

9. RELATED PARTY TRANSACTIONS

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

9.1 RELATED PARTY TRANSACTIONS

9.1.1 Material related party transactions entered into by our Group

The following table sets out the material related party transactions that we had entered into with related parties in respect of the Financial Years Under Review and up to the LPD:-

No.	Transacting parties and nature of relationship	Nature of transaction and purpose	Transaction value				
			As at 31 December				As at the LPD RM'000
			2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	
1.	<u>Tuju Setia and TSHSB</u> Wee Eng Kong and Dato' Wee Beng Aun are common directors and shareholders of both companies.	Acquisition of PTS by Tuju Setia from TSHSB.	-	-	-	37,893	-
2.	<u>PTS and Wee Eng Kong</u> Wee Eng Kong is a director of PTS.	Purchase of a unit of property under the PNV Project by Wee Eng Kong from PTS.	-	-	-	636	-

Save for the above and the loans and/or financial assistance from related parties as set out in Section 9.1.4 of this Prospectus which are transactions involving interested persons under the Equity Guidelines and the Acquisition of PTS as set out in Section 4.1.1(a) of this Prospectus, our Directors have confirmed that there are no material related party transactions that we had entered into with related parties in respect of the Financial Years Under Review and up to the LPD.

Our Directors have also confirmed that there are no material related party transactions that we had entered into with related parties but not yet effected up to the date of this Prospectus.

The above related party transactions have been carried out at market value and / or on arm's length terms which is not unfavourable to our Group. Please refer to Section 4.1.1(a) of this Prospectus for more details of the Acquisition of PTS.

9. RELATED PARTY TRANSACTIONS (Cont'd)

After our Listing, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate. In the event there are any proposed related party transactions that require prior approval of our shareholders, our Directors, major shareholders and / or persons connected with them who have any direct or indirect interest in the proposed related party transactions shall abstain from deliberation and voting on resolution(s) pertaining to the respective transactions. Under the Listing Requirements, related party transactions may be aggregated to determine its materiality if the transactions occurred within a 12-month period, are entered into with the same party or with parties related to one another or if the transactions involved the acquisition or disposal of securities of interests in one corporation / asset or of various parcels of land contiguous to each other.

Upon our Listing, the Audit and Risk Management Committee will review the terms of any related party transactions and ensure that any related party transactions (including any recurrent related party transactions) are carried out on terms not more favourable to the related party than those generally available to the third parties dealing at arm's length basis with our Group and are not to the detriment to our minority shareholders. Our Group will seek such relevant shareholders' approval where required. We will make disclosures in our annual report of the aggregate value of the recurrent related party transactions entered into by us based on the nature of the transactions made, names of the related parties involved and their relationship with our Group during the financial year and in the annual reports for the subsequent financial years.

9.1.2 Related party transactions that are unusual in nature or condition

Our Directors have confirmed that there are no transactions that were unusual in its nature or condition, involving goods, services, tangible or intangible assets, to which we were a party in respect of the Financial Years Under Review and up to the LPD.

(The rest of this page has been intentionally left blank)

9. RELATED PARTY TRANSACTIONS

9.1.3 Loans and/or financial assistance made to or for the benefit of related parties

Our Directors have confirmed that there is no loan (including guarantees of any kind) and / or financial assistance made by us to or for the benefit of related parties for the Financial Years Under Review and up to the LPD.

9.1.4 Loans and/or financial assistance from related parties to our Group

The following table sets out the loans (including guarantees of any kind) and/or financial assistance from related parties to us for the Financial Years Under Review and as at the LPD:-

No.	Transacting parties and nature of relationship	Nature of transaction and purpose	Outstanding amount				
			As at 31 December				As at the LPD RM'000
			2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	
1.	<u>PTS and TSHSB</u> Wee Eng Kong and Dato' Wee Beng Aun are common directors of both companies and shareholders of TSHSB.	Advances from TSHSB to PTS	5,895	8,400	8,303	-	-
		Corporate guarantees given by TSHSB for the banking facilities granted to PTS	69,823	94,300	114,300	159,300	159,300
2.	<u>PTS and Simpang Renggam Development Sdn Bhd</u> PTS and Simpang Renggam Development Sdn Bhd were wholly-owned subsidiaries of TSHSB during the Financial Years Under Review. Wee Eng Kong and Dato' Wee Beng Aun are common directors of both companies and shareholders of TSHSB.	Advances from Simpang Renggam Development Sdn Bhd to PTS	941	941	-	-	-
3.	<u>PTS and Wee Eng Kong</u> Wee Eng Kong is director of PTS, and director and shareholder of TSHSB.	Advances from Wee Eng Kong to PTS	1,679	1,679	979	-	-
		Personal guarantees given by Wee Eng Kong for the banking facilities granted to PTS	69,823	94,300	114,300	159,300	159,300

9. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties and nature of relationship	Nature of transaction and purpose	Outstanding amount				
			As at 31 December				As at the LPD RM'000
			2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	
4.	<p><u>PTS and Dato' Wee Beng Aun</u></p> <p>Dato' Wee Beng Aun is director of PTS, and director and shareholder of TSHSB.</p>	<p>Advances from Dato' Wee Beng Aun to PTS</p> <p>Personal guarantees given by Dato' Wee Beng Aun for the banking facilities granted to PTS</p>	512	512	-	-	-
5.	<p><u>PTS and Yiap Pei Pei</u></p> <p>Yiap Pei Pei was shareholder of TSHSB for the Financial Years Under Review. She is the spouse of Wee Eng Kong.</p>	<p>Advances from Yiap Pei Pei to PTS</p>	427	427	-	-	-
6.	<p><u>PTS and Ong Yong Choen</u></p> <p>Ong Yong Choen was director of PTS and shareholder of TSHSB for the Financial Years Under Review.</p>	<p>Advances from Ong Yong Choen to PTS</p>	128	128	-	-	-

