial factory unit with two-storey office and a four-storey workers quarter	Johor	2nd quarter 2020	10.60
Fire protection system for an industrial factory	Johor	2nd quarter 2020	0.80
Fire protection system for a school	Johor	4th quarter 2020	2.29
Construction works for a single-storey warehouse, a two-storey factory warehouse and a six-storey office building	Selangor	2nd quarter 2021	282.88
			376.88

Our construction contracts generally range from one to two years, while our engineering contracts generally range for a period of a few months to two years. From 1 April 2019 up to the LPD, our Group has tendered for a total of 23 contracts with total value of RM738.19 million, of which we have secured six contracts with a value of RM317.89 million. As at the LPD, we are waiting for the tender results for the remaining 17 contracts that we tendered.

As at the LPD, our order book for customised industrial factory units under our property development segment based on secured contracts and confirmed variation orders, amounted to about RM71.35 million. Barring unforeseen circumstances, we expect the orders to be fulfilled during the period from one to 18 months.

The above figures relating to the order book of our construction and engineering services and property development segments, exclude the value of completed works which have already been recognised as revenue up to the LPD.

Due to the nature of our property investment and management business, we do not have an order book for this business segment.

10.4 LIQUIDITY AND CAPITAL RESOURCES

10.4.1 Working capital

During the FYE 31 March 2016, 2017, 2018 and 2019, we had financed our working capital, property development activities, capital expenditures and other capital requirements through a combination of shareholders' advances, cash generated from operations and external borrowings from financial institutions. Our principal uses of cash have been the payment of the costs of our construction projects, property development activities, operating expenses, repayment of bank borrowings, interest expenses, working capital and capital expenditures.

As at 31 March 2019, we had cash and cash equivalents of RM102.49 million (consisting of cash and bank balances of RM48.48 million and fixed deposit placed with licensed banks of RM54.01 million) less deposits pledged as securities for banking facilities granted to our Group of RM18.51 million and bank overdraft of RM5.54 million.

We carefully consider our cash position and ability to obtain further financing when making significant capital commitments, such as new land acquisitions and commencement of new industrial park development. Given suitable opportunities, we also intend to access the capital markets through further equity or equity-linked capital raising or debt-related capital raising.

When we formulate our development plans for large scale developments such as industrial park projects, we usually divide it into multiple phases to even out capital expenditure requirements, allow the area to mature and appreciate in value so as to achieve a balance of cash flow and profitability. We will also continuously review the sale-to-lease ratio of our existing and future industrial factory units, taking into consideration a number of factors, including property market conditions and trends for different segments, our internal resources available for long-term investments and availability and costs of external financing.

In addition, we seek to manage future cash flows and reduce our exposure to unexpected adverse changes in economic conditions through a number of alternative plans, including adjusting our development schedule to ensure that we have available resources to finance our projects, implementing cost control measures, disposing selected investment properties and/or our interest in selected projects at commercially desirable process, and renegotiating payment terms with counterparties in certain contractual land acquisition arrangements, as necessary. For example, we may postpone the commencement of construction of projects which we do not expect to generate cash inflow in the near term. We may engage in more aggressive sales and marketing campaigns to accelerate the pre-sale and sale of our properties. We may also sell selected industrial factory units with stable occupancy rate as a whole at reasonable prices.

For our construction projects, we bill and collect according to the construction progress. The project owners will usually withhold 10% of each progressive payment due to us for work completed as retention sums until the accumulated retention sums reach the cap of 10% of the total contract sum. Subsequent progress payments due to us will not be subject to any withholding for retention sums purposes and will contribute towards reducing the cash flow requirement of the project. The cash flow requirements of our construction projects are largely financed by internally generated funds as well as borrowings from financial institutions.

Based on the equity attributable to owners of our Company as at 31 March 2019 and our borrowings of RM215.84 million, our gearing ratio was 0.53 times. After accounting for the gross proceeds to be raised from the Public Issue which is estimated to be around RM111.05 million and the estimated listing expenses of RM10.00 million, our gearing level will decrease to 0.43 times. For further details on our bank facilities and borrowings, please refer to Section 10.4.3 of this Prospectus.

Our Board is of the opinion that we will have adequate working capital for a period of 12 months from the date of this Prospectus after taking into consideration the following:

(i) our cash and cash equivalents as at 31 March 2019;

(ii) expected future cash flows from our operations, including proceeds from the sale of properties, leasing of investment properties and management of workers' dormitories our property;

(iii) financing facilities available to our Group; and

(iv) proceeds to be raised from the IPO.

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10.4.2 Cash flow

The table below sets out the summary of our combined statements of cash flows for the periods indicated and should be read in conjunction with the Accountants' Report as set out in Section 11 of this Prospectus.

	FYE 31 March			
	2016	**2017**	**2018**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net cash (used in)/ from operating activities	(28,981)	(110,833)	100,153	45,920
Net cash from/ (used in) investing activities	14,734	(48,468)	(54,092)	(40,560)
Net cash (used in)/ from financing activities	(6,181)	154,428	(50,957)	(12,240)
Net decrease in cash and cash equivalents	(20,428)	(4,873)	(4,896)	(6,880)
Cash and cash equivalents at date of incorporation	-	-	-	1
Cash and cash equivalents at beginning of year	115,512	95,084	90,211	85,315
Cash and cash equivalents at end of year	**95,084**	**90,211**	**85,315**	**78,436**
Cash and cash equivalents comprise the following:				
- cash and bank balances	22,685	62,549	20,232	48,474
- fixed deposits with licensed banks	84,480	48,649	89,552	54,014
	107,165	111,198	109,784	102,488
Less:				
- pledged deposits	(10,912)	(12,138)	(23,110)	(18,513)
- bank overdraft	(1,169)	(8,849)	(1,359)	(5,539)
	95,084	**90,211**	**85,315**	**78,436**

There are no legal, financial or economic restrictions on our subsidiaries' ability to transfer/receive funds to/from our Company, subject to availability of distributable reserves and/or loans or advances and compliance with financial covenants in the form of cash dividends, loans or advances.

(i) FYE 31 March 2016

Net cash used in operating activities

Our operating cash flows before working capital changes was RM36.56 million for the FYE 31 March 2016. After adjusting for the following key items, our net cash used in operating activities was RM28.98 million:

(a) decrease in inventories of RM10.58 million mainly due to a unit of industrial factory in i-Park @ Indahpura identified and transferred to investment property during the year.

(b) increase in trade and other receivables of RM44.81 million mainly due to the deposit paid for the acquisition of three parcels of land for the development of i-Park @ SAC amounting to RM36.99 million;

(c) increase in contract assets of RM19.89 million for work performed during the financial year but only billed to customers after 31 March 2016 following receipt of the architect's certification; and

(d) payment of tax expense of RM14.88 million.

Net cash from investing activities

Our net cash from investing activities of RM14.73 million was mainly due to the following:

(a) proceeds of RM22.46 million from the disposal of (i) one industrial factory unit in Tebrau IV industry area, Johor Bahru in August 2015 amounting to RM12.36 million; and (ii) one industrial factory unit in Senai IV industry area, Senai, Johor in July 2015 amounting to RM16.83 million, of which RM10.10 million was paid in FYE 31 March 2016;

(b) acquisition of property, plant and equipment of RM2.89 million which mainly consists of plant and machineries used for cutting and fabrication of steel and metal for our engineering division and motor vehicles for our staff use; and

(c) placement of deposits pledged with licensed bank of RM1.02 million.

Net cash used in financing activities

Our net cash used in financing activities of RM6.18 million was mainly due to the following:

(a) repayment of loans and borrowings such as term loans, hire purchase and bank overdraft of RM18.42 million;

(b) repayment of amount due to Directors of RM2.36 million;

(c) payment of dividends to our shareholders of RM5.16 million;

(d) drawdown of term loans of RM9.81 million to fund the working capital requirement of our Group for the development of i-Park @ Indahpura; and

(e) receipt of shareholders advance of RM10.00 million from Fujiplates Manufacturing Sdn Bhd, being its share of capital contribution as a shareholder of Ipark Development to fund the working capital requirements for the development of i-Park @ SAC.

(ii) FYE 31 March 2017

Net cash used in operating activities

Our operating cash flows before working capital changes was RM56.91 million for the FYE 31 March 2017. After adjusting for the following key items, our net cash used in operating activities was RM110.83 million:

(a) increase in inventories of RM160.47 million mainly due to the acquisition of two parcels of land for the development of i-Park @ SAC amounting to RM197.69 million, of which RM151.83 million was identified as inventories held for development;

(b) decrease in trade and other receivables of RM13.31 million due to the collections from customers during the financial year;

(c) increase in trade and other payables of RM14.55 million due to the increase in development and construction works at i-Park @ SAC;

(d) increase in contract assets of RM11.42 million for work performed during the financial year but only billed to customers after 31 March 2017 following receipt of the architect's certification;

(e) increase in contracts costs of RM10.62 million mainly due to the commencement of construction works in i-Park @ SAC in March 2017, in line with the increase in number of sold units; and

(f) payment of tax expense of RM13.52 million.

Net cash used in investing activities

Our net cash used in investing activities of RM48.47 million was mainly due to the following:

(a) acquisition of investment properties of RM55.40 million mainly due to the acquisition of two parcels of land for the development of i-Park @ SAC amounting to RM197.69 million, of which RM45.86 million was identified as investment properties;

(b) acquisition of property, plant and equipment of RM2.58 million which mainly consists of plant and machineries used for cutting and fabrication of steel and metal for our engineering division and motor vehicles for our staff use;

(c) placement of deposits pledged with licensed bank of RM1.23 million;

(d) proceeds of RM8.53 million from the disposal of three units of shop houses in Mount Austin, Johor Bahru in March 2017 which were previously held as investment properties amounting to RM1.80 million and balance proceeds of RM6.73 million from the disposal of one industrial factory unit in Senai IV industry area, Senai, Johor in July 2015; and

(e) proceeds of RM1.35 million from the disposal of quoted shares.

Net cash from financing activities

Our net cash from financing activities of RM154.43 million was mainly due to the following:

(a) drawdown of term loans of RM186.07 million to finance the acquisition of two parcels of land for the development of i-Park @ SAC;

(b) receipt of advance from Directors of RM33.02 million to fund the working capital requirements of our Group for the development i-Park @ SAC;

(c) proceeds of RM10.00 million from the issuance of new shares in Ipark Development to Fujiplates Manufacturing Sdn Bhd, being its share of capital contribution to fund the working capital requirements for the development of i-Park @ SAC;

(d) repayment of loans and borrowings such as term loans, hire purchase and bank overdraft of RM19.92 million; and

(e) payment of dividends to our shareholders of RM54.65 million.

FYE 31 March 2018

Net cash from operating activities

Our operating cash flows before working capital changes was RM69.03 million for the FYE 31 March 2018. After adjusting for the following key items, our net cash generated from operating activities was RM100.15 million:

(a) decrease in trade and other receivables of RM22.55 million due to the receipt of payments from customers during the financial year;

(b) increase in trade and other payables of RM27.38 million due to the increase in development and construction work at i-Park @ SAC;

(c) increase in contract assets of RM14.80 million for work performed during the financial year but only billed to customers after 31 March 2018 following receipt of the architect's certification;

(d) decrease in contracts cost of RM8.98 million mainly due to the completion of seven industrial factory units in i-Park @ SAC during the financial year, of which three units were handed over to our customers and one unit was transferred to inventory; and

(e) payment of tax expense of RM17.36 million.

Net cash used in investing activities

Our net cash used in investing activities of RM54.09 million was mainly due to the following:

(a) purchase of property, plant and equipment of RM16.44 million which mainly consist of plant and machineries such as a new drilling line machine for the cutting and drilling of steel bars/beams and overhead crane for our engineering division as well as motor vehicles for our staff use;

(b) acquisition of investment properties of RM30.73 million, comprising RM5.14 million for a piece of land for construction of the workers' dormitories at i-Park @ SAC and RM25.59 million additional work done for our investment property factory units comprising 12 units of industrial buildings at i-Park @ SAC;

(c) placement of deposits pledged with licensed bank of RM10.97 million for banking facilities such as term loans, performance bonds and advance bonds; and

(d) proceeds received from the disposal of assets held for sale of RM3.61 million comprising of a semi-detached house located in Jalan Kemaman, Johor Bahru and a condominium unit at St Mary Residences located in Jalan Tengah, Kuala Lumpur.

Net cash used in financing activities

Our net cash used in financing activities of RM50.96 million was mainly due to the following:

(a) repayment of loans and borrowings such as term loans, hire purchase and bank overdraft of RM26.36 million;

(b) payment of dividends to our shareholders of RM10.30 million; and

(c) repayment of advances from Directors of RM14.38 million which were previously provided to fund the working capital requirements of our Group for the development of i-Park @ Indahpura.

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(iv) FYE 31 March 2019

Net cash from operating activities

Our operating cash flows before working capital changes was RM65.16 million for the FYE 31 March 2019. After adjusting for the following key items, our net cash generated from operating activities was RM45.92 million:

(a) increase in trade and other receivables of RM18.98 million as majority of the work completed and corresponding progress billings of the larger scale and value of our construction projects, namely the multi-storey logistic warehouse located outside Johor and a facility for aerospace components located outside Johor, were towards the end of FYE 31 March 2019;

(b) decrease in trade and other payables of RM12.37 million due to the payments made to sub-contractors and suppliers for the development and construction works at i-Park @ SAC;

(c) decrease in contract assets of RM43.98 million for works performed in and billed to our customers during the FYE 31 March 2019;

(d) increase in contracts cost of RM10.10 million mainly due to the construction works to cater for the additional seven industrial factory units sold in i-Park @ SAC during the financial year; and

(e) payment of tax expense of RM16.22 million.

Net cash used in investing activities

Our net cash used in investing activities of RM40.56 million was mainly due to the following:

(a) acquisition of investment properties of RM25.43 million mainly due to additional work done for 12 investment property factory units at i-Park @ SAC. Out of the 12 units, eight units were completed in FYE 31 March 2019;

(b) acquisition of property, plant and equipment of RM23.48 million mainly due to the payment made for the additional work done for the construction of five blocks of dormitory at i-Park@ SAC which is classified as property, plant and equipment; and

(c) redemption of deposits pledged with licensed bank of RM4.60 million for banking facilities such as term loans, performance bonds and advance bonds in accordance to the stage of completion of our construction and engineering projects.

Net cash used in financing activities

Our net cash used in financing activities of RM12.24 million was mainly due to the following:

(a) repayment of loans and borrowings such as term loans, hire purchase and bank overdraft of RM59.87 million;

(b) payment of dividends to our shareholders of RM10.00 million;

(c) repayment of advances from Directors of RM3.77 million which were previously provided to fund the working capital requirements of our Group for the development of i-Park @ Indahpura; and

(d) drawdown of term loan of RM51.58 million and receipt of advance from a minority shareholder of RM10.00 million to fund the working capital requirements for the development of i-Park @ SAC.

10.4.3 Borrowings

As at 31 March 2019, our total outstanding borrowings, all of which are interest-bearing, are as follows:

	As at 31 March 2019		
	Fixed or floating rate	**Contractual interest rate**	**RM'000**
(a) Short-term debt			
Secured			
- Term loans	Floating rate	4.67% – 6.45%	21,397
- Finance lease liabilities	Fixed rate	2.33% – 4.61%	(1)1,956
- Bank overdraft	Floating rate	5.95% – 8.32%	5,539
			28,892
(b) Long-term debt			
Secured			
- Term loans	Floating rate	4.67% – 6.45%	184,743
- Finance lease liabilities	Fixed rate	2.33% – 4.61%	(1)2,206
			186,949
Total borrowings			**215,841**

Note:

(1) Includes the outstanding hire purchase borrowing as at 31 March 2019 for a motor vehicle amounting to SGD131,319 which was converted to RM based on the exchange rate of SGD1:RM3.09, and allocated as follows:

(a) Short-term debt: RM64,226

(b) Long-term debt: RM341,290

Our term loans were used for the purchase of two parcels of land for the development of i-Park @ SAC as well as to fund the working capital for our business operations. Our finance lease liabilities were used for the hire purchase of machinery and equipment, and motor vehicles. Our bank overdraft was used mainly to fund the general working capital of our business operations.

The table below sets out the bank facilities granted to our Group by business segment, as at 31 March 2019:

	Facilities granted	Utilised	Unutilised
		RM'000	
Construction and engineering services segment			
Term loans	2,900	2,900	-
Bank overdraft	6,700	1,426	5,274
Finance lease liabilities	(1)9,423	(1)9,423	-
Bankers' acceptance / bank guarantee	60,850	6,361	54,489
Property development segment			
Term loans	273,670	262,350	11,320
Bank overdraft	4,200	4,113	87
Finance lease liabilities	700	700	-
Revolving credit	20,000	-	20,000
Property investment and management services segment			
Term loans	41,717	41,717	-
Finance lease liabilities	100	100	-
Total	**420,260**	**329,090**	**91,170**

Note:

(1) Includes the hire purchase borrowing as at 31 March 2019 for a motor vehicle amounting to SGD169,680 which was converted to RM based on the exchange rate of SGD1:RM3.09.

The maturity profile of our borrowings as at 31 March 2019 is as follows:

	As at 31 March 2019
	RM'000
Within 1 year	(1)28,892
1 to 2 years	(1)27,144
2 to 5 years	65,264
More than 5 years	94,541
Total borrowings	**215,841**

Note:

(1) Includes the outstanding hire purchase borrowing as at 31 March 2019 for a motor vehicle amounting to SGD131,319 which was converted to RM based on the exchange rate of SGD1:RM3.09, and allocated as follows:

(a) Within 1 year: RM64,226

(b) 1 to 2 years: RM341,290

We have not defaulted on payments on either interest and/or principal sums in respect of any borrowings for the past four FYE 31 March 2019 and up to the LPD. We do not encounter seasonality in the trend of our borrowings and there are no restrictions on the use of our committed borrowings facilities, save for prior consents from the licensed banks before using the banking facilities, where necessary.

Furthermore, as at the LPD, we are not in breach of any terms and conditions or covenants associated with the credit arrangements or bank borrowings which could materially affect our financial position and results of business operations or the investments by holders of our Shares.

10.4.4 Financial risk management

We are exposed to certain financial risks arising from our operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, currency risk and interest rate risk.

Our Board has overall responsibility for the establishment and oversight of our risk management. Our Board is also responsible for monitoring our risk management matters.

Our key financial risks are as follows:

(i) Credit risk

Credit risk is the risk of a financial loss to us if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Our exposure to credit risk arises principally from our receivables from our customers.

Our exposure to credit risk from trade receivables and contract assets is influenced mainly by the individual characteristics of each customer. However, our management also considers the factors that may influence the credit risk of our customers, including the default risk associated with the industry and country in which the customers operate.

Our Group has established a credit policy under which each new customer is analysed individually for creditworthiness before tendering for the construction project, signing of sales and purchase agreement or lease agreement. Our review may include Credit Tip Off Service Rating (CTOS) financial statements, industry information and own research through various sources including information available on the internet.

As at 31 March 2019, our Group has significant concentration of credit risk arising from amounts due from three (31 March 2018: three; 31 March 2017: two; 31 March 2016: three) major customers of our construction and engineering services segments, representing 56.00% (31 March 2018: 38.00%; 31 March 2017: 29.00%; 31 March 2016: 62.00%) of our trade receivables and contract assets. Our Group considers this to be normal given the nature of the industry.

In addition, the exposure to credit risk and expected credit losses for trade receivables and contract assets of third party customers for our construction, property development and engineering projects are substantially at low risk as at 31 March 2019 from the historical payments records, the assessment of third party customers' financial positions and the transactions are secured by the third party customers' loan financing.

(ii) Liquidity risk

Liquidity risk is the risk that our Group will not be able to meet our financial obligations as they fall due. Our exposure to liquidity risk arises principally from our various payables, loans and borrowings.

As at 31 March 2019, we had RM276.68 million in undiscounted financial liabilities due on demand or within one year. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significant different amounts.

Of the RM276.68 million of undiscounted financial liabilities, RM44.45 million represents third party corporate guarantees provided by AME Development to related parties, THAB Development and THAB PTP. As at 5 August 2019, the above third party corporate guarantees provided by AME Development have been fully discharged. In addition, the amount due to Directors of RM54.23 million as at 31 March 2019 and the additional advances of RM1.50 million made by Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon on 18 June 2019 were capitalised as share capital under the Restructuring Exercise.

Our Board is of the opinion that we will have sufficient liquidity to meet the remaining undiscounted financial liabilities of RM178.00 million (after the Restructuring Exercise) as and when they fall due after taking into consideration our Group's cash and cash equivalents of RM102.49 million, trade and other receivables of RM94.43 million and unbilled contract assets of RM28.09 million as well as the undrawn banking facilities available to our Group as at 31 March 2019.

(iii) Currency risk

Currency risk is the risk that the fair value or cash flows of a financial instrument will be affected because of changes in foreign exchange rates. Our Group is exposed to foreign currency risk on services rendered that are denominated in a currency other than RM. The currencies giving rise to this risk in the FYE 31 March 2016, 2017, 2018 and 2019 are United States Dollar ("**USD**") and SGD.

Transactions in foreign currencies are translated to the functional currency of our Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. We do not hedge our financial assets and liabilities denominated in foreign currencies and therefore are not exposed to any hedging risk.

As at 31 March 2019, our exposure to USD and SGD primarily consists of cash and cash equivalents and finance lease liabilities.

The following table demonstrates the sensitivity of our net profit to a reasonably possible change in the RM against the respective currencies, assuming all other variables, in particular interest rates, remained constant.

	Increase/(decrease)			
	FYE 31 March			
	2016	2017	2018	2019
	RM'000	RM'000	RM'000	RM'000
USD				
Strengthening of the USD by 10%	239	255	239	215
Weakening of the USD by 10%	(239)	(255)	(239)	(215)
SGD				
Strengthening of the SGD by 10%	(10)	0.3	(31)	(25)
Weakening of the SGD by 10%	10	(0.3)	31	25

(iv) Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will be affected because of changes in interest rates. Our Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

There is no formal hedging policy with respect to interest rate exposure. Exposure to interest rate risk is monitored on an ongoing basis and our Group endeavours to keep any exposure to an acceptable level.