The loans (including guarantees of any kind) and/or financial assistance from related parties to us were not made on an arm's length basis as they were interest-free, unsecured and repayable on demand. However, these terms are not unfavourable to our Group. Moving forward, Tuju Setia has put in place strict internal control and compliance procedures in relation to loans and financial assistance from third parties, and no further loans or financial assistance will be taken from any related parties by the Group unless such advances and loans are permitted under law and the Listing Requirements and brought to the Audit and Risk Management Committee and the Board for deliberation and approval.

Please refer to Section 10.1.2 of this Prospectus for the details of settlement of the above loans (including guarantees of any kind) and/or financial assistance.

(The rest of this page has been intentionally left blank)

9. RELATED PARTY TRANSACTIONS

9.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

9.2.1 Audit and Risk Management Committee review

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

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

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

Some of our Directors and / or substantial shareholders are also directors and / or shareholders of a related party to our Group, as disclosed in Section 9.1.1 of this Prospectus and / or directors of companies that are in similar business to our Group, as disclosed in Section 10.1 of this Prospectus. It is the policy of our Group that all related party transactions and conflicts of interest must be immediately and fully disclosed by our interested or conflicted Directors or substantial shareholders to the management for reporting to our Audit and Risk Management Committee. Any related party transactions must be reviewed by our Audit and Risk Management Committee to ensure that they are negotiated and agreed upon in the best interest of our Company on an arm's length basis, and are based on normal commercial terms not more favourable to the related party than those generally available to third parties, and are not to the detriment of the interest of our Company's minority shareholders. In respect of our Directors' interest in companies carrying on similar business, our Directors will also be required to abstain from deliberations and voting on resolutions pertaining to matters and/or transactions where a conflict of interest may arise.

In addition, in line with the Malaysian Code on Corporate Governance and the Corporate Governance Guide, our Directors are required to make an annual disclosure of any related party transactions and conflicts of interest with our Group and our Audit and Risk Management Committee must carry out an annual assessment of our Directors which include an assessment of such related party transactions and / or conflict of interest. Our Audit and Risk Management Committee will in turn report to our Board after their evaluation and assessment and make the appropriate recommendations to our Board.

(The rest of this page has been intentionally left blank)

10. CONFLICT OF INTEREST

10.1 CONFLICT OF INTEREST

10.1.1 Interest in similar business of our Group

As at the LPD, save as disclosed below, none of our Directors and / or substantial shareholders has any other interest, whether direct or indirect, in any businesses or corporations which are carrying on a similar trade as our Group or which are the customers or suppliers of our Group:-

Directors	Company	Position held	Direct and indirect equity interest (%)	Principal activities
YAM Tengku Datuk Seri Ahmad Shah Alhaj ibni Almarhum Sultan Salahuddin Abdul Aziz Shah Alhaj	Sime Darby Property Berhad	Independent Non-Executive Director	-	Investment holding of non-listed shares of its subsidiaries principally involved in property development, property investment, construction, leisure and hospitality and provision of management services.
	SKE Ventures Sdn Bhd	Non-Executive Director	-	Other building completion and finishing work, construction of buildings, and other retail sale in non-specialised stores.
	Sungai Klang Expressway Sdn Bhd	Non-Executive Director	-	Construction of buildings.
Nor Adha bin Yahya	Widad Group Berhad (" Widad ")	Independent Non-Executive Director	-	Investment holding of non-listed shares of its subsidiaries principally involved in construction and integrated facilities management.

10. CONFLICT OF INTEREST (Cont'd)

Our Board is of the view that involvement of the abovementioned Directors in the abovementioned companies does not give rise to a conflict of interest situation as the abovementioned Directors are not actively involved in the day-to-day running of the business of the abovementioned companies. Each of the abovementioned companies have their own separate management teams and are operated and managed independently on a day-to-day basis by their respective management teams. In addition to the above, for the listed entities, namely Sime Darby Property Berhad and Widad, our Directors are appointed as Independent Non-Executive Directors of these companies. As for the private limited companies, namely SKE Ventures Sdn Bhd and Sungai Klang Expressway Sdn Bhd, YAM Tengku Datuk Seri Ahmad Shah Alhaj ibni Almarhum Sultan Salahuddin Abdul Aziz Shah Alhaj also sits only as a non-executive director and does not hold any executive position in the aforesaid companies.

The abovementioned companies also do not compete with our Group taking into consideration the size, scale and / or nature of construction activities of the abovementioned companies as compared to the size, scale and / or nature of construction activities of our Group.

Sime Darby Property Berhad is a property developer with a track record in developing residential, commercial and industrial properties. Its core business segments are property development, property investment, and leisure and hospitality. As such, it does not actively engage in any construction activities for other property developers which is the principal activity of our Group.