As at 31 March 2019, our exposure to interest rate risk arose primarily from floating rate instruments which stood at RM221.68 million, or around 98.16% of our total loans and borrowings.

The following table demonstrates the sensitivity of our net profit to a 100 basis points increase or decrease in interest rates, assuming all other variables, in particular foreign currency rates, remained constant.

	Increase/(decrease)			
	FYE 31 March			
	2016	2017	2018	2019
	RM'000	RM'000	RM'000	RM'000
Interest rates increase by 100 basis points	(111)	(224)	(593)	(695)
Interest rates decrease by 100 basis points	111	224	593	695

Our Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and our Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

10.4.5 Treasury policies and objectives

Our main 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. Our principal sources of liquidity are our cash and bank balances, cash generated from our operations and borrowings from financial institutions.

Our Directors monitor the adequacy of capital on an ongoing basis. Our strategy is to maintain the debt-to-equity ratio at an optimal level based on our business requirements and prevailing economic conditions. It is also the responsibility of our Directors to identify, quantify and monitor and control the key risks (credit, liquidity, currency and interest rate) associated with these activities.

10.4.6 Material commitments

Save as disclosed below, as at LPD, we do not have any material commitments for capital expenditure, which upon becoming enforceable may have a material effect on the financial position of our Group:

	RM'000
Material capital expenditure in respect of our New Facility	
- Approved but not contracted for (for Phase 2 of our New Facility)	11,650
- Approved and contracted for (for Phase 1 of our New Facility)	4,350
Total	**16,000**

Our Board expects to finance the above capital commitment through our internally generated funds and/or borrowings from financial institutions.

10.4.7 Material investments and material divestitures

Save as disclosed below, we have not undertaken any material investment during FYE 31 March 2016, 2017, 2018 and 2019 and up to LPD:

(i) deposit of RM36.99 million paid in FYE 31 March 2016 for the three parcels of land for our i-Park @ SAC industrial park development project in Senai Airport City, Johor;

(ii) remaining balances of RM197.69 million in FYE 31 March 2017 for the first two parcels of the said land for our i-Park @ SAC industrial park development project in Senai Airport City, Johor; and

(iii) remaining balances of RM135.13 million on 27 August 2019 for the third parcel of the said land for our i-Park @ SAC industrial park development project in Senai Airport City, Johor.

There has not been any material divestiture undertaken by us for the FYE 31 March 2016, 2017, 2018, 2019 and up to LPD.

10.4.8 Material litigation

As at the LPD, neither our Company nor our subsidiaries is engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our financial position and profitability, in the 12 months immediately preceding the date of this Prospectus.

10.4.9 Contingent liabilities

Save as disclosed below, as at LPD, we do not have any material contingent liabilities which have become enforceable or are likely to become enforceable, which in the opinion of our Board, will or may substantially affect our ability to meet our obligations as and when they fall due.

	RM'000
Corporate guarantees given to licensed banks for credit facilities granted to Ipark Development[(1)]	155,632
Total	**155,632**

Note:

(1) In connection with certain facilities such as term loan and revolving credit facilities granted to Ipark Development for the development of i-Park @ SAC.

10.4.10 Key financial ratios

The table below sets out our key financial ratios for the periods indicated.

	As at 31 March			
	2016	**2017**	**2018**	**2019**
Trade receivables turnover period (days)[(1)]	50	51	36	44
Trade payables turnover period (days)[(2)]	56	49	46	66
Inventories turnover period:				
- construction and engineering services business segment and property management services segment (days)[(3)]	2	2	2	2
- Property development business segment (months)[(4)]	68	52	11	39
Current ratio (times)[(5)]	2.26	2.16	1.93	1.96
Gearing ratio (times)[(6)]	0.24	0.81	0.60	0.53

Notes:

(1) Computed based on the average beginning and ending balance of trade receivables (excluding retention sum) divided by our revenue during the year and multiplied by 365 days.

(2) Computed based on the average beginning and ending balance of trade payables (excluding retention sum) divided by the aggregate of construction services contract costs, cost of property development, engineering services contract costs and cost of services classified under our cost of sales (see Section 10.3.5(ii) of this Prospectus) during the year and multiplied by 365 days.

(3) Computed based on the average beginning and ending balance of raw materials and consumables costs classified under our inventories divided by the aggregate of our construction services contract costs, engineering services contract costs and cost of services classified under our cost of sales for the construction and engineering services business segment and property management services segment and multiplied by 365 days.

(4) *Computed based on the average beginning and ending balance of completed properties held for sale classified under our inventories divided by the aggregate of our cost of property development classified under our cost of sales for the property development business segment and multiplied by 12 months.*

(5) *Computed based on current assets over current liabilities as at the respective financial years ended.*

(6) *Computed based on total borrowings over equity attributable to owners of our Company as at the respective financial years ended.*

Trade receivables turnover

The official credit term granted to customers generally range from 15 to 60 days but the payment cycle in the industry generally range from 30 to 60 days mainly due to the nature of the industry. Other credit terms are assessed and approved in certain cases after taking into consideration the background and credit-worthiness of the customer and the scope or the project. We generally consider extending the credit periods granted to our customers due to the scope of the project as well as based on the quantum of amount owing by these customers.

Our trade receivables turnover period is within the normal credit period for FYE 31 March 2018 and 2019. Our trade receivables turnover period of 50 days in FYE 31 March 2016 and 51 days in FYE 31 March 2017 was mainly due to the slight delay in payment by some of our customers for the progressive construction and engineering work completed as a result of a slightly longer approval process required by these customers. Notwithstanding that the payments exceeded the normal credit period granted to our customers, the abovementioned payments were fully settled in FYE 31 March 2017 and FYE 31 March 2018, respectively.

Our trade receivables turnover period improved from 50 days in FYE 31 March 2016 and 51 days in FYE 31 March 2017 to 36 days in FYE 31 March 2018. The improvements were mainly the result of our tightened policy and procedures on screening and selection of customers as well as increased collection efforts through close monitoring of trade receivables outstanding and various reminders to our customers of the outstanding amount due. Notwithstanding that trade receivables turnover period increased to 44 days in FYE 31 March 2019, this is still within the normal credit period given to our trade debtors.

The ageing analysis of our trade receivables as at 31 March 2019 and the subsequent collections and balance of trade receivables as at the LPD are set out below:

		Exceeding credit period			
	Within credit period	**1 – 30 days**	**31 – 90 days**	**More than 90 days**	**Total**
Trade receivables (RM'000)	35,412	14,401	2,629	2,307	54,749
Less: Allowance for impairment (RM'000)	-	-	-	(222)	(222)
Net trade receivables (RM'000)	**35,412**	**14,401**	**2,629**	**2,085**	**54,527**
% of trade receivables	64.95	26.41	4.82	3.82	100.00
Subsequent collections up to the LPD (RM'000)	11,172	715	2,436	694	15,017
Outstanding trade receivables as at the LPD (RM'000)	**24,240**	**13,686**	**193**	**1,391**	**39,510**
% of outstanding trade receivables net of subsequent collections	61.35	34.64	0.49	3.52	100.00

We have not experienced any instances of significant bad debts for the FYE 31 March 2016, 2017, 2018 and 2019. We will assess the collectability of trade receivables on an individual customer basis and impairment will be made for those customers where recoverability is uncertain based on our past dealings with customers.

As at 31 March 2019, our total trade receivables was RM54.53 million of which RM19.12 million or about 35.06% of our trade receivables exceeded the normal credit period. There was an impairment of trade receivables of RM0.22 million pending the finalisation of a discount requested by a customer of our M&E engineering services business.

As at the LPD, we have collected RM15.02 million, representing about 27.54% of the trade receivables as at 31 March 2019. As at the LPD, RM1.39 million or about 3.52% of the outstanding trade receivables had exceeded 90 days. Accordingly, we have followed up with those customers via phone calls and/or reminder letters and will continue to closely monitor the collection progress from these customers to minimise the likelihood of these outstanding trade receivables turning into bad debts.

Our Board is of the opinion that the remaining trade receivables balance as at the LPD are recoverable after taking into consideration our relationship with most of these customers as well as various credit control measures implemented by us to minimise the incidence of customers' default.

(ii) Trade payables turnover

The normal credit period granted to us by our trade creditors typically ranges from 45 to 90 days. In view of the good relationship that we have with our suppliers and sub-contractors, we sometimes enjoy credit periods that are longer than 90 days. We have not experienced any material disruptions in supplies from our raw material suppliers and sub-contractors for the FYE 31 March 2016, 2017, 2018 and 2019 notwithstanding the longer payment period extended to us as our suppliers and sub-contractors generally understand the nature of our business and reliability of our constant payments to them.

Our trade payables turnover period for the FYE 31 March 2016, 2017, 2018 and 2019 are consistently maintained at 56 days, 49 days, 46 days and 66 days, all of which are within the lower end of the normal credit period granted to us by our suppliers and/or sub-contractors.

The ageing analysis of our trade payables as at 31 March 2019 and the subsequent payments and balance of trade payables as at the LPD are set out below:

		Exceeding credit period			
	Within credit period	**1 – 30 days**	**31 – 90 days**	**More than 90 days**	**Total**
Trade payables (RM'000)	17,785	12,774	11,450	13,045	55,054
% of total trade payables	32.30	23.20	20.80	23.70	100.00
Subsequent payments up to the LPD (RM'000)	17,645	12,479	10,561	5,440	46,125
Outstanding trade payables as at the LPD (RM'000)	**140**	**295**	**889**	**7,605**	**8,929**
% of outstanding trade payables net of subsequent payments	1.57	3.30	9.96	85.17	100.00

As at 31 March 2019, our total trade payables was RM55.05 million of which RM37.27 million or about 67.70% of our trade payables exceeded the normal credit period. This is mainly due to the additional time required to verify the quality of materials supplied by our suppliers and the additional verification work required to determine the quality of our sub-contractor's work, as well as delays in resolving discrepancies in relation to our sub-contractor's claims and final sum payable to them.

As at the LPD, we have settled RM46.13 million or 83.78% of the trade payables which were outstanding as at 31 March 2019.

There was no matter in dispute in relation to trade payables and no legal action initiated by our suppliers and/or sub-contractors to demand for payment in FYE 31 March 2016, 2017, 2018 and 2019.

(iii) Inventories turnover

For our construction and engineering business segment, inventories comprise raw materials and consumables in relation to our steel fabrication and engineering works which are ordered based on the respective requirements of our projects on a case-to-case basis. Upon completion of each project, the unused construction or engineering raw materials and consumables will then be transferred and utilised for our other ongoing projects. Inventories for our property management services business segment comprise consumables used in connection with the management of our workers' dormitories.

The table below sets out, for the periods indicated, the inventory turnover period for our construction and engineering services business segment and property management services segment:

	As at 31 March			
	2016	**2017**	**2018**	**2019**
Inventory turnover period (days)[(1)]	2	2	2	2

Note:

(1) Computed based on the average beginning and ending balance of raw materials and consumables costs classified under our inventories divided by the aggregate of our construction services contract costs, engineering services contract costs and cost of services classified under our cost of sales for the construction and engineering services business segment and property management services segment and multiplied by 365 days.

The inventory turnover period for our construction and engineering services business segment and property management services segment was 2 days, 2 days, 2 days and 2 days in FYE 31 March 2016, 2017, 2018 and 2019, respectively. The inventory turnover period is considered minimal due to the nature of our business model for our construction and engineering services business segment where we do not keep large amount of inventories.

For our property development business segment, inventories comprise completed properties held for sale. Completed properties held for sale include completed properties remaining unsold at each of the statement of financial position dates and are included in our combined statement of financial position as current assets. Such completed properties which are unsold include four factory units at i-Park @ Indahpura, seven factory units at i-Park @ SAC and four factory units at District 6 held for sale as at 31 March 2019. Out of the abovementioned properties, four factory units at i-Park @ Indahpura and three factory units at i-Park @ SAC are tenanted and generate lease income to our Group while the remaining factory units for sale are vacant as at 31 March 2019. As at 31 March 2016, 2017, 2018 and 2019, our completed properties held for sale amounted to RM66.19 million, RM48.95 million, RM55.35 million and RM85.52 million, respectively. At the time of sale, we recognise revenue and record the corresponding amount of completed properties for sale as cost of sales.

The table below sets out, for the periods indicated, the inventory turnover period for our property development business segment:

	As at 31 March			
	2016	**2017**	**2018**	**2019**
Inventory turnover period (months)[(1)]	68	52	11	39

Note:

(1) Computed based on the average beginning and ending balance of completed properties held for sale classified under our inventories divided by the aggregate of our cost of property development classified under our cost of sales for the property development business segment and multiplied by 12 months.

The inventory turnover period for our property development business segment was 68 months, 52 months, 11 months and 39 months in FYE 31 March 2016, 2017, 2018 and 2019, respectively. Our inventory turnover period decreased in FYE 31 March 2017 as compared to FYE 31 March 2016 mainly due to the sale of three industrial factory units in i-Park @ Indahpura (Phase 1 and 2) and seven industrial factory units in i-Park @ SAC (Phase 1 and 2) following the launch of i-Park @ SAC (Phase 1 and 2) in the 1st quarter of 2017. Our inventory turnover period further decreased in FYE 31 March 2018 mainly due to higher cost of sales following the stage of work completed for the construction of the 11 industrial factory units in i-Park @ SAC (Phase 1 and 2). Inventory turnover period increased in FYE 31 March 2019 as compared to FYE 31 March 2018 mainly due to the increase in number of completed properties held for sale in i-Park @ SAC in FYE 31 March 2019.

(iv) Current ratio

Our current ratio decreased from 2.26 times as at 31 March 2016 to 2.16 times as at 31 March 2017 mainly due to the following:

(a) increase in trade and other payables mainly due to an advance payment of RM9.01 million from a customer for our construction project, increase in retention sum for our on-going projects of RM9.58 million and increase in accrued sub-contractor costs of RM6.91 million; and

(b) the acquisition of land and commencement of development of i-Park @ SAC which led to increases in inventories (property development cost) and investment properties, as well as current liabilities mainly due to the increase in the amount due to Directors and borrowings used, in addition to our cash and cash equivalents to fund the working capital requirements and land acquisition cost of the development project.

Our current ratio further decreased from to 1.93 times as at 31 March 2018 mainly due to the following:

(a) increase in trade and other payables mainly due to an increase in advance payment of RM27.02 million from a customer for our construction project and increase in accrued sub-contractor costs of RM16.60 million; and

(b) decrease in trade and other receivables arising from collections from construction contract customers; and

(c) the on-going development of i-Park @ SAC, which led to an increase in investment properties and decrease in our cash and cash equivalents.

Our current ratio increased marginally from 1.93 times as at 31 March 2018 to 1.96 times as at 31 March 2019 mainly due to the following:

(a) the decrease in trade and other payables by RM12.37 million mainly relating to payments made to sub-contractors and retention sums payable;

(b) the repayment of amount due to Directors of RM14.12 million which were previously provided to fund the working capital and investments of our Group; and

(c) the on-going development of i-Park @ SAC, which led to an increase in investment properties by RM41.80 million and decrease in our cash and cash equivalents.

(v) Gearing ratio

Our gearing ratio increased from 0.24 times as at 31 March 2016 to 0.81 times as at 31 March 2017 mainly due to the drawdown of additional borrowings of RM147.27 million to finance the acquisition of the two parcels of land at i-Park @ SAC.

Our gearing ratio reduced from 0.81 times as at 31 March 2017 to 0.60 times as at 31 March 2018 mainly due to the increase in our retained earnings by RM60.67 million as well as the repayment of our loans and borrowings amounting to RM26.36 million in the FYE 31 March 2018.

Our gearing ratio reduced from 0.60 times as at 31 March 2018 to 0.53 times as at 31 March 2019 mainly due to the increase in our retained earnings by RM37.35 million as well as the repayment of our loans and borrowings amounting to RM59.87 million and partially offset by the drawdown of term loans of RM51.58 million to fund the working capital requirements for the development of i-Park @ SAC in the FYE 31 March 2019.

10.5 TREND ANALYSIS

As at the LPD, our Board confirms that there are no:

(i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations other than those discussed in this Section, and in Sections 6 and 7 of this Prospectus;

(ii) material commitment for capital expenditure, save as set out in Section 10.4.6 of this Prospectus;

(iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations, save as disclosed in this Section and in Sections 6 and 7 of this Prospectus;

(iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our total revenue and/or profits save for those that have been disclosed in this Section, business and industry overview as set out in Sections 6 and 7 of this Prospectus and future plans and strategies as set out in Section 5 of this Prospectus;

(v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical financial statements not indicative of the future financial performance and position other than those disclosed in this Section and in Sections 6 and 7 of this Prospectus; and

(vi) 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 liquidity and capital resources, other than those discussed in this Section and in Sections 6 and 7 of this Prospectus.

10.6 DIVIDEND POLICY

As we are a holding company, our income and ability to pay dividends are dependent upon the dividends received from our subsidiaries and/or jointly-controlled entity. The payment of dividends by our subsidiaries and/or jointly-controlled entity is dependent upon their distributable profits, financial performance and cash flow requirements for operations and capital expenditure as well as other factors.

It is the intention of our Board to recommend and distribute a dividend of at least 20.00% of our annual adjusted PAT attributable to shareholders of our Company which shall be computed based on our annual audited PAT attributable to shareholders of our Company less any fair value gain on our investment properties. Any dividend declared will be subject to recommendation of our Board and any final dividends declared will be subject to the approval of our shareholders at our annual general meeting.

You should take note that this dividend policy merely describes our current intention and shall not constitute legally binding statements in respect of our future dividends that are subject to our Board's absolute discretion.

When recommending the actual dividends for approval by shareholders or when declaring any interim dividends, our Board will consider, amongst others:

(i) our anticipated future operating conditions as well as future expansion, capital expenditures and investment plans;

(ii) our operating cash flow requirements and financing commitments;

(iii) our expected financial performance including return on equity and retained earnings;

(iv) any restrictive covenants contained in our current and future financing arrangements;

(v) the availability of adequate reserves and cash flows; and

(vi) any material impact of tax laws and regulatory requirements.

Actual dividends proposed and declared may vary depending on our financial performance and cash flows, and may be waived if the payment of the dividends would adversely affect our cash flows and operations. There is no dividend restriction being imposed on our Group currently.

The dividends declared and paid by our Group for the past four FYE 31 March 2016, 2017, 2018 and 2019 and for the period from 1 April 2019 to LPD are as follows:

	FYE 31 March				1 April 2019 to LPD
	2016	2017	2018	2019	
	RM'000	RM'000	RM'000	RM'000	RM'000
Dividends declared during the financial year/period	5,158	54,648	10,300	10,000	-
Dividends paid during the financial year/period	5,158	54,648	10,300	10,000	-

10.7 REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION

KPMG

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
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The Board of Directors
AME Elite Consortium Berhad
5, Jalan I-Park SAC 2
Taman Perindustrian I-Park SAC
81400 Senai
Johor

04 SEP 2019

Dear Sirs

AME Elite Consortium Berhad ("the Company") and its subsidiaries ('the Group") Report on the compilation of Pro Forma Statements of Financial Position for inclusion in the prospectus to be issued by the Company in connection with the initial public offering of up to 128,134,800 ordinary shares in the Company in conjunction with the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Prospectus") ("IPO")

We have completed our assurance engagement to report on the compilation of the Pro Forma Statements of Financial Position of the Group prepared by the Board of Directors of the Company ("Directors"). The Pro Forma Statements of Financial Position as at 31 March 2019, and related notes as set out in Attachment A, have been stamped by us for identification purposes. The applicable criteria on the basis of which the Directors have compiled the Pro Forma Statements of Financial Position are specified in Chapter 9 of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and described in the notes to the Pro Forma Statements of Financial Position.

The Pro Forma Statements of Financial Position have been compiled by the Directors for inclusion in the Prospectus solely to illustrate the impact of the transactions as set out in the notes to the Pro Forma Statements of Financial Position in Attachment A on the Group's combined statement of financial position as at 31 March 2019, as if the transactions had taken place as at 31 March 2019. As part of this process, information about the Group's combined financial position has been extracted by the Directors from the Group audited combined financial statements for the year ended 31 March 2019, on which an audit report dated 27 August 2019 has been issued.

Directors' Responsibility for the Pro Forma Statements of Financial Position

The Directors are responsible for compiling the Pro Forma Statements of Financial Position on the basis described in the notes to the Pro Forma Statements of Financial Position in Attachment A as required by the Prospectus Guidelines.

Reporting Accountants' Independence and Quality Control

We have complied with the independence and other ethical requirement of the *By-Laws (on Professional Ethics, Conduct and Practice)* issued by the Malaysian Institute of Accountants and the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* issued by the Malaysian Institute of Accountants and, accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion as required by the Prospectus Guidelines about whether the Pro Forma Statements of Financial Position have been compiled, in all material respects, by the Directors on the basis described in the notes to the Pro Forma Statements of Financial Position in Attachment A.

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 Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Statements of Financial Position on the basis described in the notes to the Pro Forma Statements of Financial Position in Attachment A.

For the purpose 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 Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Statements of Financial Position.

The purpose of the Pro Forma Statements of Financial Position included in the Prospectus is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Group as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

KPMG

A reasonable assurance engagement to report on whether the Pro Forma Statements of Financial Position have 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 Directors in the compilation of the Pro Forma Statements of Financial Position provide 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 Statements of Financial Position reflect 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 nature of the Group, the events or transactions in respect of which the Pro Forma Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Statements of Financial Position.

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

Opinion

In our opinion, the Pro Forma Statements of Financial Position as at 31 March 2019 have been compiled, in all material respects, on the basis stated in the notes to the Pro Forma Statements of Financial Position in Attachment A.

Other Matters

Our report on the Pro Forma Statements of Financial Position have been prepared for inclusion in the Prospectus in connection with the IPO and should not be relied upon for any other purposes.

KPMG PLT	**Tan Teck Eng**
Firm Number: LLP0010081-LCA & AF 0758	Approval Number: 02986/05/2020 J
Chartered Accountants	Chartered Accountant

3

Attachment A

AME Elite Consortium Berhad ("the Company") and its subsidiaries ('the Group")
Pro Forma Statements of Financial Position and the notes thereon

Pro Forma Statements of Financial Position

The Pro Forma Statements of Financial Position of the Group as at 31 March 2019 as set out below have been prepared for illustrative purposes only to show the effects of the transactions referred to in Note 2 had these transactions been effected on 31 March 2019, and should be read in conjunction with the said notes to the Pro Forma Statements of Financial Position.

	As at 31 March 2019* RM'000	Pro Forma I After adjustments for subsequent event RM'000	Pro Forma II After Pro Forma I and the Restructuring Exercise RM'000	Pro Forma III After Pro Forma II and the IPO RM'000	Pro Forma IV After Pro Forma III and use of IPO proceeds RM'000
Assets					
Property, plant and equipment	95,380	95,380	95,380	95,380	95,380
Inventories	8,662	8,662	8,662	8,662	8,662
Investment properties	278,796	308,824	308,824	308,824	308,824
Investment in a joint venture	32,392	32,392	32,392	32,392	32,392
Deferred tax assets	3,048	3,048	3,048	3,048	3,048
Total non-current assets	418,278	448,306	448,306	448,306	448,306
Inventories	234,097	354,207	354,207	354,207	354,207
Contract costs	11,737	11,737	11,737	11,737	11,737
Trade and other receivables	94,426	79,412	79,412	79,412	79,412
Contract assets	28,092	28,092	28,092	28,092	28,092
Tax recoverable	4,265	4,265	4,265	4,265	4,265
Cash and cash equivalents	102,488	72,364	73,364	184,414	174,414
Total current assets	475,105	550,077	551,077	662,127	652,127
Total assets	893,383	998,383	999,383	1,110,433	1,100,433

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1

Attachment A

AME Elite Consortium Berhad ("the Company") and its subsidiaries ('the Group")
Pro Forma Statements of Financial Position and the notes thereon

	As at 31 March 2019*	Pro Forma I After adjustments for subsequent event	Pro Forma II After Pro Forma I and the Restructuring Exercise	Pro Forma III After Pro Forma II and the IPO	Pro Forma IV After Pro Forma III and use of IPO proceeds
	RM'000	RM'000	RM'000	RM'000	RM'000
Equity					
Share capital	1	1	512,538	623,588	619,718
Invested equity	4,501	4,501	--	--	--
Retained earnings	401,907	401,907	401,407	401,407	395,277
Merger reserve	--	--	(452,311)	(452,311)	(452,311)
Equity attributable to owners of the Company	406,409	406,409	461,634	572,684	562,684
Non-controlling interests	30,266	30,266	30,266	30,266	30,266
Total equity	436,675	436,675	491,900	602,950	592,950
Liabilities					
Loans and borrowings	186,949	291,949	291,949	291,949	291,949
Due to Directors	3,296	3,296	--	--	--
Due to a minority shareholder	10,000	10,000	10,000	10,000	10,000
Deferred tax liabilities	14,016	14,016	14,016	14,016	14,016
Total non-current liabilities	214,261	319,261	315,965	315,965	315,965
Loans and borrowings	28,892	28,892	28,892	28,892	28,892
Trade and other payables	138,233	138,233	138,233	138,233	138,233
Contract liabilities	21,298	21,298	21,298	21,298	21,298
Due to Directors	50,929	50,929	--	--	--
Due to a minority shareholder	565	565	565	565	565
Taxation	2,530	2,530	2,530	2,530	2,530
Total current liabilities	242,447	242,447	191,518	191,518	191,518
Total liabilities	456,708	561,708	507,483	507,483	507,483
Total equity and liabilities	893,383	998,383	999,383	1,110,433	1,100,433

Note:
* *Extracted from the Group audited combined financial statements for the financial year ended on 31 March 2019*

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2

Attachment A

AME Elite Consortium Berhad ("the Company") and its subsidiaries ('the Group")
Pro Forma Statements of Financial Position and the notes thereon

Notes to the Pro Forma Statements of Financial Position

The Pro Forma Statements of Financial Position of the Group have been prepared for inclusion in the prospectus of the Company to be issued in connection with the initial public offering of up to 128,134,800 ordinary shares in the Company in conjunction with the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Prospectus") ("IPO") and should not be relied upon for any other purposes.

1. Basis of preparation

The applicable criteria on the basis of which the Board of Directors of the Company ("Directors") has compiled the Pro Forma Statements of Financial Position are specified in Chapter 9 of the Prospectus Guidelines issued by the Securities Commission Malaysia.

The Pro Forma Statements of Financial Position of the Group as at 31 March 2019 have been prepared based on the Group audited combined financial statements for the year ended on 31 March 2019, which was prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"), and in a manner consistent with the format of the statement of financial position and the accounting policies adopted by the Group, and as adjusted for the events and transactions detailed in Note 2.

For the purpose of accounting for the Restructuring Exercise as described in Note 2.2, the Group has applied book value accounting as all the entities within the Group are under common control by the same parties before and after the Restructuring Exercise. Under book value accounting, the difference between cost of investment recorded by the Company and the share capital of the subsidiaries are accounted for as merger reserve as follows:

	RM'000
New shares issued by the Company as consideration for the acquisition of subsidiaries (note 2.2.1)	456,812
Subscription of shares in subsidiaries (note 2.2.2)	800
Reversal of issued and paid-up share capital of these subsidiaries	(5,301)
Merger reserve	452,311

The auditors' report dated 27 August 2019 on the Group audited combined financial statements for the year ended on 31 March 2019 were not subject to any qualification, modification or disclaimer of opinion.

The Pro Forma Statements of Financial Position are not necessarily indicative of the financial position that would have been attained had the IPO actually occurred at the respective dates. The Pro Forma Statements of Financial Position have been prepared for illustrative purposes only.

Attachment A

AME Elite Consortium Berhad ("the Company") and its subsidiaries ('the Group")
Pro Forma Statements of Financial Position and the notes thereon

2. Pro Forma Statements of Financial Position

The Pro Forma Statements of Financial Position illustrate the effects of the following transactions:

2.1 Subsequent event

On 27 August 2019, Ipark Development Sdn. Bhd. drew down a term loan amounting to RM105.00 million to finance the acquisition of a parcel of land for the Phase 3 development of i-Park @ SAC at a total consideration of RM150.14 million, of which a deposit of RM15.01 million was paid in financial year ended 31 March 2016 and a remaining balance of RM30.13 million was paid using internally generated funds.

The land is categorised as follows:

	RM'000
Investment properties	30,028
Inventories	120,110
	150,138

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Attachment A

AME Elite Consortium Berhad ("the Company") and its subsidiaries ('the Group")
Pro Forma Statements of Financial Position and the notes thereon

2.2 Restructuring exercise ("Restructuring Exercise")

The following proposals were undertaken in conjunction with, and as an integral part of the IPO.

2.2.1 Acquisition of shares in respect of the subsidiaries of the Company ("Acquisition")

On 1 June 2019, the Company acquired from each of Lim Yook Kim, Lee Chai, Kang Ah Chee, Lee Sai Boon, Lim Khai Wen, Kang Koh Wei, Kang Chai Poh, Lee Ling Sien, Oh Nancy, Tan Mui Heong and Lim Pei Shi the ordinary shares held by them in the following subsidiaries:

	Equity Interest (%)	Purchase Consideration RM'000	No. of Shares issued by the Company
Amsun Industries Sdn. Bhd	100	124,125	82,750,030
AME Development Sdn. Bhd.	100	184,620	123,079,906
AME Industrial Park Sdn. Bhd.	100	59,882	39,921,470
AME Engineering Industries Sdn. Bhd.	100	25,525	17,016,296
Asiamost Sdn. Bhd.	100	16,520	11,013,488
Amsun Capital Sdn. Bhd.	100	4,248	2,832,003
Tanjung Bebas Sdn. Bhd.	100	18,746	12,497,406
Twin Sunrich Sdn. Bhd.	100	4,506	3,003,690
LKL Industries Sdn. Bhd.	100	18,570	12,380,280
I Stay Management Sdn. Bhd.	70	70	46,666
		456,812	304,541,235

The purchase consideration was satisfied via the issuance by the Company of an aggregate of 304,541,235 new ordinary shares in the Company ("Shares"), at an issue price of RM1.50 per Share.

In the preparation of the Pro Forma Statements of Financial Position, it is assumed that the stamp duty payable for the Acquisition is RM0.50 million.

Attachment A

AME Elite Consortium Berhad ("the Company") and its subsidiaries ('the Group")
Pro Forma Statements of Financial Position and the notes thereon

2.2.2 Subscription of shares in respect of the subsidiaries of the Company ("Subscription")

On 1 June 2019, the Company completed the subscription of new ordinary shares in the following subsidiaries at a subscription price of RM0.001 per share for cash:

	No. of Shares subscribed by the Company	Subscription consideration RM'000
AME Integrated Sdn. Bhd.	100,000	--
Active Gold Services Sdn. Bhd.	500,000,000	500
Symphony Square Sdn. Bhd.	300,000,000	300
	800,100,000	800

The subscription of shares resulted in the Company holding 99.99% equity interest in each of the above subsidiaries.

2.2.3 Advances by the Directors to the Company

Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon (Directors of the Company) have on 18 June 2019 made advances to the Company amounting to RM1.50 million for purpose of funding the Restructuring Exercise.

2.2.4 Capitalisation of amount due to Directors ("Capitalisation")

As part of the Restructuring Exercise, the entire amount owing by the subsidiaries to Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon of RM55.73 million have been capitalised into 37,149,865 Shares, at an issue price of RM1.50 per Share.

2.3 IPO

2.3.1 Public Issue

The public issue of 85,423,000 new ordinary shares in the Company ("Issue Shares") at a price of RM1.30 per Issue Share.

2.3.2 Offer for Sale

The offer for sale by Lee Chai, Lim Yook Kim, Kang Ah Chee and Lee Sai Boon (collectively referred to as "Selling Shareholders") of up to 42,711,800 ordinary shares in the Company ("Offer Shares") at a price of RM1.30 per Offer Share.

Attachment A

AME Elite Consortium Berhad ("the Company") and its subsidiaries ('the Group")
Pro Forma Statements of Financial Position and the notes thereon

2.4 Use of proceeds

2.4.1 Use of proceeds

The gross proceeds from the Public Issue of RM111.05 million is intended to be used as follows:

	RM'000
Future industrial property development and investment projects including land acquisitions and joint ventures	69,050
Working capital for i-Park @ SAC development project	23,000
Complete the expansion of precast concrete fabrication capacity	9,000
Estimated listing expenses[1]	10,000
	111,050

Note:
(1) The estimated listing expenses comprise the following:

	RM'000
Professional fees	5,400
Fees to authorities	560
Brokerage, underwriting and placement fees	3,100
Other fees and expenses such as printing, advertising, travel and roadshow expenses incurred in connection with the Public Issue	500
Miscellaneous expenses and contingencies	440
	10,000

The estimated listing expenses totalling RM3.87 million will be set-off against equity and remaining RM6.13 million will be charged out to the profit or loss account.

The Company will not receive any proceeds from the Offer for Sale. The gross proceeds of up to RM55.53 million will accrue entirely to the Selling Shareholders.

Attachment A

AME Elite Consortium Berhad ("the Company") and its subsidiaries ('the Group")
Pro Forma Statements of Financial Position and the notes thereon

3. Effects on the Pro Forma Statements of Financial Position

(a) Movement in investment properties

	RM'000
Balance as at 31 March 2019	278,796
Effects of Pro Forma I:	
- Acquisition of land	30,028
Pro forma I, II, III and IV	308,824

(b) Movement in inventories

	RM'000
Balance as at 31 March 2019	234,097
Effects of Pro Forma I:	
- Acquisition of land	120,110
Pro forma I, II, III and IV	354,207

(c) Movement in trade and other receivables

	RM'000
Balance as at 31 March 2019	94,426
Effects of Pro Forma I:	
- Capitalisation of deposit paid in relation to the acquisition of land	(15,014)
Pro forma I, II, III and IV	79,412

(d) Movement in cash and cash equivalents

	RM'000
Balance as at 31 March 2019	102,488
Effects of Pro Forma I:	
- Acquisition of land	(30,124)
Pro forma I	72,364
Effects of Pro Forma II:	
- Advances from Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon for the Restructuring Exercise	1,500
- Estimated stamp duty payable for the Acquisition	(500)
Pro forma II	73,364
Effects of Pro Forma III:	
- Proceeds from the Public Issue	111,050
Pro forma III	184,414
Effects of Pro Forma IV:	
- Estimated listing expenses	(10,000)
Pro forma IV	174,414

Attachment A

AME Elite Consortium Berhad ("the Company") and its subsidiaries ('the Group")
Pro Forma Statements of Financial Position and the notes thereon

(e) Movement in share capital

	RM'000
Balance as at 31 March 2019 / Pro Forma I	1
Effects of Pro Forma II:	
- Shares issued under the Acquisition (304,541,235 Shares)	456,812
- Shares issued under the Capitalisation (37,149,865 Shares)	55,725
Pro forma II	512,538
Effects of Pro Forma III:	
- Shares issued under the Public Issue	111,050
Pro forma III	623,588
Effects of Pro Forma IV:	
- Estimated listing expenses	(3,870)
Pro forma IV	619,718

(f) Movement in invested equity

	RM'000
Balance as at 31 March 2019 / Pro Forma I	4,501
Effects of Pro Forma II:	
- Restructuring Exercise	(4,501)
Pro forma II, III and IV	--

(g) Movement in retained earnings

	RM'000
Balance as at 31 March 2019 / Pro Forma I	401,907
Effects of Pro Forma II:	
- Estimated stamp duty payable for the Acquisition	(500)
Pro forma II and III	401,407
Effects of Pro Forma IV:	
- Estimated listing expenses	(6,130)
Pro forma IV	395,277

(h) Movement in merger reserve

	RM'000
Balance as at 31 March 2019 / Pro Forma I	--
Effects of Pro Forma II:	
- Restructuring Exercise	452,311
Pro forma II, III and IV	452,311

Attachment A

AME Elite Consortium Berhad ("the Company") and its subsidiaries ('the Group")
Pro Forma Statements of Financial Position and the notes thereon

(i) Movement in non-current loans and borrowings

	RM'000
Balance as at 31 March 2019	186,949
Effects of Pro Forma I:	
- Acquisition of land	105,000
Pro Forma I, II, III and IV	291,949

(j) Movement in due to Directors

	RM'000
- Non-current	3,296
- Current	50,929
Balance as at 31 March 2019 / Pro Forma I	54,225
Effects of Pro Forma II:	
- Advances from Lee Chai, Kang Ah Chee, Lim Yook Kim and Lee Sai Boon for the Restructuring Exercise	1,500
- Capitalisation	(55,725)
Pro forma II, III and IV	--

AME Elite Consortium Berhad

(Company No. 1292815-W)
(Incorporated in Malaysia)

Accountants' Report on the Combined Financial Statements

AME Elite Consortium Berhad

(Company No. 1292815-W)
(Incorporated in Malaysia)

Combined statements of financial position as at 31 March 2019, 2018, 2017 and 2016

	Note	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Assets					
Property, plant and equipment	3	95,379,858	77,346,965	63,926,606	66,624,632
Inventories	4	8,661,560	8,661,560	8,661,560	8,661,560
Investment properties	5	278,795,777	236,995,170	171,853,493	84,360,000
Investment in a joint venture	6	32,391,985	33,857,411	29,232,061	24,026,284
Deferred tax assets	7	3,047,521	4,016,115	2,052,587	2,514,535
Other investments	8	--	--	128,546	1,300,944
Due from a joint venture	9	--	9,315,001	9,364,980	9,364,980
Total non-current assets		418,276,701	370,192,222	285,219,833	196,852,935
Inventories	4	234,097,443	231,612,045	236,276,501	75,805,404
Contract costs	10	11,737,383	1,637,906	10,619,347	--
Trade and other receivables	11	94,425,555	78,433,962	100,703,864	114,546,467
Contract assets	12	28,091,654	62,388,487	48,948,856	25,518,532
Current tax assets		4,264,599	3,445,973	516,383	934,562
Cash and cash equivalents	13	102,487,797	109,784,534	111,197,793	107,164,603
		475,104,431	487,302,907	508,262,744	323,969,568
Assets classified as held for sale	14	--	33,333	2,991,595	--
Total current assets		475,104,431	487,336,240	511,254,339	323,969,568
Total assets		893,381,132	857,528,462	796,474,172	520,822,503
Equity					
Share capital	15	1,001	--	--	--
Invested equity	16	4,500,760	4,500,760	4,200,770	3,630,850
Retained earnings		401,906,886	364,560,060	303,888,943	300,876,092
Equity attributable to owners of the Company		406,408,647	369,060,820	308,089,713	304,506,942
Non-controlling interests	17	30,266,132	26,623,574	19,379,933	(93,299)
Total equity		436,674,779	395,684,394	327,469,646	304,413,643
Liabilities					
Loans and borrowings	18	186,948,746	197,909,437	218,274,981	50,955,491
Due to Directors	19	3,295,914	3,295,914	9,901,991	9,866,226
Due to a minority shareholder	20	10,000,000	--	--	10,000,000
Deferred tax liabilities	7	14,015,940	8,627,588	3,774,491	2,511,637
Total non-current liabilities		214,260,600	209,832,939	231,951,463	73,333,354
Loans and borrowings	18	28,892,294	21,794,331	32,624,170	22,942,493
Trade and other payables	21	138,231,264	150,596,883	113,200,638	75,739,726
Contract liabilities	12	21,297,891	11,615,313	12,980,456	966,312
Due to Directors	19	50,929,255	65,053,103	74,983,846	41,997,442
Due to a minority shareholder	20	565,355	269,657	269,657	204,767
Current tax liabilities		2,529,694	2,681,842	2,994,296	1,224,766
Total current liabilities		242,445,753	252,011,129	237,053,063	143,075,506
Total liabilities		456,706,353	461,844,068	469,004,526	216,408,860
Total equity and liabilities		893,381,132	857,528,462	796,474,172	520,822,503

The accompanying notes form an integral part of these financial statements.

AME Elite Consortium Berhad

(Company No. 1292815-W)
(Incorporated in Malaysia)

Combined statements of profit or loss and other comprehensive income for the years ended 31 March 2019, 2018, 2017 and 2016

	Note	1.4.2018 to 31.3.2019 RM	1.4.2017 to 31.3.2018 RM	1.4.2016 to 31.3.2017 RM	1.4.2015 to 31.3.2016 RM
Revenue					
Contract income		274,348,325	240,482,072	246,960,635	222,726,255
Property development		43,143,004	85,430,001	37,207,113	15,074,064
Rental income		21,522,128	15,408,252	14,790,783	11,443,023
	22	339,013,457	341,320,325	298,958,531	249,243,342
Cost of sales					
Contract costs		(219,764,850)	(187,290,471)	(200,642,742)	(182,458,199)
Cost of property development		(21,446,547)	(57,831,912)	(13,253,087)	(9,018,825)
Cost of services		(3,748,349)	(3,489,842)	(3,137,427)	(3,650,344)
		(244,959,746)	(248,612,225)	(217,033,256)	(195,127,368)
Gross profit		94,053,711	92,708,100	81,925,275	54,115,974
Other income		18,469,351	29,304,061	18,350,880	8,195,120
Distribution expenses		(3,768,538)	(2,441,479)	(3,171,203)	(1,094,063)
Administrative expenses		(31,956,551)	(28,151,582)	(27,147,890)	(22,951,685)
Other expenses		(206,710)	(1,246,930)	(1,708,432)	(421,421)
Results from operating activities		76,591,263	90,172,170	68,248,630	37,843,925
Finance income	23	3,201,853	3,877,244	4,269,235	4,016,206
Finance costs	23	(6,615,541)	(4,313,091)	(4,542,618)	(3,428,132)
Net finance (costs)/income		(3,413,688)	(435,847)	(273,383)	588,074
Share of (loss)/profit of an equity-accounted joint venture, net of tax		(586,536)	5,482,405	6,558,875	2,685,825
Profit before tax	24	72,591,039	95,218,728	74,534,122	41,117,824
Tax expense	25	(21,601,655)	(17,003,970)	(17,430,009)	(8,505,528)
Profit for the year/ Total comprehensive income for the year		50,989,384	78,214,758	57,104,113	32,612,296
Profit/(Loss) attributable to:					
Owners of the Company		47,346,826	70,971,117	57,660,851	32,610,444
Non-controlling interests		3,642,558	7,243,641	(556,738)	1,852
Profit for the year/ Total comprehensive income for the year		50,989,384	78,214,758	57,104,113	32,612,296

The accompanying notes form an integral part of these financial statements.

AME Elite Consortium Berhad

(Company No. 1292815-W)
(Incorporated in Malaysia)

Combined statements of changes in equity for the years ended 31 March 2019, 2018, 2017 and 2016

	Note	← Non-distributable Share capital RM	→ Invested equity RM	Distributable Retained earnings RM	Non-controlling interests RM	Total equity RM
At 1 April 2015		--	3,630,850	273,423,648	(295,151)	276,759,347
Profit and total comprehensive income for the year		--	--	32,610,444	1,852	32,612,296
Subscription of shares by non-controlling interests		--	--	--	200,000	200,000
Dividends paid	26	--	--	(5,158,000)	--	(5,158,000)
At 31 March 2016		--	3,630,850	300,876,092	(93,299)	304,413,643
At 1 April 2016		--	3,630,850	300,876,092	(93,299)	304,413,643
Issue of ordinary shares	16	--	569,920	--	--	569,920
Profit/(Loss) and total comprehensive income/ (expense) for the year		--	--	57,660,851	(556,738)	57,104,113
Subscription of shares by non-controlling interests		--	--	--	20,029,970	20,029,970
Dividends paid	26	--	--	(54,648,000)	--	(54,648,000)
At 31 March 2017		--	4,200,770	303,888,943	19,379,933	327,469,646
At 1 April 2017		--	4,200,770	303,888,943	19,379,933	327,469,646
Issue of ordinary shares	16	--	299,990	--	--	299,990
Profit and total comprehensive income for the year		--	--	70,971,117	7,243,641	78,214,758
Dividends paid	26	--	--	(10,300,000)	--	(10,300,000)
At 31 March 2018		--	4,500,760	364,560,060	26,623,574	395,684,394
At 1 April 2018		--	4,500,760	364,560,060	26,623,574	395,684,394
At date of incorporation	15	1,001	--	--	--	1,001
Profit and total comprehensive income for the year		--	--	47,346,826	3,642,558	50,989,384
Dividends paid	26	--	--	(10,000,000)	--	(10,000,000)
At 31 March 2019		1,001	4,500,760	401,906,886	30,266,132	436,674,779

The accompanying notes form an integral part of these financial statements.