Widad provides construction, civil engineering, and integrated facilities management services. Based on the past records, Widad has completed numerous infrastructure works such as sewage treatment plants, pipe jacking for sewerage lines, earthworks, water supply systems (rural and urban) and roads for single and dual carriageways. The work scope for its construction segment are jungle clearing and land preparation works, and mechanical sanitation and water engineering works which our Group is not involved in. Its construction activities are also limited to undertaking internal intra-group projects for its ultimate holding company and shareholder, Widad Business Group Sdn Bhd and it is not in the market to do any external construction projects. As such, the size, scale and nature of Widad's construction activities is different from the construction work that is carried out by our Group which is principally construction of non-residential and residential buildings such as high-rise condominiums and apartments, mixed-use commercial buildings, offices, serviced apartments and institutional buildings such as school and hospital for third parties.

SKE Ventures Sdn Bhd and its wholly-owned subsidiary, Sungai Klang Expressway Sdn Bhd ("**SKE Group**"), are primarily involved in the construction and operation of infrastructure and property development and they are not involved in construction of non-residential and residential buildings which our Group is involved in. As such, they do not carry on the same principal activity as our Group given the nature of the construction activities of the SKE Group.

Further, there were no transactions between the abovementioned companies and our Group during the Financial Years Under Review and up to the LPD.

Taking into consideration of the abovementioned Directors' non-executive directorships in the abovementioned companies, our Board is of the opinion that involvement of the abovementioned Directors in the abovementioned companies does not give rise any conflict of interest situation and will not affect their contribution to our Group or negatively impact their abilities to act as an Independent Non-Executive Director of our Group.

10. CONFLICT OF INTEREST (Cont'd)

Moving forward, our Audit Committee and Risk Management Committee will supervise any conflict of interest or potential conflict of interest situations and review our Group's current and future related party transactions and ensure that such transactions will be carried out on an arm's length basis and on commercial terms in the best interest of our Group. Our Group will also seek such relevant shareholders' approval where required. We will also make disclosures in our annual report of the aggregate value of any recurrent related party transactions to be entered into by us (where required) based on the nature of the transactions made, names of the related parties involved and their relationship with our Group. Please refer to Section 9.2 of this Prospectus for further details of our monitoring and oversight policy on conflicts of interest.

10.1.2 Conflict of interest in relation to loans and/or financial assistance from related parties to our Group

The details of loans (including guarantees of any kind) and/or financial assistance from related parties to us for the Financial Years Under Review and as at the LPD are set out in Section 9.1.4 of this Prospectus. In FYE 2020, PTS had repaid fully the advances owing to Wee Eng Kong via cash amounting to RM343,760 and a unit of property under the PNV Project amounting to RM635,520. PTS has also repaid partially the advances owing to TSHSB by nominating 3 units of properties from the Grand Medini Residence Project and 12 units of properties from the Nadayu 63 Project amounting to RM1,447,200 and RM6,567,148, respectively, to TSHSB. These properties were received by PTS at the same price and were partial settlement for outstanding receivables from the respective projects. The price for these properties was arrived at based on discounts ranging from 30% to 44% of the selling prices of the projects. The balance of the advances from TSHSB to PTS of RM288,400 was fully repaid via cash on 24 December 2020.

In respect of the existing corporate guarantees provided by TSHSB and the personal guarantees provided by the directors of PTS, PTS will replace these with corporate guarantees to be provided by Tuju Setia and PTS has obtained the relevant consents from the financial institutions. In addition, PTS has also fully settled the outstanding amount for two facilities and is in the process of discharging the personal guarantees relating to the said facilities.

As such, the financial assistance and/or guarantees provided by TSHSB to us will not give rise to potential conflict of interest as the advances would have either been settled or the above guarantees replaced with the corporate guarantees to be provided by Tuju Setia after our Listing.

Moving forward, Tuju Setia has put in place strict internal control and compliance procedures in relation to loans and financial assistance from third parties, and no further loans or financial assistance will be taken from any related parties by the Group unless such advances and loans are permitted under law and the Listing Requirements and brought to the Audit and Risk Management Committee and the Board for deliberation and approval. Please refer to Section 9.2 of this Prospectus for further details of our monitoring and oversight policy on conflicts of interest.

In relation to TSHSB, on 2 April 2021, an application for change of name was made by TSHSB to change its name to TSetia Holdings Sdn Bhd. The change of name was effected on 8 April 2021. TSHSB will continue as an investment holding company holding shares and property. TSHSB has provided an undertaking that it will not carry on any business activities in the construction industry in the future and that it will ensure its related companies will not be carrying on the said business as well.

10. CONFLICT OF INTEREST (Cont'd)

10.2 DECLARATION BY ADVISERS ON CONFLICT OF INTEREST**10.2.1 Principal Adviser, Joint Underwriter and Joint Placement Agent**

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

For information, the total outstanding financing to PTS as at the LPD amounting to RM10.07 million represents 18.59% of the audited NA of PTS as at 31 December 2020, and 0.17% of the latest available audited consolidated NA of Alliance Bank Malaysia Berhad as at 31 March 2020.

AIBB has confirmed that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Joint Underwriter and Joint Placement Agent to our Group in relation to the Listing. The Underwriting Agreement, which certain details are set out in Section 4.6.1 of this Prospectus, was entered into on arm’s length basis and on market terms.

10.2.2 Solicitors for the Listing

Chooi & Company + Cheang & Ariff has confirmed that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the Solicitors to our Group in relation to the Listing.

10.2.3 External Auditors and Reporting Accountants

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

10.2.4 Independent Market Researcher

Vital Factor has confirmed that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the IMR to our Group in relation to the Listing.