AME Elite Consortium Berhad

(Company No. 1292815-W)
(Incorporated in Malaysia)

Combined statements of cash flows for the years ended 31 March 2019, 2018, 2017 and 2016

	Note	1.4.2018 to 31.3.2019 RM	1.4.2017 to 31.3.2018 RM	1.4.2016 to 31.3.2017 RM	1.4.2015 to 31.3.2016 RM
Cash flows from operating activities					
Profit before tax		72,591,039	95,218,728	74,534,122	41,117,824
Adjustments for:					
(Reversal)/Impairment loss on trade receivables		(102,961)	(275,699)	530,520	(736)
Inventory written off		--	71,711	--	--
Depreciation of property, plant and equipment		5,367,426	5,632,208	5,365,770	4,942,224
Gain on disposal of:					
- property, plant and equipment		(383,441)	(274,759)	(261,935)	(154,705)
- assets classified as held for sale		--	(647,326)	--	--
Share of loss/(profit) of equity-accounted joint venture, net of tax		586,536	(5,482,405)	(6,558,875)	(2,685,825)
Finance costs		6,615,541	4,313,091	4,542,618	3,428,132
Finance income		(3,201,853)	(3,877,244)	(4,269,235)	(4,016,206)
Unrealised foreign exchange loss/(gain)		59,144	118,503	(457,087)	--
Investment in quoted shares:					
- (reversal)/allowance of diminution in value		--	(156,282)	(383,159)	282,668
- gross dividend income		--	(31)	(30,325)	(15,857)
- loss on disposal		--	162,037	464,441	4,690
Change in fair value of investment properties		(16,376,235)	(25,767,776)	(16,569,036)	(6,343,824)
Operating profit before changes in working capital		65,155,196	69,034,756	56,907,819	36,558,385
Change in inventories		(2,461,946)	4,592,745	(160,471,097)	10,581,581
Change in trade and others receivables		(18,983,378)	22,545,601	13,312,083	(44,808,679)
Change in trade and other payables		(12,365,619)	27,379,351	14,551,022	2,615,541
Change in contract assets/(liabilities)		43,979,411	(14,804,774)	(11,416,180)	(19,892,579)
Change in contract costs		(10,099,477)	8,981,441	(10,619,347)	--
Cash generated from/(used in) operations		65,224,187	117,729,120	(97,735,700)	(14,945,751)
Interest received		3,201,853	3,877,244	4,269,235	4,016,206
Interest paid		(6,290,876)	(4,096,780)	(3,849,056)	(3,175,857)
Tax paid		(16,215,483)	(17,356,445)	(13,517,498)	(14,875,323)
Net cash from/(used in) operating activities		45,919,681	100,153,139	(110,833,019)	(28,980,725)

Combined statements of cash flows for the years ended 31 March 2019, 2018, 2017 and 2016 (continued)

	Note	1.4.2018 to 31.3.2019 RM	1.4.2017 to 31.3.2018 RM	1.4.2016 to 31.3.2017 RM	1.4.2015 to 31.3.2016 RM
Cash flows from investing activities					
Other receivables		--	--	723,081	--
Acquisition of:					
- property, plant and equipment	27	(23,482,168)	(16,435,055)	(2,577,725)	(2,892,879)
- quoted shares		--	--	(288,849)	(78,874)
- investment properties		(25,424,372)	(30,727,342)	(55,395,588)	(4,123,730)
Proceeds from disposal of:					
- property, plant and equipment		715,290	314,247	387,044	288,997
- quoted shares		--	122,791	1,346,632	80,554
- investment properties		--	--	8,533,015	22,464,078
- assets classified as held for sale		33,333	3,605,588	--	--
Dividend received on quoted shares		--	31	30,325	15,857
Dividend received from a joint venture		3,000,000	--	--	--
Change in pledged deposits		4,597,792	(10,972,736)	(1,226,178)	(1,019,782)
Net cash (used in)/from investing activities		(40,560,125)	(54,092,476)	(48,468,243)	14,734,221
Cash flows from financing activities					
Repayment of finance lease liabilities		(2,521,154)	(3,152,819)	(2,676,496)	(2,303,305)
Repayment of short term borrowings		--	(3,734,156)	(6,948,684)	(3,801,184)
Repayment of term loans		(57,351,698)	(19,475,271)	(10,296,987)	(12,314,670)
Drawdown from term loans		51,580,178	--	186,070,000	9,805,243
Proceeds from issuance of shares		--	299,990	569,920	--
Proceeds from issuance of shares to minority shareholders		--	--	10,029,970	200,000
Interest paid		(172,467)	(216,311)	(693,562)	(252,275)
Due to a minority shareholder		10,000,000	--	--	10,000,000
Dividends paid		(10,000,000)	(10,300,000)	(54,648,000)	(5,158,000)
Due to Directors		(3,774,307)	(14,377,954)	33,022,169	(2,356,791)
Net cash (used in)/from financing activities		(12,239,448)	(50,956,521)	154,428,330	(6,180,982)
Net decrease in cash and cash equivalents		(6,879,892)	(4,895,858)	(4,872,932)	(20,427,486)
Cash and cash equivalents at date of incorporation		1,001	--	--	--
Cash and cash equivalents as at 1 April		85,315,073	90,210,931	95,083,863	115,511,349
Cash and cash equivalents as at 31 March	13	78,436,182	85,315,073	90,210,931	95,083,863

The accompanying notes form an integral part of these financial statements.

AME Elite Consortium Berhad

(Company No. 1292815-W)
(Incorporated in Malaysia)

Notes to the combined financial statements

AME Elite Consortium Berhad (the "Company") is a public company, incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
5, Jalan I-Park SAC 2
Taman Perindustrian I-Park SAC
81400 Senai
Johor

Registered office
Suite 9D, Level 9
Menara Ansar
65, Jalan Trus
80000 Johor Bahru
Johor

The principal activities of the Company consist of those relating to investment holding. The principal activities of the combining entities are as disclosed in Note 32.

The combined financial statements of the Company and the combining entities (collectively referred to as the "Group") have been prepared solely in connection with the proposed listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad and for no other purposes.

1. Basis of preparation

(a) Statement of compliance

The Company was incorporated on 27 August 2018 for the purpose of a restructuring exercise that will result in the Company becoming the holding company of the combining entities.

The combined financial statements consist of the consolidated financial statements of the Company and 16 entities as disclosed in Note 32, under the common control of Lee Chai, Lee Sai Boon, Lim Yook Kim and Kang Ah Chee (collectively referred to as the "Group").

The combined financial statements of the Group have been prepared as if the Group has operated as a single economic entity throughout financial years ended 31 March 2016, 31 March 2017, 31 March 2018 and 31 March 2019.

The common control of the Group has been established since the set-up of the Group by virtue of Lee Chai, Lee Sai Boon, Lim Yook Kim and Kang Ah Chee being the major shareholders and promoters of the Group.

The investment cost in a joint venture, Nusajaya Square Development Sdn. Bhd. and the effect of equity accounting arising thereon, have not been included in the combined financial statements on the basis that the investment has been distributed as dividend-in-specie to the shareholders on 28 June 2018. The effect of share of profit from this joint venture based on equity accounting is disclosed in Note 32.

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The financial information as prepared in the combined financial statements may not correspond with the consolidated financial statements of the Group, after incorporating/effecting the relevant acquisitions. Such financial information from the combined financial statements does not purport to predict the financial positions, results of operation and cash flows of the Group.

The combined financial statements of the Group for the financial years ended 31 March 2016, 31 March 2017, 31 March 2018 and 31 March 2019 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS").

The following are accounting standards, interpretations and amendments that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, Business Combinations - Definition of a Business
- Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The Group plans to apply the abovementioned standards, interpretations and amendments in the respective financial year when the above standards, interpretations and amendments become effective.

The Group does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group.

The initial application of the accounting standards, interpretations and amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group upon their first adoption.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional currency. All financial information is presented in RM, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 2(f) - valuation of investment properties
- Note 2(j) - contract assets/(liabilities)
- Note 2(o)(i) - revenue recognition on property development
- Note 2(o)(ii) - revenue recognition on construction services

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these combined financial statements, unless otherwise stated.

(a) Basis of combination

(i) Combining entities

The combined financial statements comprise the financial statements of the Company and its subsidiaries and the Company's interest in a joint venture as at the reporting dates. The financial statements of the Company, its subsidiaries and its interest in a joint venture used in the preparation of the combined financial statements are prepared as of the same reporting dates.

The subsidiaries are entities, including structured entities, under common control of the shareholders that control the Company and the subsidiaries ("Controlling Shareholders"), and are accounted for as if the Company and the subsidiaries are a single economic entity at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities of the subsidiaries are recognised at the carrying amounts recognised in the respective subsidiaries' financial statements. The components of equity of the subsidiaries are added to the same components within the Group's equity and any resulting gain/loss is recognised directly in equity.

The Controlling Shareholders control an entity when they are exposed, or have rights, to variable returns from their involvement with the entity and have the ability to affect those returns through their power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Controlling Shareholders also consider they have de facto power over an investee when, despite not having the majority of voting rights, they have the current ability to direct the activities of the investee that significantly affect the investee's return.

(ii) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Group. The financial statements of subsidiaries are included in the combined financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it 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. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(iii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

2. Significant accounting policies (continued)

(a) Basis of combination (continued)

(iii) Business combinations (continued)

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iv) Acquisition of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do no result in a loss of control as equity transaction between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(v) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's combined financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

(vi) Loss of control

Upon the loss of control of a subsidiary, the Group derecognizes the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measure at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(vii) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group has rights to the assets and obligations for the liabilities relating to an arrangement. The Group accounts for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

2. Significant accounting policies (continued)

(a) Basis of combination (continued)

(vii) Joint arrangements (continued)

- A joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangements. The Company accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Group's combined statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(viii) Non-controlling interests

Non-controlling interests at the end of the respective reporting periods, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the combined statement of financial position and combined statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the combined statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(ix) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealized losses are eliminated in the same way and unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost; fair value through other comprehensive income ("FVOCI") - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(a) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets (continued)

(a) Assessment whether contractual cash flows are solely payments of principal and interest (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

Financial liabilities

Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, finance costs are capitalised in accordance with the accounting policy on finance costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold land	60 years
Buildings	50 - 60 years
Plant, machinery and tools equipment	5 - 10 years
Office equipment, furniture and fittings	3 - 10 years
Motor vehicles	5 years
Building improvement	3 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(i) Finance lease (continued)

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Investment property

(i) Investment property carried at fair value

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

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised finance costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

2. Significant accounting policies (continued)

(f) Investment property (continued)

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised in other comprehensive income and accumulated in equity as revaluation reserve. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(g) Inventories

(i) Raw materials and consumables

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the first-in first-out basis, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is mainly determined on specific identification basis. Cost consists of costs associated with the acquisition of land, direct costs and appropriate proportions of common costs attributable to developing the properties to completion.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(iii) Freehold land held for future development

Freehold land held for future development consist of land or such portions thereof on which no development activities have been carried out. Such land is classified as non-current asset and is stated at cost less any accumulated impairment losses.

Development land held for future development is reclassified as current assets at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the Group's operating cycle.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

2. Significant accounting policies (continued)

(g) Inventories (continued)

(iv) Property development costs

Property development costs not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value. Property development costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities, including interest expense incurred during the period of active development. On completion, the properties are transferred to complete properties held for sale.

Finance costs are capitalised in accordance with the accounting policy on finance costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Contract costs

Initial recognition and measurement

Commission costs are capitalised if they are incurred to obtain a contract with a customer that the Group would not have incurred if the contract had not been obtained, and the costs are expected to be recovered.

Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered.

Subsequent measurement

Subsequent to initial measurement, contract costs are recognised to profit or loss using the same measure of progress as the related contract revenue.

The Group recognises an impairment loss in profit or loss to the extent that the carrying amount of the contract costs exceeds:

- the remaining amount of consideration that the Group expects to receive for the sold units; less

- the estimated costs of completion that have not been recognised as expenses.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value. For the purpose of the combined statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(j) Contract assets/(liabilities)

Contract asset relates to the Group's right to consideration for completed performance under the contract but not billed at the reporting date. The contract assets are transferred to receivables when the right to consideration becomes unconditional.

Contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognised as revenue when performance obligations are satisfied.

2. Significant accounting policies (continued)

(k) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the combined statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting periods.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(f), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Non-current assets held for sale or distribution to owner

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution.

Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted associates and joint venture ceases once classified as held for sale or distribution.

2. Significant accounting policies (continued)

(m) Impairment

(i) Financial instruments and contract assets

The Group recognises loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortised cost; and
- contract assets (as defined in MFRS 15).

The Group measures loss allowances at an amount equal to lifetime ECL, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost is credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2. Significant accounting policies (continued)

(m) Impairment (continued)

(i) Financial instruments and contract assets (continued)

Credit-impaired financial assets (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets, deferred tax assets, investment properties measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

2. Significant accounting policies (continued)

(m) Impairment (continued)

(ii) Other assets (continued)

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(n) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognized as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(o) Revenue and other income

(i) Revenue from property development

Revenue is recognised when or as the control of the assets is transferred to the customer. Depending on the terms of the contract, control of the assets may transfer over time or at a point in time. Control of the assets is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or

- creates and enhances an asset that the customer controls as the Group performs; or

- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the assets transfer over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the assets.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's internal surveys of inputs for the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For completed property and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

2. Significant accounting policies (continued)

(o) Revenue and other income (continued)

(ii) Construction services

Revenue is measured at the fair value of the consideration received or receivable for the services in the ordinary course of the Group's activities. Revenue is shown, net of discounts. The Group recognised revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity.

The Group's performance creates or enhances as asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to the survey of work performed.

(iii) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

(iv) Service income

Service income is recognised upon services rendered.

(p) Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- the net gain or loss on financial assets at fair value through profit or loss;
- the foreign currency gain or loss on financial assets and financial liabilities; and
- the fair value loss on contingent consideration classified as a financial liability.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

2. Significant accounting policies (continued)

(p) Finance income and finance costs (continued)

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial year of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of finance costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, finance costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of finance costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the finance costs eligible for capitalisation.

(q) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(r) Operating segments

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

(s) Contingencies

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the combined statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. Significant accounting policies (continued)

(t) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Property, plant and equipment

	Land and buildings RM	Building improvement RM	Plant, machinery and tools equipment RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Construction -in -progress RM	Total RM
At cost							
At 1 April 2015	53,835,367	153,807	11,725,286	9,296,763	5,109,876	--	80,121,099
Additions	396	389,718	1,453,908	3,189,432	1,235,525	--	6,268,979
Disposals/Written off	--	--	(20,560)	(710,106)	(9,470)	--	(740,136)
At 31 March 2016/1 April 2016	53,835,763	543,525	13,158,634	11,776,089	6,335,931	--	85,649,942
Additions	38,756	4,834	2,049,006	2,006,792	863,087	788,640	5,751,115
Disposals/Written off	--	--	(531,484)	(985,867)	(517,291)	--	(2,034,642)
Transfer to assets classified as held for sale	(3,609,338)	--	--	--	--	--	(3,609,338)
At 31 March 2017/1 April 2017	50,265,181	548,359	14,676,156	12,797,014	6,681,727	788,640	85,757,077
Additions	14,592,022	7,110	1,602,980	2,346,943	543,000	--	19,092,055
Disposals/Written off	--	(100,993)	(159,850)	(753,035)	(1,997,835)	--	(3,011,713)
Transfer	34,151	--	754,489	--	--	(788,640)	--
At 31 March 2018/1 April 2018	64,891,354	454,476	16,873,775	14,390,922	5,226,892	--	101,837,419
Additions	20,802,000	1,163,065	495,210	563,047	708,846	--	23,732,168
Disposals/Written off	--	(1,255)	(157,989)	(1,356,462)	(131,299)	--	(1,647,005)
At 31 March 2019	85,693,354	1,616,286	17,210,996	13,597,507	5,804,439	--	123,922,582

3. Property, plant and equipment (continued)

	Land and buildings RM	Building improvement RM	Plant, machinery and tools equipment RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Construction -in -progress RM	Total RM
Accumulated depreciation							
At 1 April 2015	1,877,090	18,214	4,523,917	6,284,795	1,984,914	--	14,688,930
Depreciation charge	983,733	139,624	1,293,430	1,461,825	1,063,612	--	4,942,224
Disposals/Written off	--	--	(8,143)	(592,281)	(5,420)	--	(605,844)
At 31 March 2016/1 April 2016	2,860,823	157,838	5,809,204	7,154,339	3,043,106	--	19,025,310
Depreciation charge	984,379	161,394	1,452,405	1,615,942	1,151,650	--	5,365,770
Disposals/Written off	--	--	(466,451)	(985,863)	(457,219)	--	(1,909,533)
Transfer to assets classified as held for sale	(651,076)	--	--	--	--	--	(651,076)
At 31 March 2017/1 April 2017	3,194,126	319,232	6,795,158	7,784,418	3,737,537	--	21,830,471
Depreciation charge	891,340	148,147	1,741,262	1,906,030	945,429	--	5,632,208
Disposals/Written off	--	(100,993)	(157,425)	(729,493)	(1,984,314)	--	(2,972,225)
At 31 March 2018/1 April 2018	4,085,466	366,386	8,378,995	8,960,955	2,698,652	--	24,490,454
Depreciation charge	912,604	147,842	1,792,001	1,848,910	666,069	--	5,367,426
Disposals/Written off	--	(1,255)	(134,489)	(1,048,115)	(131,297)	--	(1,315,156)
At 31 March 2019	4,998,070	512,973	10,036,507	9,761,750	3,233,424	--	28,542,724
Carrying amounts							
At 31 March 2016/1 April 2016	50,974,940	385,687	7,349,430	4,621,750	3,292,825	--	66,624,632
At 31 March 2017/1 April 2017	47,071,055	229,127	7,880,998	5,012,596	2,944,190	788,640	63,926,606
At 31 March 2018/1 April 2018	60,805,888	88,090	8,494,780	5,429,967	2,528,240	--	77,346,965
At 31 March 2019	80,695,284	1,103,313	7,174,489	3,835,757	2,571,015	--	95,379,858

3. Property, plant and equipment (continued)

3.1 Carrying amount of land and buildings

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Land	29,396,342	28,871,302	17,203,215	19,700,153
Buildings	51,298,942	31,934,586	29,867,840	31,274,787
	80,695,284	60,805,888	47,071,055	50,974,940

3.2 Security

The following property, plant and equipment are charged to banks for credit facilities granted to the Group with a carrying amount of:

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Land and buildings	80,695,284	60,805,888	47,071,055	50,974,940

3.3 Leased plant and equipment

Leased plant and equipment and motor vehicles under finance lease agreements are as follows:

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Plant and machinery	4,689,754	5,741,144	3,161,556	4,534,428
Motor vehicles	3,045,262	4,779,478	4,154,392	4,090,001
	7,735,016	10,520,622	7,315,948	8,624,429

The leased plant and machinery and motor vehicles secure leased obligations (see Note 18).

3.4 Others

Motor vehicles with carrying amount of RM547,841 (31.3.2018: RM729,546, 31.3.2017: RM18,986; 31.3.2016: RM24,321) are registered in the name of certain Directors held in trust for the Group.

4. Inventories

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Non-current				
Freehold land held for future development	8,661,560	8,661,560	8,661,560	8,661,560
Current				
Raw materials	755,120	731,612	619,254	655,042
Consumables	333,857	370,102	374,466	395,178
Completed properties held for sale	85,522,705	55,354,198	48,954,517	66,190,990
Property development cost	147,485,761	175,156,133	186,328,264	8,564,194
	234,097,443	231,612,045	236,276,501	75,805,404
	242,759,003	240,273,605	244,938,061	84,466,964

4. Inventories (continued)

4.1 Completed properties held for sale

Included in completed properties held for sale are properties of RM74,343,826 (31.3.2018: RM49,145,807; 31.3.2017: RM35,841,413; 31.3.2016: RM8,098,430) charged as security of banking facilities granted to the Group (Note 18).

4.2 Property development cost

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
At 1 April				
Freehold land	158,771,115	175,235,258	8,085,273	27,840,388
Development costs	16,385,018	11,093,006	478,921	15,648,231
	175,156,133	186,328,264	8,564,194	43,488,619
Add: Costs incurred during the year				
- Freehold land	(5,146,917)	9,833,608	180,836,563	--
- Development costs	36,830,545	18,678,206	18,355,894	10,166,280
	31,683,628	28,511,814	199,192,457	10,166,280
Less: Cost transferred to contract fulfilment costs (Note 10)				
- Freehold land	(18,560,796)	(19,343,806)	(11,454,156)	--
- Development costs	(4,189,587)	(5,143,764)	(1,616,786)	--
	(22,750,383)	(24,487,570)	(13,070,942)	--
Less: Transfer to completed properties held for sale				
- Freehold land	(14,507,262)	(2,584,179)	(2,232,422)	(18,676,554)
- Development costs	(22,096,355)	(3,965,637)	(6,125,023)	(24,611,705)
	(36,603,617)	(6,549,816)	(8,357,445)	(43,288,259)
Less: Transfer to investment properties				
- Freehold land	--	(4,369,766)	--	(1,078,561)
- Development costs	--	(4,276,793)	--	(723,885)
	--	(8,646,559)	--	(1,802,446)
At 31 March				
Freehold land	120,556,140	158,771,115	175,235,258	8,085,273
Development costs	26,929,621	16,385,018	11,093,006	478,921
	147,485,761	175,156,133	186,328,264	8,564,194

4.2.1 Security

Included in property development cost is RM135,021,688 (31.3.2018: RM162,276,134, 31.3.2017: RM172,680,523; 31.3.2016: NIL) charged to banks for bank facilities granted to the Group (Note 18).

4.2.2 Others

Included in property development cost is interest capitalised for the year of RM1,694,145 (31.3.2018: RM4,683,626, 31.3.2017: RM1,399,463; 31.3.2016: RM524,512) (Note 23).

5. Investment properties

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
At 1 April	236,995,170	171,853,493	84,360,000	101,287,093
Additions	25,424,372	30,727,342	55,395,588	4,123,730
Disposals	--	--	(1,800,000)	(29,197,093)
Transfer from inventories:				
- completed properties held for sale	--	--	17,328,869	--
- property development cost (Note 4)	--	8,646,559	--	1,802,446
Changes in fair value	16,376,235	25,767,776	16,569,036	6,343,824
	278,795,777	236,995,170	171,853,493	84,360,000
Included in the above are:-				
At fair value				
Freehold land	151,600,000	135,900,000	115,501,325	48,228,613
Factory buildings	125,600,000	95,500,000	56,352,168	36,131,387
	277,200,000	231,400,000	171,853,493	84,360,000
At cost				
Buildings construction-in-progress	1,595,777	5,595,170	--	--
	278,795,777	236,995,170	171,853,493	84,360,000

Investment properties comprise freehold land and factory buildings that are leased to third parties and seven (7) freehold land and factory buildings that are vacant as at the end of the financial year. Subsequent renewals are negotiated with the lessee and on average renewal periods are 2 to 6 years. No contingent rents are charged.

Certain factory buildings are currently under construction and the fair value of the properties is unable to be determined as there are uncertainties in estimating its fair value. The construction for these buildings commenced since 2018.

Included in investment properties is interest capitalised for the year of RM1,367,793 (31.3.2018: RM1,388,097, 31.3.2017: RM374,118; 31.3.2016: NIL) (Note 23).

5.1 Security

Investments properties of the Group amounting to RM255,295,777 (31.3.2018: RM200,471,100; 31.3.2017: RM109,924,755; 31.3.2016: RM55,060,000) are charged to banks as security for term loans as disclosed in Note 18.

5.2 Others

The following are recognised in the statements of profit or loss and other comprehensive income in respect of investment properties:

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Rental income	11,458,491	9,559,249	8,493,727	6,745,413
Direct operating expenses				
- Income generating investment properties	921,562	965,670	400,489	457,000
- Non-income generating investment properties	8,539	14,016	--	--

5. Investment properties (continued)

5.3 Fair value information

Fair value of investment properties are categorised as follows:

	Level 2 RM	Level 3 RM	Total RM
31.3.2019			
Freehold land	80,200,000	71,400,000	151,600,000
Factory buildings	58,800,000	66,800,000	125,600,000
	139,000,000	138,200,000	277,200,000
31.3.2018			
Freehold land	67,200,000	68,700,000	135,900,000
Factory buildings	26,900,000	68,600,000	95,500,000
	94,100,000	137,300,000	231,400,000
31.3.2017			
Freehold land	44,809,583	70,691,742	115,501,325
Factory buildings	1,055,172	55,296,996	56,352,168
	45,864,755	125,988,738	171,853,493
31.3.2016			
Freehold land	39,572,538	8,656,075	48,228,613
Factory buildings	26,087,462	10,043,925	36,131,387
	65,660,000	18,700,000	84,360,000

Level 2 fair value

Level 2 fair values of land and buildings are derived using the sales comparison method and cost method.

The sales comparison method entails analysing recent transactions and asking prices of similar property in and around the locality for comparison purposes with adjustments made for differences in location, accessibility, terrain, shape of land, size, age and condition of unit and building, tenure, visibility and exposure, planning status, title restrictions if any and other relevant characteristics to arrive at the market value. The most significant input into this valuation approach is price per square foot.

The cost method entails separate valuations of the land and buildings to arrive at the market value of the subject property. The land is valued by reference to transactions of similar lands in the surrounding with adjustments made for differences in location, terrain, size and shape of the land, tenure, title restrictions, if any and other relevant characteristics. The most significant input into this valuation approach is price per square foot.

The buildings are valued by reference to their depreciated replacement costs, i.e. the replacement cost new less an appropriate adjustment for profits and depreciation or obsolescence to reflect the existing condition of the buildings at the date of valuation.

The land and building values are then summated to arrive at the market value of the subject property.

5. Investment properties (continued)

5.3 Fair value information (continued)

Level 3 fair value

The following table shows a reconciliation of Level 3 fair values:

	Note	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM
At 1 April		137,300,000	125,988,738	18,700,000
Additions		900,000	11,311,262	43,428,738
Disposals		--	--	(1,800,000)
Transfer into Level 3	a	--	--	65,660,000
At 31 March		138,200,000	137,300,000	125,988,738

Note a - Transfer into Level 3

Historical transaction date in prior year was used due to absence of recent transactions. The fair value was therefore reclassified to Level 3.

The fair value of investment properties is determined by external independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Sales comparison method: The sales comparison method entails analysing recent transactions and asking prices of similar property in and around the locality for comparison purposes with adjustments made for differences in location, accessibility, terrain, shape of land, size, age and condition of unit and building, tenure, visibility and exposure, planning status, title restrictions if any and other relevant characteristics to arrive at the market value. The most significant input into this valuation approach is price per square foot.	Average price per square foot ranging from RM261 - RM 352.	The estimated fair value would increase (decrease) if the price per square foot is higher (lower).

6. Investment in a joint venture

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Unquoted shares, at cost	500,000	500,000	500,000	500,000
Share of post-acquisition reserves	34,891,985	33,357,411	28,732,061	23,526,284
	35,391,985	33,857,411	29,232,061	24,026,284
Less: Distribution by joint venture	(3,000,000)	--	--	--
	32,391,985	33,857,411	29,232,061	24,026,284

6. Investment in a joint venture (continued)

Axis AME IP Sdn. Bhd. is principally engaged in property development.

Axis AME IP Sdn. Bhd. is structured as a separate vehicle and provides the Group with rights to the net assets of the entity. Accordingly, the Group has classified the investment in the above entity as a joint venture.

The following tables summarise the financial information of Axis AME IP Sdn. Bhd.. The tables also reconcile the summarised financial information to the carrying amount of the Group's interest in Axis AME IP Sdn. Bhd., which has been accounted for using the equity method.

	31.3.2019	**31.3.2018**	**31.3.2017**	**31.3.2016**
Percentage of ownership interest/voting interest	50%	50%	50%	50%
	RM	**RM**	**RM**	**RM**
Summarised financial information				
As at 31 March				
Non-current assets	7,026,497	7,045,035	31,131,486	44,212
Current assets (excluding cash and cash equivalents)	82,657,881	109,490,805	77,514,915	78,586,211
Cash and cash equivalents	6,898,733	7,167,066	6,942,177	14,482,803
Non-current liabilities	(381,574)	(11,015,462)	(586,532)	--
Current liabilities	(27,804,130)	(37,116,966)	(50,396,377)	(41,625,307)
Year ended 31 March				
(Loss)/Profit from continuing operations	(1,173,072)	10,964,809	13,117,750	5,371,651
Included in the comprehensive income/(expenses) are:				
Revenue	53,846,218	24,472,052	6,763,884	67,121,346
Depreciation	(7,538)	(16,731)	(17,796)	(17,121)
Change in fair value of investment properties	(284,830)	5,840,640	11,730,635	--
Finance income	308,961	174,223	257,319	384,407
Finance costs	(822,112)	(390,064)	--	(754,639)
Income tax expenses	(4,530,982)	(1,080,463)	(5,437,064)	(3,085,367)
Reconciliation of net assets to carrying amount				
Unquoted shares, at cost	500,000	500,000	500,000	500,000
Group's share of net assets	33,698,703	37,285,239	31,802,835	25,243,960
Elimination of unrealised profit, net of tax	(1,806,718)	(3,927,828)	(3,070,774)	(1,717,676)
Group's share of net assets	32,391,985	33,857,411	29,232,061	24,026,284
Group's share of results for the year ended 31 March				
Group's share of (loss)/profit from continuing operation	(586,536)	5,482,405	6,558,875	2,685,826
Elimination of unrealised profit	2,121,110	(857,055)	(1,353,098)	4,344
	1,534,574	4,625,350	5,205,777	2,690,170
Other information				
Dividend received by the Group	3,000,000	--	--	--

7. Deferred tax assets/(liabilities)

Deferred tax liabilities and assets are offset where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority. The following amounts, determined after appropriate offsetting, are as follows:

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Deferred tax assets	3,047,521	4,016,115	2,052,587	2,514,535
Deferred tax liabilities	(14,015,940)	(8,627,588)	(3,774,491)	(2,511,637)
	(10,968,419)	(4,611,473)	(1,721,904)	2,898

Deferred tax assets/(liabilities) are attributable to the following:

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Assets				
Trade receivables	41,000	66,000	133,000	--
Unutilised tax losses	--	55,000	--	--
Unabsorbed capital allowances	151,000	244,000	284,000	--
Deferred rental income	--	18,000	--	--
Inventories	2,855,521	1,438,936	1,198,284	2,486,957
Property development cost	--	2,194,179	437,303	27,578
	3,047,521	4,016,115	2,052,587	2,514,535
Liabilities				
Investment properties	(1,934,000)	(1,694,000)	(1,286,000)	(523,000)
Fair value gain of investment properties	(7,976,176)	(2,927,349)	(38,791)	(135,937)
Property, plant and equipment	(4,087,764)	(4,006,239)	(2,449,700)	(1,852,700)
Provisions	(18,000)	--	--	--
	(14,015,940)	(8,627,588)	(3,774,491)	(2,511,637)
Net				
Investment properties	(1,934,000)	(1,694,000)	(1,286,000)	(523,000)
Fair value gain of investment properties	(7,976,176)	(2,927,349)	(38,791)	(135,937)
Property, plant and equipment	(4,087,764)	(4,006,239)	(2,449,700)	(1,852,700)
Trade receivables	41,000	66,000	133,000	--
Unabsorbed capital allowances	151,000	244,000	284,000	--
Unutilised tax losses	--	55,000	--	--
Deferred rental income	--	18,000	--	--
Inventories	2,855,521	1,438,936	1,198,284	2,486,957
Property development cost	--	2,194,179	437,303	27,578
Provision	(18,000)	--	--	--
	(10,968,419)	(4,611,473)	(1,721,904)	2,898

7. Deferred tax assets/(liabilities) (continued)

Movement in temporary differences during the year

	At 31.3.2016 RM	Recognised in profit or loss (Note 25) RM	At 31.3.2017 RM	Recognised in profit or loss (Note 25) RM	At 31.3.2018 RM	Recognised in profit or loss (Note 25) RM	At 31.3.2019 RM
Investment properties	(523,000)	(763,000)	(1,286,000)	(408,000)	(1,694,000)	(240,000)	(1,934,000)
Fair value gain of investment properties	(135,937)	97,146	(38,791)	(2,888,558)	(2,927,349)	(5,048,827)	(7,976,176)
Property, plant and equipment	(1,852,700)	(597,000)	(2,449,700)	(1,556,539)	(4,006,239)	(81,525)	(4,087,764)
Trade receivables	--	133,000	133,000	(67,000)	66,000	(25,000)	41,000
Unabsorbed capital allowances	--	284,000	284,000	(40,000)	244,000	(93,000)	151,000
Unutilised tax losses	--	--	--	55,000	55,000	(55,000)	--
Deferred rental income	--	--	--	18,000	18,000	(18,000)	--
Inventories	2,486,957	(1,288,673)	1,198,284	240,652	1,438,936	1,416,585	2,855,521
Property development cost	27,578	409,725	437,303	1,756,876	2,194,179	(2,194,179)	--
Provision	--	--	--	--	--	(18,000)	(18,000)
	2,898	(1,724,802)	(1,721,904)	(2,889,569)	(4,611,473)	(6,356,946)	(10,968,419)

8. Other investments

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Financial assets at fair value through profit or loss:				
- Quoted shares	--	--	128,546	1,247,462
- Unquoted shares	--	--	--	53,482
	--	--	128,546	1,300,944

Quoted shares with market value of NIL (31.3.2018: NIL; 31.3.2017: NIL; 31.3.2016: RM388,461) are registered in the name of Directors held in trust for the Group.

9. Due from a joint venture

The amount due from a joint venture is non-trade in nature, unsecured, interest-free, has no fixed terms of repayment and is not repayable within the next 12 months.

10. Contract costs

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Contract fulfilment costs	11,737,383	1,637,906	10,619,347	--

10.1 Contract fulfilment costs

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
At 1 April				
Freehold land	1,448,834	10,619,347	--	--
Development costs	189,072	--	--	--
	1,637,906	10,619,347	--	--
Add: (Adjustment)/ Costs incurred during the year				
- Freehold land	(5,052,342)	1,398,898	--	--
- Development costs	7,506,462	31,416,040	--	--
	2,454,120	32,814,938	--	--
Add: Transfer from inventories during the year (Note 4)				
- Freehold land	18,560,796	19,343,806	11,454,156	--
- Development costs	4,189,587	5,143,764	1,616,786	--
	22,750,383	24,487,570	13,070,942	--
Less: Cost recognised as expenses in profit or loss				
- Freehold land	(3,924,930)	(29,913,217)	(834,809)	--
- Development costs	(11,180,096)	(36,370,732)	(1,616,786)	--
	(15,105,026)	(66,283,949)	(2,451,595)	--
At 31 March				
Freehold land	11,032,358	1,448,834	10,619,347	--
Development costs	705,025	189,072	--	--
	11,737,383	1,637,906	10,619,347	--

Land and related costs that are attributable to units sold are presented as contract fulfilment costs. These costs are expected to be recoverable and are amortised to profit or loss when the related revenues are recognised.

10. Contract costs (continued)

10.2 Others

Included in contract fulfilment costs is interest capitalised for the year of NIL (31.3.2018: RM1,166,891; 31.3.2017: RM97,008; 31.3.2016: NIL) (Note 23).

11. Trade and other receivables

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Trade				
Trade receivables	54,526,578	26,634,504	40,527,575	42,349,542
Retention sum	5,444,898	18,260,567	19,174,036	15,067,148
	59,971,476	44,895,071	59,701,611	57,416,690
Non-trade				
Other receivables, deposits and prepayment				
Other receivables	9,089,962	11,661,341	12,516,225	13,728,594
Goods and service tax recoverable	868,217	712,628	8,790,274	2,240,469
Deposits and other costs	17,553,505	17,459,437	17,310,349	39,756,509
Prepayment	6,942,395	3,705,485	2,385,405	1,404,205
	34,454,079	33,538,891	41,002,253	57,129,777
	94,425,555	78,433,962	100,703,864	114,546,467

Included in deposits and other costs is RM15,013,956 (31.3.2018: RM15,013,956; 31.3.2017: RM15,013,956; 31.3.2016: RM36,997,403) non-refundable deposits paid for the purchase of freehold development land.

Trade and other receivables include the following related parties:

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Amount due from companies in which certain Directors have financial interest				
Trade receivables	1,146,890	6,727,615	28,010,448	15,824,593
Retention sum	197,141	5,132,405	8,040,110	8,703,561
Other receivables*	--	8,056,654	9,483,514	12,620,165
Deposits	--	12,166	12,166	--
	1,344,031	19,928,840	45,546,238	37,148,319

* Included in other receivables is NIL (31.3.2018: RM8,056,654: 31.3.2017: RM6,656,193; 31.3.2016: RM7,108,379) subject to an interest of NIL (31.3.2018: 6.89%; 31.3.2017: 6.89%; 31.3.2016: 6.89%) per annum, unsecured and has no fixed terms of repayment.

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Amounts due from companies in which close family members certain Directors have financial interest				
Trade receivables	--	50,549	6,789	--
Other receivables	--	52,120	51,000	--
	--	102,669	57,789	--

12. Contract assets/(liabilities)

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Contract assets	28,091,654	62,388,487	48,948,856	25,518,532
Contract liabilities	(21,297,891)	(11,615,313)	(12,980,456)	(966,312)
	6,793,763	50,773,174	35,968,400	24,552,220

Movement in contract assets/(liabilities) during the year are as follows:

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
At 1 April	50,773,174	35,968,400	24,552,220	5,136,481
Net revenue recognised during the year	317,491,329	325,912,073	277,167,748	237,800,319
Net progress billing during the year	(361,470,740)	(311,107,299)	(265,751,568)	(218,384,580)
At 31 March	6,793,763	50,773,174	35,968,400	24,552,220

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Amount due from/(to) companies in which certain Directors have financial interest				
- Contract assets	71,311	887,308	2,118,242	12,668,572
- Contract liabilities	--	(3,248,460)	(5,030,789)	(370,242)
	71,311	(2,361,152)	(2,912,547)	12,298,330

13. Cash and cash equivalents

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Cash and bank balances	48,473,752	20,232,482	62,548,472	22,684,508
Fixed deposits with licensed banks	54,014,045	89,552,052	48,649,321	84,480,095
Cash and cash equivalents in the statement of financial position	102,487,797	109,784,534	111,197,793	107,164,603
Bank overdrafts	(5,539,058)	(1,359,112)	(8,849,249)	(1,169,305)
Less: Pledged deposits	(18,512,557)	(23,110,349)	(12,137,613)	(10,911,435)
Cash and cash equivalents in the statement of cash flows	78,436,182	85,315,073	90,210,931	95,083,863

Included in fixed deposits with licensed banks are amounts of RM18,512,557 (31.3.2018: RM23,110,349; 31.3.2017: RM12,137,613; 31.3.2016: RM10,911,435) pledged to banks as securities for banking facilities granted to the Group.

Fixed deposits with licensed banks amounting to RM2,365,244 (31.3.2018: RM2,299,712; 31.3.2017: RM2,242,444; 31.3.2016: RM3,392,269) are registered in the name of certain Directors held in trust for the Group.

14. Assets classified as held for sale

The assets classified as held for sale consists of the following:

	Note	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Land and buildings	(a)	--	--	2,958,262	--
Other investment	(b)	--	33,333	33,333	--
		--	33,333	2,991,595	--

(a) During the financial year ended 31 March 2017, the Group entered into an agreement to dispose of its freehold land and buildings to a company in which certain Directors have financial interest. The disposal was completed during the financial year ended 31 March 2018.

(b) The investment is in Smart Attitude Sdn. Bhd. ("SASB"), a company incorporated in Malaysia in which the Company held 33.33% of equity interest as at 31 March 2018 (31.3.2017: 33.33%), has been disposed of during the financial year.

15. Share capital

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Issued and fully paid shares classified as equity instruments:				
Ordinary shares:				
At date of incorporation	1,001	--	--	--
At 31 March	1,001	--	--	--

		Number of ordinary shares		
	31.3.2019	31.3.2018	31.3.2017	31.3.2016
Issued and fully paid shares classified as equity instruments:				
Ordinary shares:				
At date of incorporation	1,001	--	--	--
At 31 March	1,001	--	--	--

On 27 August 2018, the Company was incorporated with an issued and paid up share capital of RM1,001 comprising 1,001 ordinary shares.