10. CONFLICT OF INTEREST (Cont'd)

10.2.5 Joint Underwriter and Joint Placement Agent

CIMB and 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 businesses relating to amongst others, retail banking, investment banking, commercial banking, brokerage, securities trading, asset and funds management and credit transaction services business. CIMB Group has engaged and may in the future, engage in transactions with and perform services for our Company and/or our affiliates.

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 and / or our affiliates, and / or any other entity or person, hold long or short positions in securities issued by our Company and / or our affiliates, 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 the account of its other customers in debt or equity securities or senior loans of our Company and / or our affiliates. This is a result of the businesses of the CIMB Group generally acting independently of each other, and accordingly there may be situations where parts of the CIMB Group and / or its clients now have or in the future, may have interests or take actions that may conflict with the interests of our Company and / or our affiliates.

As at the LPD, CIMB Bank Berhad, a member of the CIMB Group, has extended total credit facilities of RM29.20 million to PTS and the total outstanding amount owing is approximately RM5.20 million.

CIMB is of the view that the aforementioned extension of credit facilities does not result in a conflict of interest situation in respect of its capacity as the Joint Underwriter and Joint Placement Agent for our Listing as:

- (i) the total credit facilities extended by CIMB Bank Berhad are not material when compared to the audited total NA of the CIMB Group of approximately RM57.00 billion as at 31 December 2020; and
- (ii) CIMB Bank Berhad is a licensed commercial bank and the extension of such credit facilities to PTS arose in the ordinary course of business of CIMB Bank Berhad.

(The rest of this page has been intentionally left blank)

11. FINANCIAL INFORMATION

11.1 HISTORICAL AUDITED COMBINED FINANCIAL INFORMATION

The historical audited combined financial information for the Financial Years Under Review presented in this section have been extracted from the Accountants' Report set out in Section 12 of this Prospectus, which deals with the audited combined financial statements for the Financial Years Under Review.

The statutory financial statements of PTS for the FYE 2017 was prepared in accordance with the Malaysian Private Entities Reporting Standards ("MPERS"). Nonetheless, for the purpose of the Accountants' Report, the combined financial statements for the Financial Years Under Review have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs") to comply with the requirements under the Prospectus Guidelines.

You should read the historical audited combined financial information below together with:-

- Management's Discussion and Analysis of Financial Conditions and Results of Operations set out in Section 11.3 of this Prospectus; and
- Accountants' Report set out in Section 12 of this Prospectus.

11.1.1 Historical audited combined statements of profit or loss and other comprehensive income

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Revenue	292,385	327,794	421,635	255,768
Cost of sales	(276,108)	(310,116)	(383,444)	(232,507)
GP	16,277	17,678	38,191	23,261
Other income	106	316	408	413
Administrative expenses	(6,275)	(5,660)	(6,311)	(7,132)
Net gain / (loss) on impairment of financial instruments and contract assets	-	-	(10,662)	6,030
Other expenses	(545)	(492)	(773)	(975)
Results from operating activities	9,563	11,842	20,853	21,597
Finance income	776	915	983	541
Finance costs	(322)	(327)	(286)	(344)
Net finance income	454	588	697	197
PBT	10,017	12,430	21,550	21,794
Tax expense	(2,717)	(3,535)	(5,999)	(5,526)
PAT	7,300	8,895	15,551	16,268
Other comprehensive income	-	-	-	-
Total comprehensive income for the financial year	7,300	8,895	15,551	16,268

11. FINANCIAL INFORMATION (Cont'd)

	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Earnings before interest, tax, depreciation and amortisation ("EBITDA") ⁽¹⁾	12,624	15,407	25,309	25,711
Assumed number of Shares in issue ⁽²⁾ ('000)	316,829	316,829	316,829	316,829
Basic and diluted EPS ⁽³⁾ (sen)	2.30	2.81	4.91	5.13
GP margin ⁽⁴⁾ (%)	5.57	5.39	9.06	9.09
EBITDA margin ⁽⁵⁾ (%)	4.32	4.70	6.00	10.05
PBT margin ⁽⁶⁾ (%)	3.43	3.79	5.11	8.52
PAT margin ⁽⁷⁾ (%)	2.50	2.71	3.69	6.36

Notes:-

(1) EBITDA is calculated as follows:-

	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
PBT	10,017	12,430	21,550	21,794
Adjusted for:				
Finance income	(776)	(915)	(983)	(541)
Finance costs	322	327	286	344
Depreciation	3,061	3,565	4,456	4,114
EBITDA	12,624	15,407	25,309	25,711

(2) The assumed number of Shares in issue after our Public Issue.

(3) Basic and diluted EPS is calculated based on the PAT divided by the assumed number of Shares in issue. There are no dilutive instruments as at the end of the current and previous financial years.

(4) GP margin is calculated based on GP divided by revenue.

(5) EBITDA margin is calculated based on EBITDA divided by revenue.

(6) PBT margin is calculated based on PBT divided by revenue.

(7) PAT margin is calculated based on PAT divided by revenue.