16. Invested equity

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Issued and fully paid shares classified as equity instruments:				
Ordinary shares:				
At 1 April	4,500,760	4,200,770	3,630,850	3,630,850
Increase of shares	--	299,990	569,920	--
At 31 March	4,500,760	4,500,760	4,200,770	3,630,850

16. Invested equity (continued)

	31.3.2019	31.3.2018	31.3.2017	31.3.2016
	Number of ordinary shares			
Issued and fully paid shares classified as equity instruments:				
Ordinary shares:				
At 1 April	4,550,760	4,200,770	3,630,850	3,630,850
Increase of shares	--	299,990	569,920	--
At 31 March	4,550,760	4,500,760	4,200,770	3,630,850

17. Non-controlling interests

The Group's subsidiaries that have material non-controlling interest ("NCI") are as follows:

	I Stay Management Sdn. Bhd.	Ipark Development Sdn. Bhd.	Total
31.3.2019			
NCI percentage of ownership interest	30%	20%	
	RM	**RM**	**RM**
Carrying amount of NCI	(62,694)	30,328,826	30,266,132
Profit allocated to NCI	165,865	3,476,693	3,642,558
Summarised financial information before intra-group elimination			
As at 31 March			
Non-current assets	477,742	137,502,843	
Current assets	3,160,234	259,355,629	
Non-current liabilities	(98,947)	(172,853,881)	
Current liabilities	(3,748,009)	(72,360,460)	
Net (liabilities)/assets	(208,980)	151,644,131	
Year ended 31 March			
Revenue	6,426,156	48,777,156	
Profit for the year/Total comprehensive income	552,884	17,383,467	
Cash flows (used in)/from operating activities	(78,926)	7,697,361	
Cash flows used in investing activities	(265,945)	(25,185,618)	
Cash flows from financing activities	10,800	37,045,590	
Net (decrease)/increase in cash and cash equivalents	(334,071)	19,557,333	
Dividends paid to NCI	--	--	

17. Non-controlling interests (continued)

	I Stay Management Sdn. Bhd.	Ipark Development Sdn. Bhd.	Total
31.3.2018			
NCI percentage of ownership interest	30%	20%	
	RM	**RM**	**RM**
Carrying amount of NCI	(228,559)	26,852,133	26,623,574
Profit allocated to NCI	156,717	7,086,924	7,243,641
Summarised financial information before intra-group elimination			
As at 31 March			
Non-current assets	478,726	98,112,966	
Current assets	2,020,059	252,127,575	
Non-current liabilities	(69,730)	(137,406,973)	
Current liabilities	(3,190,919)	(78,572,904)	
Net (liabilities)/assets	(761,864)	134,260,664	
Year ended 31 March			
Revenue	6,039,558	101,184,368	
Profit for the year/Total comprehensive income	522,389	35,434,622	
Cash flows from operating activities	1,128,681	33,918,154	
Cash flows used in investing activities	(239,538)	(27,038,515)	
Cash flows used in financing activities	(517,219)	(4,249,164)	
Net increase in cash and cash equivalents	371,924	2,630,475	
Dividends paid to NCI	--	--	

17. Non-controlling interests (continued)

	I Stay Management Sdn. Bhd.	Ipark Development Sdn. Bhd.	Total
31.3.2017			
NCI percentage of ownership interest	30%	20%	
	RM	**RM**	**RM**
Carrying amount of NCI	(385,276)	19,765,209	19,379,933
Loss allocated to NCI	(96,671)	(460,067)	(556,738)
Summarised financial information before intra-group elimination			
As at 31 March			
Non-current assets	752,743	46,117,861	
Current assets	2,042,617	224,564,161	
Non-current liabilities	--	(142,426,421)	
Current liabilities	(4,079,613)	(29,429,559)	
Net (liabilities)/assets	(1,284,253)	98,826,042	
Year ended 31 March			
Revenue	5,230,561	4,710,106	
Loss for the year/Total comprehensive expense	(322,237)	(2,300,337)	
Cash flows used in operating activities	(4,362,272)	(161,800,908)	
Cash flows used in investing activities	(77,594)	(45,832,455)	
Cash flows from financing activities	4,610,335	197,270,000	
Net increase/(decrease) in cash and cash equivalents	170,469	(10,363,363)	
Dividends paid to NCI	--	--	

	I Stay Management Sdn. Bhd.	Ipark Development Sdn. Bhd.	Total
31.3.2016			
NCI percentage of ownership interest	30%	20%	
	RM	**RM**	**RM**
Carrying amount of NCI	(318,575)	225,276	(93,299)
(Loss)/Profit allocated to NCI	(25,515)	27,367	1,852

17. Non-controlling interests (continued)

	I Stay Management Sdn. Bhd. RM	Ipark Development Sdn. Bhd. RM
Summarised financial information before intra-group elimination		
As at 31 March		
Non-current assets	1,597,951	3,510
Current assets	1,884,264	54,046,456
Non-current liabilities	--	(50,000,000)
Current liabilities	(4,544,131)	(2,923,587)
Net (liabilities)/assets	(1,061,916)	1,126,379
Year ended 31 March		
Revenue	3,670,847	--
(Loss)/Profit for the year/ Total comprehensive (expense)/income	(85,051)	133,731
Cash flows from/(used in) operating activities	1,689,836	(23,820,571)
Cash flows used in investing activities	(794,881)	(14,824,155)
Cash flows from financing activities	--	50,999,900
Net increase in cash and cash equivalents	894,955	12,355,174
Dividends paid to NCI	--	--

18. Loans and borrowings

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Secured				
Non-current				
Finance lease liabilities	2,205,592	4,023,320	3,840,828	4,140,863
Term loans	184,743,154	193,886,117	214,434,153	46,814,628
	186,948,746	197,909,437	218,274,981	50,955,491
Current				
Bankers' acceptances	--	--	3,734,156	10,682,840
Bank overdraft	5,539,058	1,359,112	8,849,249	1,169,305
Finance lease liabilities	1,956,230	2,409,656	3,087,967	2,291,038
Term loans	21,397,006	18,025,563	16,952,798	8,799,310
	28,892,294	21,794,331	32,624,170	22,942,493
	215,841,040	219,703,768	250,899,151	73,897,984

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
31.3.2019			
Less than one year	2,116,247	160,017	1,956,230
Between one and five years	2,329,934	124,342	2,205,592
	4,446,181	284,359	4,161,822

18. Loans and borrowings (continued)

Finance lease liabilities (continued)

	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
31.3.2018			
Less than one year	2,683,188	273,532	2,409,656
Between one and five years	4,290,406	267,086	4,023,320
	6,973,594	540,618	6,432,976
31.3.2017			
Less than one year	3,383,563	295,596	3,087,967
Between one and five years	4,097,527	256,699	3,840,828
	7,481,090	552,295	6,928,795
31.3.2016			
Less than one year	2,566,091	275,053	2,291,038
Between one and five years	4,396,934	256,071	4,140,863
	6,963,025	531,124	6,431,901

The loans and borrowings are secured by way of:

i) legal charge over fixed deposits of the Group;
ii) fixed charge over certain investment properties, inventories, property, plant and equipment of the Group;
iii) joint and several guarantee of the Directors of the Group; and
iv) corporate guarantee by certain Directors of the Group.

Reconciliation of movement of liabilities to cash flows arising from financing activities:

	At 1.4.2018 RM	Net changes from financing cash flows RM	Set off* RM	Drawdown of term loan/ Acquisition of new lease RM	At 31.3.2019 RM
Term loans	211,911,680	(57,351,698)	--	51,580,178	206,140,160
Finance lease liabilities	6,432,976	(2,521,154)	--	250,000	4,161,822
Due to Directors	68,349,017	(3,774,307)	(10,349,541)	--	54,225,169
Due to a minority shareholder	--	10,000,000	--	--	10,000,000

	At 1.4.2017 RM	Net changes from financing cash flows RM	Set off* RM	Acquisition of new lease RM	At 31.3.2018 RM
Term loans	231,386,951	(19,475,271)	--	--	211,911,680
Finance lease liabilities	6,928,795	(3,152,819)	--	2,657,000	6,432,976
Bankers' acceptances	3,734,156	(3,734,156)	--	--	--
Due to Directors	84,885,837	(14,377,954)	(2,158,866)	--	68,349,017

* The amount has been set off against amounts due from companies in which certain Directors have financial interest.

18. Loans and borrowings (continued)

Reconciliation of movement of liabilities to cash flows arising from financing activities (continued):

	At 1.4.2016 RM	Net changes from financing cash flows RM	Drawdown of loan RM	Acquisition of new lease RM	At 31.3.2017 RM
Term loans	55,613,938	(10,296,987)	186,070,000	--	231,386,951
Finance lease liabilities	6,431,901	(2,676,496)	--	3,173,390	6,928,795
Bankers' acceptances	10,682,840	(6,948,684)	--	--	3,734,156
Due to Directors	51,863,668	33,022,169	--	--	84,885,837
Due to a minority shareholder	10,000,000	(10,000,000)*	--	--	--

* Converted to share capital of a subsidiary

	At 1.4.2015 RM	Net changes from financing cash flows RM	Drawdown of loan RM	Acquisition of new lease RM	At 31.3.2016 RM
Term loans	58,123,365	(12,314,670)	9,805,243	--	55,613,938
Finance lease liabilities	5,359,106	(2,303,305)	--	3,376,100	6,431,901
Bankers' acceptances	14,484,024	(3,801,184)	--	--	10,682,840
Due to a minority shareholder	--	10,000,000	--	--	10,000,000
Due to Directors	54,220,459	(2,356,791)	--	--	51,863,668

19. Due to Directors

The amounts due to Directors are non-trade in nature, unsecured, interest free and have no fixed terms of repayment, while the non-current portion is not repayable within next 12 months.

20. Due to a minority shareholder

The non-current portion of amount due to a minority shareholder consist of unsecured advance that bears interest at 0.5% per annum above six month Kuala Lumpur Interbank Offered Rate. The amount is to fund property development projects in a subsidiary and it has no fixed terms of repayment.

The current portion of the amount due to a minority shareholder consist of the unpaid interest portion for the above advance as at the end of the financial year. The amount is interest-free, unsecured and repayable on demand.

21. Trade and other payables

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Trade payables	55,054,273	33,437,680	29,821,582	28,192,158
Retention sum - Completed projects	9,867,506	17,866,659	12,369,429	2,775,220
	64,921,779	51,304,339	42,191,011	30,967,378
Other payables and accrued expenses				
- Other payables	2,893,643	3,060,719	3,941,818	6,329,583
- Advance payment from project customers	11,990,475	36,031,392	9,007,872	--
- Advance billings	--	--	445,694	377,740
- Retention sum - ongoing projects	15,040,322	16,723,606	35,137,071	25,553,638
- Provisions	9,000	286,236	286,236	--
- Accruals	4,779,102	7,889,657	4,416,097	1,975,429
- Accrued sub-contractor costs	25,516,310	27,372,833	10,769,045	3,855,807
- Deferred revenue	--	77,053	--	--
- Deposit received	12,362,184	7,801,048	7,005,794	6,680,151
- Deposit received for property development project	718,449	50,000	--	--
	73,309,485	99,292,544	71,009,627	44,772,348
	138,231,264	150,596,883	113,200,638	75,739,726

Trade and other payables include the following:

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Amounts due to companies in which certain Directors have financial interest				
Advance payment from project customer	1,988,969	--	--	--
Trade payables	--	--	5,272	6,181
Deposit received	--	5,030	5,030	--
Other payables	--	--	1,098,167	3,665,302
	1,988,969	5,030	1,108,469	3,671,483

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Amounts due to companies in which close family members of certain Directors have financial interest				
Trade payables	--	164,728	17,859	--
Retention sum – completed projects	--	940	--	--
	--	165,668	17,859	--
Other payables and accrued expenses				
Other payables	--	93,812	35,038	--
Deposit received	--	1,400	--	--
Retention sum – ongoing projects	--	598	--	--
	--	95,810	35,038	--
	--	261,478	52,897	--

22. Revenue

22.1 Disaggregation of revenue

	1.4.2018 to 31.3.2019 RM	1.4.2017 to 31.3.2018 RM	1.4.2016 to 31.3.2017 RM	1.4.2015 to 31.3.2016 RM
Revenue from contracts with customers				
Construction contract - over time	274,348,325	240,482,072	246,960,635	222,726,255
Sales of development properties - over time	33,782,404	65,391,681	--	--
Sales of completed properties - at a point in time	9,360,600	20,038,320	37,207,113	15,074,064
	317,491,329	325,912,073	284,167,748	237,800,319
Other revenue				
Rental income	21,522,128	15,408,252	14,790,783	11,443,023
Total revenue	339,013,457	341,320,325	298,958,531	249,243,342

22.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Warranty
Construction contract	Revenue is recognised over time by reference to survey of work performed	Based on agreed milestones, certified by architects	Not applicable	Defect liability period of 2 years is given to the customer
Sales of development properties	Revenue is recognised over time by reference to the progress towards satisfaction of the performance obligation	Credit period of 14 days from the date of written notice	Rebates are given to purchasers upon signing of the Sale and Purchase Agreement	Defect liability period of 0 - 12 months is given to the customer
Sales of completed properties	Revenue is recognised at a point in time upon the delivery of vacant possession to purchaser	10% deposit to be paid upon execution of contract while the balance purchase price to be paid 3 months after the date of agreement	Rebates are given to purchasers upon signing of the Sale and Purchase Agreement	Defect liability period of 0 - 12 months is given to the customer

22.3 Transaction price allocated to the remaining performance obligations:

The amount of revenue from the Group's construction activities and property development activities that are expected to be recognised in the future relating to performance obligations that are unsatisfied or partially unsatisfied at the reporting date amounted to RM132,263,607 (31.3.2018: RM260,335,044; 31.3.2017: RM174,250,025; 31.3.2016: RM228,261,077). The Group expects to recognise the revenue progressively over the remaining development phase of approximately one to two years based on the progress of satisfaction of the performance obligation.

22. Revenue (continued)

22.4 Significant judgements and assumptions arising from revenue recognition

The Group applied the following judgements and assumptions that significantly affect the determination of the amount and timing of revenue recognised from contracts with customers:

- For construction contracts, the Group measured the performance of construction work done by comparing the agreed milestones certified by architects with the estimated total contract income of the construction contract. In making these estimates, management relied on professionals' estimates and also on past experience of completed projects. A change in the estimates will directly affect the revenue to be recognised.

23. Finance income and costs

	1.4.2018 to 31.3.2019 RM	1.4.2017 to 31.3.2018 RM	1.4.2016 to 31.3.2017 RM	1.4.2015 to 31.3.2016 RM
Finance income				
Interest income:				
- Deposits with licensed banks	3,026,943	3,415,590	3,819,520	3,452,827
- Loan to a related party (Note 11)	174,910	461,654	449,715	563,379
	3,201,853	3,877,244	4,269,235	4,016,206
Finance costs				
Interest expenses	9,736,915	11,539,859	6,805,167	3,952,644
Less: Amount capitalised in investment properties (Note 5)	(1,367,793)	(1,388,097)	(374,118)	--
Less: Amount capitalised in inventories (Note 4)	(1,694,145)	(4,683,626)	(1,399,463)	(524,512)
Less: Amount capitalised in contract costs (Note 10)	--	(1,166,891)	(97,008)	--
Others	(59,436)	11,846	(391,960)	--
	6,615,541	4,313,091	4,542,618	3,428,132

24. Profit before tax

	1.4.2018 to 31.3.2019 RM	1.4.2017 to 31.3.2018 RM	1.4.2016 to 31.3.2017 RM	1.4.2015 to 31.3.2016 RM
Profit before tax is arrived at after charging/(crediting):				
Depreciation	5,367,426	5,632,208	5,365,770	4,942,224
Inventory written off	--	71,711	--	--
Personnel expenses (including key management personnel):				
- Contributions to state plans	4,406,876	3,902,248	4,449,770	2,978,953
- Wages, salaries and others	37,393,583	31,611,675	30,894,785	24,344,288
Rental of:				
- Equipment	14,684,847	10,024,733	9,052,371	8,595,929
- Premises	109,381	373,952	275,950	343,615
Investment in quoted shares:				
- (Reversal)/allowance of diminution in value	--	(156,282)	(383,159)	282,668
- Loss on disposal	--	162,037	464,441	4,690
- Gross dividend income	--	(31)	(30,325)	(15,857)

24. Profit before tax (continued)

	1.4.2018 to 31.3.2019 RM	1.4.2017 to 31.3.2018 RM	1.4.2016 to 31.3.2017 RM	1.4.2015 to 31.3.2016 RM
Profit before tax is arrived at after charging/(crediting) (continued):				
Gain on disposal of:				
- Property, plant and equipment	(383,441)	(274,759)	(261,935)	(154,705)
- Assets classified as held for sale	--	(647,326)	--	--
Foreign exchange:				
- Realised loss/(gain)	92,442	210,632	(37,572)	10,818
- Unrealised loss/(gain)	59,144	118,503	(457,087)	--
Change in fair value of investment properties	(16,376,235)	(25,767,776)	(16,569,036)	(6,343,824)
Rental income	(2,720)	--	--	--
(Reversal)/Impairment loss on trade receivables	(102,961)	(275,699)	530,520	(736)
Late payment interest income from purchasers	(565,678)	(5,753)	(2,788)	(53,247)

25. Tax expense

	1.4.2018 to 31.3.2019 RM	1.4.2017 to 31.3.2018 RM	1.4.2016 to 31.3.2017 RM	1.4.2015 to 31.3.2016 RM
Recognised in profit or loss				
Income tax expense on continuing operations	21,601,655	17,003,970	17,430,009	8,505,528
Share of tax of equity accounted joint venture	2,265,491	540,232	2,718,532	1,542,684
	23,867,146	17,544,202	20,148,541	10,048,212
Current tax expense				
- Current year	12,993,677	14,977,530	16,108,770	11,460,929
- Prior years	897,032	(863,129)	(403,563)	(2,767,080)
	13,890,709	14,114,401	15,705,207	8,693,849
Deferred tax expense/(income)				
- Originating	7,182,946	1,291,403	1,537,407	104,170
- Under/(Over) provision in prior years	528,000	1,598,166	187,395	(292,491)
	7,710,946	2,889,569	1,724,802	(188,321)
Share of tax in a joint venture	2,265,491	540,232	2,718,532	1,542,684
	23,867,146	17,544,202	20,148,541	10,048,212

25. Tax expense (continued)

	1.4.2018 to 31.3.2019 RM'000	1.4.2017 to 31.3.2018 RM'000	1.4.2016 to 31.3.2017 RM'000	1.4.2015 to 31.3.2016 RM'000
Reconciliation of tax expense				
Profit for the year	50,989	78,215	57,104	32,612
Total income tax expense	23,867	17,544	20,149	10,048
Profit excluding tax	74,856	95,759	77,253	42,660
Income tax calculated using Malaysian tax rates	17,965	22,982	18,541	10,238
Non-deductible expenses	3,851	1,334	5,121	4,211
Non-taxable income	(3,930)	(6,184)	(3,977)	(1,523)
Non-business income	(34)	(52)	(57)	(3)
Effect of recognition and utilization of prior year unrecognized deferred tax asset	--	(505)	--	--
Effect of unrecognised deferred tax assets	--	--	737	185
Effect of change in real property gain tax rate	4,592	--	--	--
Tax saving from reduction in tax rate*	--	(766)	--	--
Others	(2)	--	--	--
	22,442	16,809	20,365	13,108
Under/(Over) provision in prior years	1,425	735	(216)	(3,060)
	23,867	17,544	20,149	10,048

* Certain entities in the Group are entitled to reduction in corporate income tax from 1% to 4% based on percentage of increment of chargeable business income compared with the preceding year of assessment in accordance with the Income Tax (Exemption) (No. 2) Order 2017.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	31.3.2019 RM'000	31.3.2018 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
Taxable temporary differences	--	--	68	--
Unabsorbed capital allowances	--	--	429	236
Unutilised tax losses	--	--	3,348	535
	--	--	3,845	771

26. Dividends

Dividends recognised by certain entities in the Group:

	Total amount RM	Date of payment
2019		
First dividend 2019	2,000,000	5 November 2018
Second dividend 2019	8,000,000	23 November 2018
	10,000,000	

26. Dividends (continued)

	Total amount RM	Date of payment
2018		
First dividend 2018	300,000	1 July 2017
Second dividend 2018	10,000,000	23 August 2017
	10,300,000	
2017		
Fifth dividend 2016	2,600,000	30 June 2016
Sixth dividend 2016	14,000,000	12 July 2016
Seventh dividend 2016	6,448,000	24 August 2016
First dividend 2017	500,000	25 April 2016
Second dividend 2017	23,400,000	30 June 2016
Third dividend 2017	4,000,000	16 November 2016
Fourth dividend 2017	800,000	17 February 2017
Fifth dividend 2017	2,900,000	17 March 2017
	54,648,000	
2016		
First dividend 2016	800,000	12 December 2015
Second dividend 2016	500,000	25 January 2016
Third dividend 2016	1,000,000	1 March 2016
Fourth dividend 2016	2,858,000	8 April 2016
	5,158,000	

27. Acquisition of property, plant and equipment

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Current year's acquisition of property, plant and equipment	23,732,168	19,092,055	5,751,115	6,268,979
Less: Amount financed by finance liabilities	(250,000)	(2,657,000)	(3,173,390)	(3,376,100)
	23,482,168	16,435,055	2,577,725	2,892,879

28. Operating leases

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Leases as lessor				
Future minimum lease receivables:				
- Less than one year	15,355,888	12,425,752	7,193,255	6,088,637
- Between one and five years	35,372,624	15,121,511	14,269,093	9,695,655
- More than five years	3,683,791	1,336,422	4,973,568	--
	54,412,303	28,883,685	26,435,916	15,784,292

29. Contingent liabilities

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Granted to companies in which Directors have financial interest				
- Corporate guarantees given to licensed banks in respect of outstanding banking facilities of companies having common shareholders of the Group	44,450,000*	44,450,000	33,950,000	33,950,000

The companies also have certain common Directors as the Group throughout financial year ended 31 March 2016, 31 March 2017 and 31 March 2018. The common Directors have resigned as directors on 8 October 2018 from these companies.

* The corporate guarantees of RM10,500,000 and RM33,950,000 have been fully discharged on 1 August 2019 and 5 August 2019 respectively.

30. Capital commitments

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Contracted but not provided for:				
- Development land	135,125,603	135,125,603	135,125,603	332,976,626
- Property, plant and equipment	--	--	100,000	522,780
	135,125,603	135,125,603	135,225,603	333,499,406

31. Operating segments

The Group has four reportable segments, as described below:

- Construction
- Property development
- Engineering
- Investment holding/property investment and management services

For each of the business segments, the Managing Director, being the Chief Operating Decision Maker ("CODM"), reviews the internal management reports on a monthly basis.

Performance is measured based on segment profit before tax as the management believes that such information is the most relevant in evaluating the results of the operation.

The profit before tax, the assets and the liabilities of Ipark Development Sdn. Bhd., AME Development Sdn. Bhd. and the share of profit of a joint venture, Axis AME IP Sdn. Bhd. (being property development companies) were included under "property development" segment in the past notwithstanding that these companies also hold certain properties that they developed as investment properties or properties held for sale which are leased to third parties.

In view of the restructuring exercise that will result in the formation of the Group as disclosed in Note 1 (a), and the continued growth of the investment properties within these subsidiaries, the CODM intends to separately review the performance of these investment properties and rental income net of associated expenses from the completed properties held for sale as part of investment holding/property investment and management services. Accordingly, changes (see below) have been made to these segments to reflect how the CODM reviews the Group's operating performance going forward.

(a) Property development segment

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Profit before tax - based on existing practice	27,155,559	53,149,491	33,966,535	13,911,449
Changes in fair value of investment properties	(12,948,914)	(26,587,090)	--	(4,585,357)
Share of fair value loss/ (gains) of investment properties in a joint venture	230,688	(2,774,304)	(5,572,052)	--
Rental income net of associated expenses	(9,567,411)	(5,741,318)	(6,839,803)	(4,611,925)
Total changes	(22,285,637)	(35,102,712)	(12,411,855)	(9,197,282)
Profit before tax - after restructuring	4,869,922	18,046,779	21,554,680	4,714,167

31. Operating segments (continued)

(b) Investment holding/property investment and management services

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Profit before tax - based on existing practice	3,253,331	4,843,180	9,485,238	12,542,096
Total changes as above	22,285,637	35,102,712	12,411,855	9,197,282
Change in accounting policy#	--	--	--	(8,326,836)
Profit before tax - after restructuring	25,538,968	39,945,892	21,897,093	13,412,542

An entity in the Group applied the cost model for an investment property and recognised profit in the internal management report at the time the property was disposed of during financial year 2016. However, for consistency with the Group which adopts the fair value model for investment properties, the profit should have been recognised as a fair value gain prior to financial year 2016. Accordingly for consistency of how CODM would review the segment going forward, the profit is excluded from 2016 segment's profit before tax.

Segment assets

The total of segment assets is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Managing Director. Segment total assets is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is included in the internal management reports that are reviewed by the Managing Director.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, investment properties and development lands.

Geographical segments

The Group's operations are located in Malaysia.

31. Operating segments (continued)

1.4.2018 to 31.3.2019	Construction RM	Property development RM	Engineering RM	Investment holding/ Property investment and management RM	Total RM	Elimination RM	Total RM
Segment profit							
Profit before tax	30,254,185	4,869,922	4,806,738	25,538,968	65,469,813	7,121,226	72,591,039
Included in the measure of segment profit are:							
- Revenue from external customers	233,670,471	43,143,004	40,677,854	21,522,128	339,013,457	--	339,013,457
- Inter-segment revenue	75,831,467	1,020,904	52,807,856	6,500,914	136,161,141	(136,161,141)	--
- Depreciation	(1,593,549)	(427,350)	(2,090,442)	(369,447)	(4,480,788)	(886,638)	(5,367,426)
- Change in fair value of investment properties	--	--	--	13,563,012	13,563,012	2,813,223	16,376,235
- Finance income	1,592,737	680,606	505,940	1,975,282	4,754,565	(1,552,712)	3,201,853
- Finance costs	(241,174)	(4,105,160)	(366,802)	(4,121,308)	(8,834,444)	2,218,903	(6,615,541)
- Share of loss of a joint venture	--	(355,848)	--	(230,688)	(586,536)	--	(586,536)
Segment assets							
Total assets	229,809,784	357,157,827	90,601,376	421,350,362	1,098,919,349	(205,538,217)	893,381,132
Addition of non-current assets							
Property, plant and equipment	612,305	247,226	639,912	1,278,796	2,778,239	20,953,929	23,732,168
Investment properties	--	--	1,321,500	47,452,691	48,774,191	(23,349,819)	25,424,372
	612,305	247,226	1,961,412	48,731,487	51,552,430		49,156,540
Segment liabilities							
Total liabilities	127,980,591	207,134,677	46,919,250	278,127,964	660,162,482	(203,456,129)	456,706,353

31. Operating segments (continued)

1.4.2017 to 31.3.2018	Construction RM	Property development RM	Engineering RM	Investment holding/ Property investment and management RM	Total RM	Elimination RM	Total RM
Segment profit							
Profit before tax	40,211,273	18,046,779	6,439,522	39,945,892	104,643,466	(9,424,738)	95,218,728
Included in the measure of segment profit are:							
- Revenue from external customers	214,049,116	85,430,001	26,432,956	15,408,252	341,320,325	--	341,320,325
- Inter-segment revenue	45,162,873	21,260,903	60,319,965	5,293,200	132,036,941	(132,036,941)	--
- Depreciation	(1,844,658)	(344,481)	(1,906,370)	(651,850)	(4,747,359)	(884,849)	(5,632,208)
- Changes in fair value of investment properties	--	--	--	27,347,120	27,347,120	(1,579,344)	25,767,776
- Finance income	1,936,600	998,119	539,885	715,136	4,189,740	(312,496)	3,877,244
- Finance costs	(211,539)	(213,404)	(269,717)	(3,618,431)	(4,313,091)	--	(4,313,091)
- Share of profit of a joint venture	--	2,708,101	--	2,774,304	5,482,405	--	5,482,405
Segment assets							
Total assets	223,495,124	355,683,542	76,237,614	352,345,087	1,007,761,367	(150,232,905)	857,528,462
Addition of non-current assets							
Property, plant and equipment	733,031	754,726	3,310,588	350,833	5,149,178	13,942,877	19,092,055
Investment properties	--	--	1,656,057	49,065,593	50,721,650	(19,994,308)	30,727,342
	733,031	754,726	4,966,645	49,416,426	55,870,828		49,819,397
Segment liabilities							
Total liabilities	136,122,070	238,656,312	34,192,934	199,836,729	608,808,045	(146,963,977)	461,844,068

31. Operating segments (continued)

1.4.2016 to 31.3.2017	Construction RM	Property development RM	Engineering RM	Investment holding/ Property investment and management RM	Total RM	Elimination RM	Total RM
Segment profit							
Profit before tax	22,076,374	21,554,680	10,321,378	21,897,093	75,849,525	(1,315,403)	74,534,122
Included in the measure of segment profit are:							
- Revenue from external customers	206,957,791	37,207,113	40,002,844	14,790,783	298,958,531	--	298,958,531
- Inter-segment revenue	29,758,632	32,525,346	66,814,893	18,755,278	147,854,149	(147,854,149)	--
- Depreciation	(1,628,382)	(322,743)	(1,643,578)	(921,462)	(4,516,165)	(849,605)	(5,365,770)
- Changes in fair value of investment properties	--	--	--	4,075,037	4,075,037	12,493,999	16,569,036
- Finance income	2,410,721	1,254,320	489,532	374,224	4,528,797	(259,562)	4,269,235
- Finance costs	(264,040)	(407,985)	(268,545)	(3,602,048)	(4,542,618)	--	(4,542,618)
- Share of profit of a joint venture	--	986,823	--	5,572,052	6,558,875	--	6,558,875
Segment assets							
Total assets	179,977,443	322,996,059	72,058,195	275,874,564	850,906,261	(54,432,089)	796,474,172
Addition of non-current assets							
Property, plant and equipment	3,728,319	280,696	1,590,945	78,248	5,678,208	72,907	5,751,115
Investment properties	--	--	368,013	86,923,350	87,291,363	(31,895,775)	55,395,588
	3,728,319	280,696	1,958,958	87,001,598	92,969,571		61,146,703
Segment liabilities							
Total liabilities	103,618,745	185,557,110	34,818,429	198,607,440	522,601,724	(53,597,198)	469,004,526

31. Operating segments (continued)

1.4.2015 to 31.3.2016	Construction RM	Property development RM	Engineering RM	Investment holding/ Property investment and management RM	Total RM	Elimination RM	Total RM
Segment profit							
Profit before tax	19,851,970	4,714,167	8,753,605	13,412,542	46,732,284	(5,614,460)	41,117,824
Included in the measure of segment profit are:							
- Revenue from external customers	157,963,891	15,074,064	64,762,364	11,443,023	249,243,342	--	249,243,342
- Inter-segment revenue	13,792,782	4,000,000	32,710,137	3,180,000	53,682,919	(53,682,919)	--
- Depreciation	(1,370,345)	(305,601)	(1,571,545)	(845,774)	(4,093,265)	(848,959)	(4,942,224)
- Changes in fair value of investment properties	--	--	--	6,342,197	6,342,197	1,627	6,343,824
- Finance income	1,851,968	1,675,236	401,986	1,224,328	5,153,518	(1,137,312)	4,016,206
- Finance costs	(378,388)	(497,688)	(419,823)	(2,132,233)	(3,428,132)	--	(3,428,132)
- Share of profit of a joint venture	--	2,685,825	--	--	2,685,825	--	2,685,825
Segment assets							
Total assets	187,958,846	192,755,858	67,740,687	243,204,285	691,659,676	(170,837,173)	520,822,503
Addition of non-current assets							
Property, plant and equipment	1,918,986	169,529	3,385,187	794,881	6,268,583	396	6,268,979
Investment properties	--	--	--	4,124,126	4,124,126	(396)	4,123,730
	1,918,986	169,529	3,385,187	4,919,007	10,392,709		10,392,709
Segment liabilities							
Total liabilities	99,164,871	110,083,324	33,618,528	98,924,622	341,791,345	(125,382,485)	216,408,860

32. Combining entities

Details of the combining entities, all of which are incorporated in Malaysia, are as follows:

Name	Principal activities	Effective ownership interest 31.3.2019 %	31.3.2018 %	31.3.2017 %	31.3.2016 %
AME Elite Consortium Berhad.	Investment holding	100	--	--	--
Active Gold Services Sdn. Bhd.	Property investment	100	100	100	100
Amsun Industries Sdn. Bhd.	Investment holding	100	100	100	100
AME Industrial Park Sdn. Bhd.	Investment holding	100	100	100	100
AME Integrated Sdn. Bhd.	Investment holding	100	100	100	100
Twin Sunrich Sdn. Bhd.	Property investment	100	100	100	100
Symphony Square Sdn. Bhd.	Property investment	100	100	100	100
AME Development Sdn. Bhd.^	Property development	100	100	100	100
AME Engineering Industries Sdn. Bhd.	Provision of manufacturing, installation and contractor for industrialised building system-precast concrete and steel structure product	100	100	100	100
Asiamost Sdn. Bhd.	Fire protection system, mechanical and electrical contractor	100	100	100	100
Amsun Capital Sdn. Bhd.	Provision of heavy equipment for construction industry	100	100	100	100
Tanjung Bebas Sdn. Bhd.	Property investment	100	100	100	100
LKL Industries Sdn. Bhd.	Property investment	100	100	100	100
I Stay Management Sdn. Bhd.	Property letting and maintenance	70	70	70	70
Subsidiary of AME Integrated Sdn. Bhd.					
Ipark Development Sdn. Bhd.	Property development	80	80	80	80
Subsidiary of Asiamost Sdn. Bhd.					
Asiamost Engineering Sdn. Bhd.	Provision of servicing, maintenance and installation of firefighting system	100	100	100	100
Subsidiary of Amsun Industries Sdn. Bhd.					
AME Construction Sdn. Bhd.	Fabrication works, building contractors and property letting activities	100	100	100	100
Joint venture of AME Industrial Park Sdn. Bhd.					
Axis AME IP Sdn. Bhd.	Property development and investment	50	50	50	50

32. Combining entities (continued)

^ The investment cost in a joint venture, Nusajaya Square Development Sdn. Bhd. and the effect of equity accounting arising thereon, by AME Development Sdn. Bhd. ("AMED") have not been included in the combined financial statements on the basis that the investment has been distributed as dividend-in-specie to the shareholders on 28 June 2018.

The following tables summarise the financial information of Nusajaya Square Development Sdn. Bhd.:

	31.3.2019	**31.3.2018**	**31.3.2017**	**31.3.2016**
Percentage of ownership interest/voting interest	NIL	35%	35%	35%
	RM	**RM**	**RM**	**RM**
Summarised financial information				
As at 31 March				
Non-current assets	--	22,020,244	22,203,016	21,418,876
Current assets (excluding cash and cash equivalents)	--	65,524,845	70,667,571	121,570,047
Non-controlling interest	--	166,409	182,498	(485,542)
Non-current liabilities	--	(5,806,532)	(8,877,397)	(19,626,674)
Current liabilities	--	(32,906,237)	(40,528,305)	(82,053,794)
Cash and cash equivalents	--	3,735,555	9,249,697	5,203,323
Year ended 31 March				
(Loss)/Profit from continuing operations	--	(146,707)	6,202,804	20,318,212
Included in the comprehensive income/(expense) are:				
Revenue	--	19,931,470	47,171,939	65,737,207
Depreciation	--	473,470	84,119	83,768
Finance income	--	196,714	189,098	183,697
Finance costs	--	--	(1,448)	(1,932)
Income tax expenses	--	(520,532)	(5,359,799)	(8,018,117)
Reconciliation of net assets to carrying amount				
AMED's share of net assets/ Carrying amount in the statement of financial position	--	18,456,999	18,513,978	16,109,183
AMED's share of results for the year ended 31 March				
AMED's share of profit from continuing operation/ AMED's share of total comprehensive (expense)/income	--	(51,347)	2,170,981	7,111,374

33. Financial instruments

33.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Financial assets measured at amortised cost ("AC");
(b) Financial assets measured at fair value through profit or loss ("FVTPL"); and
(c) Financial liabilities measured at amortised cost ("FL").

As a result of the adoption of MFRS 9, trade and other receivables that were previously classified as loan and receivables are now classified as amortised cost.

	Carrying amount RM	AC RM	FL RM
31.3.2019			
Financial assets not measured at fair value			
Trade and other receivables	94,425,555	94,425,555	--
Contract assets	28,091,654	28,091,654	--
Cash and cash equivalents	102,487,797	102,487,797	--
	225,005,006	225,005,006	--
Financial liabilities not measured at fair value			
Loans and borrowings	(215,841,040)	--	(215,841,040)
Trade and other payables	(138,231,264)	--	(138,231,264)
Due to Directors	(54,225,169)	--	(54,225,169)
Due to a minority shareholder	(10,565,355)	--	(10,565,355)
	(418,862,828)	--	(418,862,828)
31.3.2018			
Financial assets not measured at fair value			
Due from a joint venture	9,315,001	9,315,001	--
Trade and other receivables	78,433,962	78,433,962	--
Contract assets	62,388,487	62,388,487	--
Cash and cash equivalents	109,784,534	109,784,534	--
	259,921,984	259,921,984	--
Financial liabilities not measured at fair value			
Loans and borrowings	(219,703,768)	--	(219,703,768)
Trade and other payables	(150,596,883)	--	(150,596,883)
Due to Directors	(68,349,017)	--	(68,349,017)
Due to a minority shareholder	(269,657)	--	(269,657)
	(438,919,325)	--	(438,919,325)

33. Financial instruments (continued)

33.1 Categories of financial instruments (continued)

	Carrying amount RM	AC RM	FVTPL RM	FL RM
31.3.2017				
Financial assets measured at fair value				
Other investments	128,546	--	128,546	--
Financial assets not measured at fair value				
Due from a joint venture	9,364,980	9,364,980	--	--
Trade and other receivables	100,703,864	100,703,864	--	--
Contract assets	48,948,856	48,948,856	--	--
Cash and cash equivalents	111,197,793	111,197,793	--	--
	270,215,493	270,215,493	--	--
	270,344,039	270,215,493	128,546	--
Financial liabilities not measured at fair value				
Loans and borrowings	(250,899,151)	--	--	(250,899,151)
Trade and other payables	(113,200,638)	--	--	(113,200,638)
Due to Directors	(84,885,837)	--	--	(84,885,837)
Due to a minority shareholder	(269,657)	--	--	(269,657)
	(449,255,283)	--	--	(449,255,283)
31.3.2016				
Financial assets measured at fair value				
Other investments	1,300,944	--	1,300,944	--
Financial assets not measured at fair value				
Due from a joint venture	9,364,980	9,364,980	--	--
Trade and other receivables	114,546,467	114,546,467	--	--
Contract assets	25,518,532	25,518,532	--	--
Cash and cash equivalents	107,164,603	107,164,603	--	--
	256,594,582	256,594,582	--	--
	257,895,526	256,594,582	1,300,944	--
Financial liabilities not measured at fair value				
Loans and borrowings	(73,897,984)	--	--	(73,897,984)
Trade and other payables	(75,739,726)	--	--	(75,739,726)
Due to Directors	(51,863,668)	--	--	(51,863,668)
Due to a minority shareholder	(10,204,767)	--	--	(10,204,767)
	(211,706,145)	--	--	(211,706,145)

33. Financial instruments (continued)

33.2 Net gains and losses arising from financial instruments

	1.4.2018 to 31.3.2019 RM	1.4.2017 to 31.3.2018 RM	1.4.2016 to 31.3.2017 RM	1.4.2015 to 31.3.2016 RM
Net gains/(losses) on:				
Financial assets at FVTPL	--	(5,724)	(50,957)	(271,501)
Financial assets at amortised cost	3,718,906	3,829,561	4,234,216	4,059,371
Financial liabilities at amortised cost	(6,615,541)	(4,313,091)	(4,542,618)	(3,428,132)
	(2,896,635)	(489,254)	(359,359)	359,738

33.3 Financial risk management

The Group has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

33.4 Risk management framework

The combined entities' Board of Directors has overall responsibility for the establishment and over sight of the Group's risk management. The Board of Directors is responsible for monitoring the Group's risk management matters.

33.5 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers.

Impairment losses on financial assets and contract assets recognised in profit or loss were disclosed in Note 24.

33.5.1 Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customers, including the default risk associated with the industry and country in which the customers operate.

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

The Group has significant concentrations of credit risk arising from amounts due from three (31.3.2018: three; 31.3.2017: two; 31.3.2016: three) major customers, representing 56% (31.3.2018: 38%; 31.3.2017: 29%; 31.3.2016: 62%) of the Group's trade receivables and contract assets. The Group considers this to be normal given the nature of the industry.

The Group's has established a credit policy under which each new customer is analysed individually for creditworthiness before tendering for the construction project, signing of Sales and Purchase Agreement or lease agreement. The Group's review may include Credit Tip Off Service Rating ("CTOS"), financial statements, industry information and own research through various sources including information available on the internet.

33. Financial instruments (continued)

33.5 Credit risk (continued)

33.5.1 Trade receivables and contract assets (continued)

Trade receivables and contract assets by segment are as follows:

	Construction and engineering segment RM	Property development segment RM	Property investment segment RM	Total RM
31.3.2019				
Trade receivables	51,924,179	1,858,897	965,037	54,748,113
Less : Loss allowance	(219,589)	--	(1,946)	(221,535)
	51,704,590	1,858,897	963,091	54,526,578
Retention sum*	5,444,898	--	--	5,444,898
Contract assets^	19,091,664	8,999,990	--	28,091,654
Contract costs#	--	11,737,383	--	11,737,383
	76,241,152	22,596,270	963,091	99,800,513
31.3.2018				
Trade receivables	23,483,760	3,294,890	180,350	26,959,000
Less : Loss allowance	(322,550)	--	(1,946)	(324,496)
	23,161,210	3,294,890	178,404	26,634,504
Retention sum*	18,260,567	--	--	18,260,567
Contract assets^	24,143,982	38,244,505	--	62,388,487
Contract costs#	--	1,637,906	--	1,637,906
	65,565,759	43,177,301	178,404	108,921,464
31.3.2017				
Trade receivables	40,375,324	78,188	674,258	41,127,770
Less : Loss allowance	(598,249)	--	(1,946)	(600,195)
	39,777,075	78,188	672,312	40,527,575
Retention sum*	19,174,036	--	--	19,174,036
Contract assets^	43,937,440	5,011,416	--	48,948,856
Contract costs#	--	10,619,347	--	10,619,347
	102,888,551	15,708,951	672,312	119,269,814
31.3.2016				
Trade receivables	41,454,978	188,779	775,460	42,419,217
Less : Loss allowance	(67,729)	--	(1,946)	(69,675)
	41,387,249	188,779	773,514	42,349,542
Retention sum*	15,067,148	--	--	15,067,148
Contract assets^	25,518,532	--	--	25,518,532
Contract costs#	--	--	--	--
	81,972,929	188,779	773,514	82,935,222

* The retention sum are due upon the expiry of the defects liability period stated in the respective contracts.
^ The contract assets are work performed but not billed as at the end of the reporting period.
# The contract costs are relate directly to a contract which will be used in satisfying performance obligation in the future and it is expected to be recovered.

33. Financial instruments (continued)

33.5 Credit risk (continued)

33.5.1 Trade receivables and contract assets (continued)

Impairment losses

The movements in the allowance for impairment in respect of trade receivables and contract assets during the year are shown below:

	1.4.2018 to 31.3.2019 RM	1.4.2017 to 31.3.2018 RM	1.4.2016 to 31.3.2017 RM	1.4.2015 to 31.3.2016 RM
Balance at 1 April	324,496	600,195	69,675	70,411
Net remeasurement of loss allowance (Note 24)	(102,961)	(275,699)	530,520	(736)
Balance at 31 March	221,535	324,496	600,195	69,675

The Group assesses the exposure to credit risk and ECLs for trade receivables together with contract assets as at reporting date on a segment by segment basis:

(a) Construction and engineering segment

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are a related parties or third party customers, industry, transactions history with the Group and the existence of any previous financial difficulties.

Exposures within each credit risk grade are segmented by related parties and third party customers and transaction history. An ECL rate is calculated for each segment based on industry default rating and actual credit loss experience, if any.

The Group's exposure to credit risk for trade receivables and contract assets of construction and engineering segment as at the end of the reporting period was:

	Related parties RM	Third party customer RM	Total RM
31.3.2019			
Trade receivables	1,146,890	50,777,289	51,924,179
Less : Loss allowance	--	(219,589)	(219,589)
	1,146,890	50,557,700	51,704,590
Contract assets^	71,311	19,020,353	19,091,664
Retention sum*	197,141	5,247,757	5,444,898
	1,415,342	74,825,810	76,241,152
31.3.2018			
Trade receivables	6,757,514	16,726,246	23,483,760
Less : Loss allowance	--	(322,550)	(322,550)
	6,757,514	16,403,696	23,161,210
Contract assets^	887,308	23,256,674	24,143,982
Retention sum*	5,132,405	13,128,162	18,260,567
	12,777,227	52,788,532	65,565,759
31.3.2017			
Trade receivables	28,005,066	12,370,258	40,375,324
Less : Loss allowance	--	(598,249)	(598,249)
	28,005,066	11,772,009	39,777,075
Contract assets^	2,118,242	41,819,198	43,937,440
Retention sum*	8,040,110	11,133,926	19,174,036
	38,163,418	64,725,133	102,888,551

33. Financial instruments (continued)

33.5 Credit risk (continued)

33.5.1 Trade receivables and contract assets (continued)

Impairment losses (continued)

(a) Construction and engineering segment (continued)

	Related parties RM	Third party customer RM	Total RM
31.3.2016			
Trade receivables	15,656,241	25,798,737	41,454,978
Less : Loss allowance	--	(67,729)	(67,729)
	15,656,241	25,731,008	41,387,249
Contract assets^	12,668,572	12,849,960	25,518,532
Retention sum*	8,703,561	6,363,587	15,067,148
	37,028,374	44,944,555	81,972,929

^ The contract assets are work performed but not billed as at the end of the reporting period.
* The retention sum are due upon the expiry of the defects liability period stated in the respective contracts.

Expected credit loss ("ECLs") assessment for construction and engineering activities - Third party customers

The official credit term granted to customers generally range 15 to 60 days but the payment cycle in the industry generally range from 30 to 60 days mainly due to the nature of the industry. The Group assumes that the credit risk on trade receivables and contract assets has increased significantly if it is more than 90 days past due.