(The rest of this page has been intentionally left blank)

11. FINANCIAL INFORMATION (Cont'd)**11.1.2 Historical audited combined statements of financial position**

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Property, plant and equipment	11,215	14,225	9,607	9,118
Right-of-use assets	15,095	21,323	23,261	21,959
Total non-current assets	26,310	35,548	32,868	31,077
Trade and other receivables	107,286	132,782	119,734	78,983
Contract assets	19,737	38,634	37,494	45,486
Cash and cash equivalents	42,269	34,969	41,123	33,735
Total current assets	169,292	206,385	198,351	158,204
Total assets	195,602	241,933	231,219	189,281
EQUITY				
Share capital	-	-	-	^
Invested equity	1,500	1,500	1,500	1,500
Retained earnings	20,452	26,842	42,393	52,660
Total equity	21,952	28,342	43,893	54,160
LIABILITIES				
Loans and borrowings	5,907	4,674	4,078	3,363
Lease liabilities	4,540	5,964	5,842	3,046
Deferred tax liabilities	70	424	1,975	3,412
Total non-current liabilities	10,517	11,062	11,895	9,821
Trade and other payables	127,071	167,927	148,399	104,611
Loans and borrowings	9,412	2,715	13,744	13,160
Lease liabilities	4,248	6,148	5,759	4,618
Contract liabilities	21,705	24,562	3,992	2,589
Current tax liabilities	697	1,177	3,537	322
Total current liabilities	163,133	202,529	175,431	125,300
Total liabilities	173,650	213,591	187,326	135,121
Total equity and liabilities	195,602	241,933	231,219	189,281
NA	21,952	28,342	43,893	54,160

^ Denotes RM100

11. FINANCIAL INFORMATION (Cont'd)**11.2 CAPITALISATION AND INDEBTEDNESS**

The following table sets out the capitalisation and indebtedness:-

- (i) as at 28 February 2021, after taking into account the Acquisition of PTS but before our Public Issue and use of proceeds; and
- (ii) after adjusting for the proceeds arising from our Public Issue and use of proceeds.

	(Unaudited) As at 28 February 2021 RM'000	After Public Issue and use of proceeds RM'000
Indebtedness:		
<u>Current</u>		
<i>Secured and guaranteed</i>		
Loans and borrowings	10,034	10,034
Lease liabilities	3,927	3,927
<u>Non-current</u>		
<i>Secured and guaranteed</i>		
Loans and borrowings	3,245	3,245
Lease liabilities	2,603	2,603
Total indebtedness	19,809	19,809
Shareholders' equity	56,110	^ 100,260
Total capitalisation and indebtedness	75,919	120,069
Gearing ratio (times)*	0.35	0.20

Notes:-

^ After taking into consideration of the dividend amounting to RM8.00 million which will be paid to the entitled shareholders of PTS for the FYE 2020 prior to the Listing.

* Computed based on total indebtedness divided by shareholders' equity.

As at the LPD, there is no indirect and/or material contingent liabilities incurred by our Group, which may have a substantial impact on the financial position of our Group.

11.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Investors should read the following management's discussion and analysis of the financial conditions and results of operations in conjunction with the Accountants' Report as set out in Section 12 of this Prospectus.

The management's discussion and analysis contains data derived from our audited combined financial statements as well as forward-looking statements that involves risks and uncertainties. The actual results may differ significantly from the future results expressed or implied by such forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 8 of this Prospectus.

11. FINANCIAL INFORMATION (Cont'd)

11.3.1 Overview of our operations

Our Group is primarily involved in the provision of construction services including the construction of non-residential and residential buildings. Non-residential buildings include mixed-use commercial buildings, offices, serviced apartments and institutional buildings, while residential buildings include condominiums and affordable apartments. In 2018, we secured our first contract for design and construction of a hospital, which incorporated design as part of our scope.

Please refer to Section 6 of this Prospectus for the detailed business overview.

The key components of our statement of comprehensive income are as follows:-

(i) Revenue

The revenue for the Financial Years Under Review was mainly derived from the construction of non-residential buildings and residential buildings. The remaining of the revenue for the FYE 2018, FYE 2019 and FYE 2020 was derived from our design and construction of hospital. An insignificant amount of revenue was derived from the rental of machinery and equipment to third party construction contractors for the FYE 2017, FYE 2018 and FYE 2020. All our revenue for the Financial Years Under Review were derived in Malaysia.

(ii) Cost of sales

Cost of sales comprise subcontractor costs, construction materials, preliminaries and direct labour, details as follows:-

(a) Subcontractor cost

Subcontractor services costs are the main component of our cost of sales. We engage subcontractors mainly for building works and M&E works. Building works include reinforced concrete works, flooring, roofing, glazing and finishing works, while M&E works include supply and installation of all mechanical and electrical system such as lifts, fire protection system, air conditioning system, water supply and plumbing systems. We also engage subcontractors for landscaping and infrastructure works, labour supply to carry out on-site construction works, installation of amenities and facilities, earthworks and site preparation, and piling works.

(b) Construction materials

Construction materials cost comprise predominantly steel, concrete and cement materials. Other construction materials cost include brickwork materials, timber and plywood, doors and windows, tiles, sanitary wares and others

We generally purchase our construction materials based on our projects' requirements. These construction materials are sourced from local suppliers, selected based on the pricing, availability and lead time for delivery. Whilst we have maintained long-term business relationship with our selected suppliers, we also source for construction materials from new suppliers, if the need arises.

(c) Preliminaries

Preliminaries are expenses incurred for the management of the entire project and are miscellaneous in nature. It generally comprises project maintenance and overhead expenses. Other costs include bank interest, charges, commission, duties and levies, rental of machinery and equipment, depreciation, site management cost, utilities and others.

11. FINANCIAL INFORMATION (Cont'd)**(d) Direct labour cost**

Our direct labour cost comprises salaries, bonuses and other staff-related costs for employees who are directly involved in the construction projects, including amongst others, project managers, engineers, technicians and construction supervisors.

(iii) Other income

Other income includes primarily interest income, rental income and gain on assets disposal.

(iv) Administrative expenses

Administrative expenses comprise expenses that are not directly attributable to specific projects, which include salaries and emoluments, insurance, utilities, professional fees, and other administrative expenses.

(v) Finance costs

Finance costs comprise interest expense incurred on term loans, lease liabilities and bank overdraft from licensed banks.

11.3.2 Significant factors materially affecting our operations and financial results

Our business operations and financial conditions may be affected by factors including, but not limited to, the following:-

(i) Ability to secure new projects and ensure the continuity of our order book

Our principal business is the provision of construction services and our principal market is Malaysia. The construction industry in Malaysia is competitive and it is common for projects to be awarded based on competitive bidding.

The nature of construction business is project-based and construction contracts are on average over 2 to 3 years. As such, our revenue generated from the construction contracts in any financial year fluctuates depending on the number of projects and stage of completion of the projects we undertake. Our financial performance depends on our ability to secure new projects to sustain our order book. If we are not able to secure new projects on a continuous basis such that there is a significant decline in our order book or if the new projects we secure are not commercially favourable to us, our business growth and financial performance will be adversely affected.

Our order book is also subject to unexpected project cancellations, delays or postponement of the project which may occur from time to time. Any such delays, cancellations or postponement would reduce the value of our order book which will adversely affect our prospects and financial performance.

For further details, please refer to Risk Factors in Section 8.1.1 of this Prospectus.

(The rest of this page has been intentionally left blank)

11. FINANCIAL INFORMATION (Cont'd)**(ii) External factors which may result in a delay in the completion of projects**

We may be subject to external factors that are beyond our control, which may affect the timely completion of our projects. This includes, among others, timely receipt of regulatory approvals and permits required, satisfactory performance of subcontractors appointed, and continuous supply of foreign labour.

On 16 March 2020, the Government had announced the MCO to curb the spread of COVID-19 in Malaysia. During the MCO period, all the on-site construction activities of our projects were temporarily suspended. Our Directors noted that this is a temporary condition and we took steps to submit our applications to the MITI for resumption of on-site construction activities. Please refer to Section 6.4.14 of the Prospectus for details on the measures we have implemented in order to commence and continue our business operations, and the impact of COVID-19 on our business operations.

As our on-going projects were delayed due to the COVID-19 pandemic and suspension and slowdown of work during the MCO and conditional MCO periods, we have sought extension of time from our customers for our on-going projects. As at the LPD, we have received approvals for our applications for extension of time for the PPAM Sofiya Residensi Project, Kajang Women and Children Hospital Project, Emerald Hills (Phase 3) Project and Mutiara Central Project.

In addition to the above:-

- (i) on 21 September 2020, we entered into a supplemental agreement with the customer for the Emerald Hills (Phase 4) Project for extension of the expected completion date of the project to May 2024; and
- (ii) on 10 March 2021, an extension of time was granted by the Ministry of Works to March 2022 for the Kajang Women and Children Hospital Project due to the delay in approval for the technical specification adherence for the Group I medical equipment.

Our revenue recognition and billings are based on the construction works undertaken and completed by us in accordance with our contractual agreements with customers. Any delays in the completion of a project may affect our revenue recognition and billings and in turn, adversely affect our financial performance. Project delays could also lead to cost overrun and/or result in liquidated ascertained damages being imposed by our customers, which will further affect our financial performance. The reputation of our Group and future business opportunities may also be detrimentally affected by project delays caused by us.

For further details, please refer to Risk Factors in Sections 8.1.3 and 8.1.8 of this Prospectus.

(iii) Delay in collections or non-recoverability of trade receivables

At present, the credit terms granted to our customers range from 30 to 60 days. Our net average trade receivables turnover period (excluding retention sums) during the Financial Years Under Review were 57 days, 72 days, 57 days and 66 days, respectively. An extended delay in payment from our customers or failure to collect our retention fees, may have a material and adverse effect on our cash flow and working capital. Furthermore, the process to recover various payments due can be time-consuming and may require additional resources. Our inability to collect trade receivables or retention fees on a timely basis could materially and adversely affect our business, financial condition, results of operations and liquidity. Further details on our trade receivable turnover period is set out in Section 11.4.9 of this Prospectus.

11. FINANCIAL INFORMATION (Cont'd)

Additionally if our customers delay or default on payment, we will have to make allowance for impairment on uncollectible trade receivables or may be required to write-off uncollectible trade receivables as bad debts, which may adversely affect our financial performance.

(iv) Fluctuations in the prices of construction materials

The construction materials predominantly comprise of steel, concrete, cement, brickwork, timber and plywood, doors and windows, tiles, sanitary ware and others. Any fluctuation in the price of construction materials, which are beyond our control, could result in increased costs and may adversely impact our financial performance.

For further details, please refer to Risk Factors in Section 8.1.2 of this Prospectus.

(v) Impact of interest rate fluctuations

Bank borrowings are important sources of funding for our operations. With the exception of finance lease liabilities, all our borrowings were based on prevailing bank's base lending rate or base financing rate plus/minus a margin agreed with our banking institutions when respective loans and financing were granted. Our finance lease liabilities were charged based on the fixed rates.