The Group allocates each exposures to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to CTOS ratings, audited financial statements, management accounts) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

In determining the ECL, the Group assesses the balances with higher risk of default individually.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets of third party customers for construction and engineering activities as at the end of the reporting period:

	Weighted average loss rate %	Gross carrying amount RM	Impairment loss allowance RM	Net balance RM	Credit impaired
31.3.2019					
Grade 1 : Low risk*	0.00	24,268,110	--	24,268,110	No
Grade 2 : Fair risk^	0.00	48,623,297	--	48,623,297	No
Grade 3 : Substandard#	0.00	927,895	--	927,895	No
Grade 4 : Loss@	17.90	1,226,097	(219,589)	1,006,508	Yes
		75,045,399	(219,589)	74,825,810	
31.3.2018					
Grade 1 : Low risk*	0.00	36,384,836	--	36,384,836	No
Grade 2 : Fair risk^	0.00	14,091,818	--	14,091,818	No
Grade 3 : Substandard#	0.00	1,935,119	--	1,935,119	No
Grade 4 : Loss@	46.10	699,309	(322,550)	376,759	Yes
		53,111,082	(322,550)	52,788,532	

33. Financial instruments (continued)

33.5 Credit risk (continued)

33.5.1 Trade receivables and contract assets (continued)

Impairment losses (continued)

(a) Construction and engineering segment (continued)

Expected credit loss ("ECLs") assessment for construction and engineering activities - Third party customers (continued)

	Weighted average loss rate %	Gross carrying amount RM	Impairment loss allowance RM	Net balance RM	Credit impaired
31.3.2017					
Grade 1 : Low risk*	0.00	52,953,124	–	52,953,124	No
Grade 2 : Fair risk^	0.00	8,500,204	–	8,500,204	No
Grade 3 : Substandard#	0.00	2,618,597	–	2,618,597	No
Grade 4 : Loss@	47.80	1,251,457	(598,249)	653,208	Yes
		65,323,382	(598,249)	64,725,133	
31.3.2016					
Grade 1 : Low risk*	0.00	19,213,547	–	19,213,547	No
Grade 2 : Fair risk^	0.00	22,299,430	–	22,299,430	No
Grade 3 : Substandard#	0.00	1,312,223	–	1,312,223	No
Grade 4 : Loss@	3.10	2,187,084	(67,729)	2,119,355	Yes
		45,012,284	(67,729)	44,944,555	

* Grade 1: consist of retention sum within defects liability period and contract assets not billed as at the end of report period.

^ Grade 2: consist of outstanding balances within credit period and/or less than 90 days past due with ongoing transaction.

\# Grade 3: consist of outstanding balances past due between 90 to 120 days with ongoing transaction.

@ Grade 4: consist of outstanding balances past due more than 120 days.

33. Financial instruments (continued)

33.5 Credit risk (continued)

33.5.1 Trade receivables and contract assets (continued)

Impairment losses (continued)

(a) Construction and engineering segment (continued)

Expected credit loss ("ECLs") assessment for construction and engineering activities - Related parties

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets of related parties for construction and engineering activities as at the end of the reporting period:

	Weighted average loss rate %	Gross carrying amount RM	Impairment loss allowance RM	Credit impaired
31.3.2019				
Grade 1 : Low risk				
- property segment	0.00	1,415,342	--	No
- property investment and services segment	0.00	--	--	No
		1,415,342	--	
31.3.2018				
Grade 1 : Low risk				
- property segment	0.00	12,393,403	--	No
- property investment and services segment	0.00	383,824	--	No
		12,777,227	--	
31.3.2017				
Grade 1 : Low risk				
- property segment		36,259,896	--	No
- property investment and	0.00			
services segment		1,903,522	--	No
	0.00			
		38,163,418	--	
31.3.2016				
Grade 1 : Low risk				
- property segment	0.00	36,761,931	--	No
- property investment and services segment	0.00	266,443	--	No
		37,028,374	--	

The Group considers that trade receivables and contract assets for related parties have low credit risk by reference to the financial position of the related parties. The assessment includes whether the related parties have sufficient accessible highly liquid assets to repay the outstanding amounts as at the reporting date, or are able to repay overtime by realising their assets.

(b) Properties development activities

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are related parties or third party customers, whether they obtain loan from bank or financial institution, industry, transactions history with the Group and the existence of any previous financial difficulties.

Exposures within each credit risk grade are segmented by related parties and third party customers and method of financing. An ECL rate is calculated for each segment based on actual credit loss experience, if any.

33. Financial instruments (continued)

33.5 Credit risk (continued)

33.5.1 Trade receivables and contract assets (continued)

Impairment losses (continued)

(b) Properties development activities (continued)

The Group's exposure to credit risk for trade receivables and contract assets of properties development activities as at the end of the reporting period was:

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Third party customers				
Loan	20,717,173	36,279,226	14,680,983	188,779
Self-financed	1,879,097	6,898,075	1,027,968	--
	22,596,270	43,177,301	15,708,951	188,779

As the title and vacant possession of the sold properties would be transferred to the customers only upon full payment of the entire sale consideration, the management believes that credit risk inherent in the Group's outstanding trade receivable balances and contract assets is not significant.

Expected credit loss ("ECLs") assessment of property development activities - Third party customer

The progress billing are due within 14 days as stipulated in the sale and purchase agreement and billings.

For customers that have obtained loan from bank or financial institution, the Group considers the credit risk to be low. The Group assumes that the credit risk on self-financed customer has increased significantly if it is more than 90 days past due.

The Group allocates each exposures to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to CTOS ratings, audited financial statements, management accounts) and apply experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets of third party customers for property development activities as at the end of the reporting period:

	Weighted average loss rate %	Gross carrying amount RM	Impairment loss allowance RM	Credit impaired
31.3.2019				
Grade 1: Low risk - loan	0.00	20,717,173	--	No
Grade 2: Fair risk - self-financed*	0.00	1,879,097	--	No
		22,596,270	--	
31.3.2018				
Grade 1: Low risk - loan	0.00	36,279,226	--	No
Grade 2: Fair risk - self-financed**	0.00	6,898,075	--	No
		43,177,301	--	

* Consist of one customer that has been paying timely

** Consist of one customer that has been paying timely and another customer that is in the process of finalising the terms of its loan from a bank.

33. Financial instruments (continued)

33.5 Credit risk (continued)

33.5.1 Trade receivables and contract assets (continued)

Impairment losses (continued)

(b) Properties development activities (continued)

Expected credit loss ("ECLs") assessment of property development activities - Third party customer (continued)

	Weighted average loss rate %	Gross carrying amount RM	Impairment loss allowance RM	Credit impaired
31.3.2017				
Grade 1: Low risk - loan	0.00	14,680,983	--	No
Grade 2: Fair risk - self-financed	0.00	1,027,968	--	No
		15,708,951	--	
31.3.2016				
Grade 1: Low risk - loan	0.00	188,779	--	No
Grade 2: Fair risk - self-financed	0.00	--	--	No
		188,779	--	

(c) Property investment activities

The Group's exposure to credit risk for trade receivables and contract assets of property investment activities as at the end of reporting period was:

	Related parties RM	Third party customer RM	Total RM
31.3.2019			
Trade receivables	--	965,037	965,037
Less: Loss allowance	--	(1,946)	(1,946)
	--	963,091	963,091
31.3.2018			
Trade receivables	20,650	159,700	180,350
Less: Loss allowance	--	(1,946)	(1,946)
	20,650	157,754	178,404
31.3.2017			
Trade receivables	12,171	662,087	674,258
Less: Loss allowance	--	(1,946)	(1,946)
	12,171	660,141	672,312
31.3.2016			
Trade receivables	168,352	607,108	775,460
Less: Loss allowance	--	(1,946)	(1,946)
	168,352	605,162	773,514

Majority of the tenants pay on timely basis with no major overdue balances. The Group considers that receivables for property investment activities have low credit risk by reference to sound collection history of receivables.

33. Financial instruments (continued)

33.5 Credit risk (continued)

33.5.2 Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. Consequently, the Group are of the view that the loss allowance is not material and hence, it is not provided for.

33.5.3 Other receivables

The Group monitors the exposure to credit risk on individual basis.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position and the Group and the Company does not recognise any allowance for impairment losses.

33.5.4 Other related parties balances

The Group monitors the exposure to credit risk on an ongoing basis as and when required. As at the end of the reporting period, the maximum exposure to credit risk arising from related parties is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to assess the expected credit loss by considering the credit risk and the financial position of the related parties. The assessment includes whether the related parties have sufficient accessible highly liquid assets to repay the outstanding amounts as at the reporting date, or are able to repay overtime by realising their assets.

33.5.5 Financial guarantees

The Group provides unsecured financial guarantees to banks in respect of banking facilities granted to companies having certain common shareholders and Directors as the Group (Note 29). The Group monitors on an ongoing basis the results and repayments made by the said companies.

The maximum exposure to credit risk amounts to RM44,450,000 (31.3.2018: RM44,450,000; 31.3.2017: RM33,950,000; 31.3.2016: RM33,950,000) representing the outstanding banking facilities of the said companies as at the end of the reporting period.

The financial guarantee has not been recognised since fair value on initial recognition was not material.

As at the end of the reporting period, there was no indication that the said companies would default on repayment.

33.6 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significant different amounts.

33. Financial instruments (continued)

33.6 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM	Contractual interest rate/ coupon %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
31.3.2019							
Non-derivative financial liabilities							
Trade and other payables	138,231,264	--	138,231,264	138,231,264	--	--	--
Finance lease liabilities	4,161,822	2.33 – 4.61	4,446,181	2,116,247	1,322,150	1,007,784	--
Secured term loans	206,140,160	4.67 – 6.45	260,376,747	31,549,437	32,160,137	87,361,463	109,305,710
Bank overdraft	5,539,058	5.95 – 8.32	5,539,058	5,539,058	--	--	--
Due to Directors	54,225,169	--	54,225,169	54,225,169	--	--	--
Due to a minority shareholder	10,000,000	4.19	10,000,000	--	--	--	10,000,000
Due to a minority shareholder	565,355	--	565,355	565,355	--	--	--
Financial guarantee	--	--	44,450,000*	44,450,000	--	--	--
	418,862,828		517,833,774	276,676,530	33,482,287	88,369,247	119,305,710
31.3.2018							
Non-derivative financial liabilities							
Trade and other payables	150,596,883	--	150,596,883	150,596,883	--	--	--
Finance lease liabilities	6,432,976	2.02 – 4.61	6,973,594	2,683,188	2,104,284	2,079,395	106,727
Secured term loans	211,911,680	4.67 – 6.45	263,219,462	29,423,553	39,604,456	97,613,981	96,577,472
Bank overdraft	1,359,112	2.50 – 4.61	1,359,112	1,359,112	--	--	--
Due to Directors	68,349,017	--	68,349,017	65,053,103	--	--	3,295,914
Due to a minority shareholder	269,657	--	269,657	269,657	--	--	--
Financial guarantee	--	--	44,450,000*	44,450,000	--	--	--
	438,919,325		535,217,725	293,835,496	41,708,740	99,693,376	99,980,113

33. Financial instruments (continued)

33.6 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM	Contractual interest rate/ coupon %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
31.3.2017							
Non-derivative financial liabilities							
Trade and other payables	113,200,638	--	113,200,638	113,200,638	--	--	--
Finance lease liabilities	6,928,795	2.33 – 4.00	7,481,090	3,383,563	2,028,371	1,929,956	139,200
Bankers' acceptance	3,734,156	4.20 – 4.49	3,734,156	3,734,156	--	--	--
Secured term loans	231,386,951	4.59 – 5.60	292,029,413	27,999,313	29,259,688	112,903,249	121,867,163
Bank overdraft	8,849,249	3.47 – 6.65	8,849,249	8,849,249	--	--	--
Due to Directors	84,885,837	--	84,885,837	74,983,846	--	--	9,901,991
Due to a minority shareholder	269,657	--	269,657	269,657	--	--	--
Financial guarantee	--	--	33,950,000*	33,950,000	--	--	--
	449,255,283		544,400,040	266,370,422	31,288,059	114,833,205	131,908,354
31.3.2016							
Non-derivative financial liabilities							
Trade and other payables	75,739,726	--	75,739,726	75,739,726	--	--	--
Finance lease liabilities	6,431,901	2.33 – 6.33	6,963,025	2,566,091	2,213,647	1,756,254	427,033
Bankers' acceptance	10,682,840	3.90 – 5.31	10,682,840	10,682,840	--	--	--
Secured term loans	55,613,938	4.86 – 5.60	66,944,900	11,554,379	11,554,379	27,759,896	16,076,246
Bank overdraft	1,169,305	5.92	1,169,305	1,169,305	--	--	--
Due to Directors	51,863,668	--	51,863,668	41,997,442	--	--	9,866,226
Due to a minority shareholder	10,000,000	4.29	10,000,000	--	--	--	10,000,000
Due to a minority shareholder	204,767	--	204,767	204,767	--	--	--
Financial guarantee	--	--	33,950,000*	33,950,000	--	--	--
	211,706,145		257,518,231	177,864,550	13,768,026	29,516,150	36,369,505

* represents the amount outstanding as disclosed in Note 29.

33. Financial instruments (continued)

33.7 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's financial position or cash flows.

Currency risk

The Group is exposed to foreign currency risk on services rendered that are denominated in a currency other than the respective functional currencies of Group. The currencies giving rise to this risk are United States Dollar ("USD") and Singapore Dollar ("SGD").

Risk management objectives, policies and processes for managing the risk

The Group does not hedge its financial assets and liabilities denominated in foreign currencies.

Exposure to foreign currency risk

The Group's exposure to foreign currencies (a currency which is other than the functional currency of Group entities) risk, based on carrying amounts as at the end of the reporting periods were:

	Denominated in	
	USD	**SGD**
	RM	**RM**
31.3.2019		
Cash and cash equivalents	2,823,474	70,627
Finance lease liabilities	--	(405,516)
	2,823,474	(334,889)
31.3.2018		
Cash and cash equivalents	3,147,745	60,708
Finance lease liabilities	--	(469,716)
	3,147,745	(409,008)
31.3.2017		
Cash and cash equivalents	3,350,221	3,645
31.3.2016		
Cash and cash equivalents	3,145,002	29,859
Finance lease liabilities	--	(162,206)
	3,145,002	(132,347)

A 10% (31.3.2018: 10%; 31.3.2017: 10%; 31.3.2016: 10%) strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting periods would have increased/(decreased) post-tax profit or loss by the amounts shown below, or vice versa. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant.

	Profit or (loss)			
	31.3.2019	**31.3.2018**	**31.3.2017**	**31.3.2016**
	RM	**RM**	**RM**	**RM**
USD	(214,584)	(239,229)	(254,617)	(239,020)
SGD	25,452	31,085	(277)	10,058

33. Financial instruments (continued)

33.7 Market risk (continued)

Interest rate risk

The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

There is no formal hedging policy with respect to interest rate exposure. Exposure to interest rate risk is monitored on an ongoing basis and the Group endeavours to keep to exposure at acceptable level.

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	31.3.2019 RM	31.3.2018 RM	31.3.2017 RM	31.3.2016 RM
Fixed rate instruments				
Financial assets	54,014,045	97,608,706	45,783,046	91,588,474
Financial liabilities	(4,161,822)	(7,792,088)	(5,565,006)	(18,284,046)
	49,852,223	89,816,618	40,218,040	73,304,428
Floating rate instruments				
Financial liabilities	(221,679,218)	(211,916,680)	(226,409,370)	(66,613,938)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis for variable rate instruments

Construction, engineering and property investment segment

A change of 100 basis points (bp) in interest rates during the reporting period would have increased/(decreased) the Group's post-tax profit or loss by RM694,603 (31.3.2018: RM593,129; 31.3.2017: RM223,735; 31.3.2016: RM111,171). This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

Property development segment

The Group capitalised its finance costs in accordance with MFRS123 in prior year. Therefore, a change in interest rates at the end of the reporting period would not significantly affect profit or loss.

33.8 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amounts of floating rate term loans approximate their fair values as their effective interest rates change according to movements in the market interest rates.

It was not practicable to estimate the fair value for amount due to Directors, as it is not practicable to determine their fair values with sufficient reliability since these balances have no fixed terms of repayment.

It was not practicable to estimate fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

33. Financial instruments (continued)

33.8 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the combined statements of financial position.

	Fair value of financial instruments carried at fair value Level 1 RM	Fair value of financial instruments not carried at fair value Level 3 RM	Total fair value RM	Carrying amount RM
31.3.2019				
Financial liabilities				
Finance lease liabilities	--	(4,205,362)	(4,205,362)	(4,161,822)
31.3.2018				
Financial liabilities				
Finance lease liabilities	--	(6,529,965)	(6,529,965)	(6,432,976)
31.3.2017				
Financial assets				
Quoted shares	128,546	--	128,546	128,546
Financial liabilities				
Finance lease liabilities	--	(7,049,259)	(7,049,259)	(6,928,795)
31.3.2016				
Financial assets				
Quoted shares	1,247,462	--	1,247,462	1,247,462
Financial liabilities				
Finance lease liabilities	--	(6,467,051)	(6,467,051)	(6,431,901)

Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the current and prior financial years.

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Finance lease liabilities	Discounted cash flows using a rate based on the current market rate of borrowing of the Group at the reporting dates.

34. Capital management

The Group's capital is represented by its total equity in the statement of financial position. The Directors monitor the adequacy of capital on an ongoing basis.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

During 2019, the Group's strategy, which was unchanged from 2018, was to maintain the debt-to-equity ratio at below 2.00 multiples. The debt-to-equity ratios at 31 March 2016, 31 March 2017, 31 March 2018 and 31 March 2019 were as follows:

	31.3.2019 RM'000	**31.3.2018 RM'000**	**31.3.2017 RM'000**	**31.3.2016 RM'000**
Total borrowings (Note 18)	215,841	219,704	250,899	73,898
Less: Cash and cash equivalents (Note 13)	(102,488)	(109,785)	(111,198)	(107,165)
	113,353	109,919	139,701	(33,267)
Total equity	436,675	395,684	327,470	304,414
Debt-to-equity-ratios	0.26	0.28	0.43	--

35. Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Company are shown below. The balances related to the below transactions are shown in the combined statements of financial position.

	1.4.2018 to 31.3.2019 RM	**1.4.2017 to 31.3.2018 RM**	**1.4.2016 to 31.3.2017 RM**	**1.4.2015 to 31.3.2016 RM**
A. Joint venture				
Contract income	16,072,256	12,438,293	22,953,457	35,829,411
Rental income	58,901	60,188	58,901	181,610
Purchase of freehold land	--	--	(3,671,116)	--
Management fee income	--	--	--	692
Project management fee income	--	528,253	--	--
Construction cost of investment properties	--	(1,403)	--	--
Maintenance expenses	--	(6,777)	--	--
Landscape maintenance income	--	--	80,051	276,768
B. Companies in which certain Directors have financial interest				
Rental income	--	83,440	105,080	84,880
Contract income	66,000	7,305,319	77,567,261	61,125,462
Sales of investment property	--	3,609,338	1,800,000	--
Purchases	--	--	(2,280)	--
Hiring of machinery	--	--	(7,050)	--
Rental expenses	(99,000)	(264,000)	(240,000)	(240,000)
Maintenance fee	(49,649)	(184,186)	(123,348)	(162,021)
Management fee	(6,206)	(18,928)	(22,683)	(1,204)
Hiring cost	--	(396)	--	--
Interest income	--	461,654	449,715	563,379
Landscape maintenance income	--	--	1,160	--

35. Significant related party transactions (continued)

	1.4.2018 to 31.3.2019 RM	1.4.2017 to 31.3.2018 RM	1.4.2016 to 31.3.2017 RM	1.4.2015 to 31.3.2016 RM
C. Companies in which close family members of certain Directors have financial interest				
Contract cost	--	(69,952)	--	--
Rental income	--	28,200	5,600	--
Landscape project and maintenance cost	--	(480,181)	--	--
Subcontractor cost	--	(45,752)	--	--
D. Minority shareholder of a subsidiary				
Interest expenses	(295,699)	--	(64,890)	(204,767)
E. Key management personnel compensation				
Directors:				
- Fees	415,139	--	--	24,000
- Remunerations	7,150,439	6,349,434	7,368,754	4,772,333
- Contributions to state plans	1,314,875	1,174,701	1,538,571	718,630
	8,880,453	7,524,135	8,907,325	5,514,963

The estimated monetary value of benefits-in-kind receivable by the Directors of the Company is RM175,170 (31.3.2018: RM178,297; 31.3.2017: RM116,900; 31.3.2016: RM111,985).

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The Board of Directors
AME Elite Consortium Berhad
5, Jalan I-Park SAC 2
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81400 Senai
Johor

27 August 2019

Dear Sirs,

Reporting Accountant's opinion on the combined financial statements contained in the accountants' report of AME Elite Consortium Berhad

Opinion

We have audited the combined financial statements of AME Elite Consortium Berhad ("the Company") and the combining entities (collectively referred to as the "Group"), which comprise the combined statements of financial position as at 31 March 2016, 2017, 2018 and 2019, and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the years then ended, and notes to the accountants' report, including a summary of significant accounting policies, as set out on pages 1 to 77. The combined financial statements of the Group have been prepared for inclusion in the prospectus of AME Elite Consortium Berhad in connection with the listing of and quotation for the issued share capital of AME Elite Consortium Berhad on the Main Market of Bursa Malaysia Securities Berhad.

In our opinion, the combined financial statements give a true and fair view of the combined financial positions of the Group as of 31 March 2016, 2017, 2018 and 2019 and of its combined financial performances and combined cash flows for the years then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

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

AME Elite Consortium Berhad
Reporting Accountant's opinion on the combined financial statements contained in the accountants' report

Independence and Other Ethical Responsibilities

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

Responsibilities of the Directors for the Combined Financial Statements

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

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

Reporting Accountant's Responsibilities for the Audit of the Combined Financial Statements

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

AME Elite Consortium Berhad
Reporting Accountant's opinion on the combined financial statements contained in the accountants' report

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that gives a true and fair view.

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

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

AME Elite Consortium Berhad
Reporting Accountant's opinion on the combined financial statements contained in the accountants' report

Other Reporting Responsibility

In accordance with paragraph 10.05 of Chapter 10. Part II Division 1: Equity of the Prospectus Guidelines as issued by the Securities Commission Malaysia, no significant subsequent events have come to our attention since 31 March 2019, that would require a material disclosure or adjustment to be made to the combined financial statements of the Group.

Restriction on distribution and use

This report has been prepared solely to comply with the Prospectus Guidelines - Equity issued by the Securities Commission Malaysia and for inclusion in the prospectus of AME Elite Consortium Berhad in connection with the listing of and quotation for the issued share capital of AME Elite Consortium Berhad on the Main Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
Firm Number: LLP0010081-LCA & AF 0758
Chartered Accountants

Tan Teck Eng
Approval Number: 02986/05/2020 J
Chartered Accountant