In this respect, an increase in interest rates may impact our financial performance including profitability and margins. For the Financial Years Under Review and up to LPD, we have not defaulted on any payments of either principal sums and/or interests in relation to our borrowings.

For further details, please refer to Note 20.6.1 of the Accountants' Report set out in Section 12 of this Prospectus for our exposure to interest rate risk for the Financial Years Under Review.

(vi) Impact of government / economic / fiscal / monetary policies

Our business and the industry in which we operate is subject to the risks relating to government, economic, fiscal or monetary policies. Any adverse developments in the government policies, economic conditions or fiscal or monetary policies in Malaysia could unfavourably affect our financial and business prospects.

For further details, please refer to Risk Factors in Section 8.2.3 of this Prospectus.

(vii) Impact of inflation

There was no material impact of inflation on the financial results for the Financial Years Under Review.

The areas that inflation may affect our financial performance include increase in subcontractor cost, construction material cost and labour cost. While the Board believes that it will be able to pass on any future increases in cost of subcontractor, construction materials and labour to customers, there can be no assurance this will be the case and that the financial performance will not be materially affected by inflation in the future.

(The rest of this page has been intentionally left blank)

11. FINANCIAL INFORMATION (Cont'd)**11.3.3 Review of operations****(a) Revenue**

Revenue is recognised when the amount can be reliably measured and it is probable that future economic benefits will flow to the entity. When the outcome of a construction contract can be reliably estimated, the contract sum is recognised as revenue by reference to the stage of completion. The stage of completion is measured based on the proportion of contract costs incurred for work performed to-date in proportion to the estimated total contract costs.

When the outcome of a construction contract cannot be reliably estimated, the contract sum is recognised only to the extent of contract costs incurred. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

Analysis of revenue by segment

The breakdown of revenue by segment for the Financial Years Under Review is as follows:-

Segment	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Building construction								
- Non-residential	209,406	71.62	254,994	77.79	278,859	66.14	103,687	40.54
- Residential	82,847	28.33	71,271	21.74	119,902	28.44	102,176	39.95
Design and construction	-	-	1,496	0.46	22,874	5.42	49,901	19.51
Others ⁽¹⁾	132	0.05	33	0.01	-	-	4	*
Total revenue	292,385	100.00	327,794	100.00	421,635	100.00	255,768	100.00

Notes:-

* Negligible

(1) Includes rental of machinery and equipment to third party construction contractors.

Our revenue was mainly derived from the construction of non-residential buildings and residential buildings for the Financial Years Under Review. Our revenue had increased by RM35.41 million or 12.11% to RM327.79 million in the FYE 2018 (FYE 2017: RM292.39 million). Our revenue had further increased by RM93.84 million or 28.63% to RM421.64 million in the FYE 2019 (FYE 2018: RM327.79 million). In FYE 2020, our revenue had decreased by RM165.87 million or 39.34% to RM255.77 million (FYE 2019: RM421.64 million).

(The rest of this page has been intentionally left blank)

11. FINANCIAL INFORMATION (Cont'd)

The revenue for the Financial Years Under Review was mainly contributed by the following projects:-

Projects	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
<u>Non-residential</u>				
TWY Mont Kiara Project	-	15,420	97,941	54,790
Mutiara Central Project	-	-	7,470	27,526
Menara TCM Project	12,307	58,836	76,485	13,537
Geo Bukit Rimau Project	27,828	113,433	63,591	4,988
Riana Dutamas (Phase 2) Project	-	-	-	1,842
RUMAWIP SkyAwani Residence Project	116,031	29,620	1,674	1,327
Nadayu 63 Project	35,079	25,093	27,292	⁽³⁾ (1,248)
PNV Project ⁽¹⁾⁽²⁾	1,995	5,388	62	847
Setia Sky Residences (Celeste Tower) Project ⁽¹⁾	243	2,150	402	63
Setia Sky Residences (Divina Tower) Project ⁽¹⁾	3,112	2,065	2,150	15
Tropicana International School Project ⁽¹⁾	7,246	87	2,100	-
Top Glove Tower Project ⁽¹⁾	4,726	1,667	53	-
Other non-residential projects ⁽¹⁾	839	1,235	⁽³⁾ (361)	-
	209,406	254,994	278,859	103,687
<u>Residential</u>				
Emerald Hills (Phase 3) Project	-	429	35,618	61,857
PPAM Sofiya Residensi Project	289	20,060	76,593	33,530
Emerald Hills (Phase 4) Project	-	-	1,721	6,049
Grand Medini Residence Project	79,914	50,909	5,920	680
Tuai Residence Project	-	-	-	60
Brickfields Apartment Project ⁽¹⁾	2,520	107	-	-
Other residential projects ⁽¹⁾	124	⁽³⁾ (234)	50	-
	82,847	71,271	119,902	102,176
<u>Design and construction</u>				
Kajang Women and Children Hospital Project	-	1,496	22,874	49,901
Others	132	33	-	4
Total revenue	292,385	327,794	421,635	255,768

Notes:-

- (1) The projects were completed prior to the Financial Years Under Review. The revenue recognised subsequent to the completion date was attributed to balance of works arising from variation of order in the contract upon finalisation of the accounts of the respective projects after completion.
- (2) Consists of both Phase 1 and Phase 2 of the PNV Project.

11. FINANCIAL INFORMATION (Cont'd)

- (3) Negative revenue recorded for the projects was mainly due to reduction in final quantities of work and contract sum arising from variation of order in the contract upon finalisation of the accounts of the respective projects after completion.

FYE 2017 compared to FYE 2018

In the FYE 2018, we recorded an increase in revenue of RM35.41 million or 12.11% to RM327.79 million (FYE 2017: RM292.39 million) mainly due to increase in revenue from the non-residential segment.

The non-residential segment recorded an increase in revenue by RM45.59 million or 21.77% to RM254.99 million in the FYE 2018 (FYE 2017: RM209.41 million). The increase in revenue from the non-residential segment was mainly attributed to the increase in level of construction activities for the following projects:-

- (i) Geo Bukit Rimau Project, which commenced construction in July 2017 and recorded an increase in revenue of RM85.61 million or 307.62% to RM113.43 million for FYE 2018 (FYE 2017: RM27.83 million) for structural works, architectural works and M&E works;
- (ii) Menara TCM Project, which commenced construction in July 2017 and recorded an increase in revenue of RM46.53 million or 378.07% to RM58.84 million for FYE 2018 (FYE 2017: RM12.31 million) for structural works, architectural works and M&E works; and
- (iii) TWY Mont Kiara Project, which commenced construction in September 2018 and recorded a revenue of RM15.42 million in FYE 2018 for construction works including earthworks and site preparation.

Meanwhile, we recorded a decrease in revenue from RUMAWIP SkyAwani Residence Project by RM86.41 million or 74.47% to RM29.62 million in the FYE 2018 (FYE 2017: RM116.03 million) mainly due to completion of substantial construction work in the FYE 2017. The project was completed in July 2018. The Nadayu 63 Project recorded a decrease in revenue by RM9.99 million or 28.47% to RM25.09 million in the FYE 2018 (FYE 2017: RM35.08 million) mainly due to structural design amendments which affected the work progress.

The residential segment recorded a decrease in revenue by RM11.58 million or 13.97% to RM71.27 million in the FYE 2018 (FYE 2017: RM82.85 million) mainly due to lesser construction works performed for Grand Medini Residence Project as it was in its final year of construction. The revenue from Grand Medini Residence Project had decreased by RM29.01 million or 36.30% to RM50.91 million in the FYE 2018 (FYE 2017: RM79.91 million). The project was completed in August 2018. The decrease was offset by an increase in revenue from the PPAM Sofiya Residensi Project by RM19.77 million to RM20.06 million in the FYE 2018 (FYE 2017: RM0.29 million), which commenced construction in December 2017. The increase in revenue was for performing the structural works, architectural works and M&E works.

In the FYE 2018, we commenced the design and construction of the Kajang Women and Children Hospital Project recording a revenue of RM1.50 million for pre-construction works including earthworks and site preparation.

(The rest of this page has been intentionally left blank)

11. FINANCIAL INFORMATION (Cont'd)**FYE 2018 compared to FYE 2019**

In the FYE 2019, we recorded an increase in revenue of RM93.84 million or 28.63% to RM421.64 million (FYE 2018: RM327.79 million) mainly from our non-residential segment.

The increase in revenue from our non-residential segment for the FYE 2019 was mainly contributed by the following projects:-

- (i) TWY Mont Kiara Project and Menara TCM Project which continued to record high level of construction activities such as structural works, architectural works and M&E works. The revenue from TWY Mont Kiara Project had increased by RM82.52 million to RM97.94 million or 535.16% in the FYE 2019 (FYE 2018: RM15.42 million). The revenue from Menara TCM Project had increased by RM17.65 million or 30.00% to RM76.49 million in the FYE 2019 (FYE 2018: RM58.84 million). The 2 projects recorded a combined revenue of RM174.43 million (FYE 2018: RM74.26 million);
- (ii) Nadayu 63 Project which recorded high level of construction activities for structural works, architectural works and M&E works, recorded an increase of RM2.20 million or 8.76% to RM27.29 million in revenue for FYE 2019 (FYE 2018: RM25.09 million); and
- (iii) Mutiara Central Project which was in the initial stages of construction, having commenced in June 2019, recorded a revenue of RM7.47 million in the FYE 2019. For this project we mainly performed structural works.

We recorded a decrease in revenue from our Geo Bukit Rimau Project by RM49.84 million or 43.94% to RM63.59 million in the FYE 2019 (FYE 2018: RM113.43 million) mainly due to lesser construction works compared to the previous financial year as the project was nearing to its completion. The project was completed in September 2019.

The residential segment recorded an increase in revenue of RM48.63 million or 68.23% to RM119.90 million in the FYE 2019 (FYE 2018: RM71.27 million). The increase in revenue was mainly from the following projects:-

- (i) PPAM Sofiya Residensi Project which continued to record high level of construction activities including structural works, architectural works and M&E works, recorded an increase in revenue by RM56.53 million or 281.82% to RM76.59 million in FYE 2019 (FYE 2018: RM20.06 million); and
- (ii) Emerald Hills (Phase 3) Project which commenced construction in November 2018 and recorded an increase in revenue by RM35.19 million to RM35.62 million in FYE 2019 (FYE 2018: RM0.43 million) from structural works, architectural works and M&E works.

In October 2019, we commenced the Emerald Hills (Phase 4) Project for which we recorded a revenue of RM1.72 million in the FYE 2019 mainly for structural works. Meanwhile, the Grand Medini Residence Project, which was completed in August 2018 recorded a decrease in revenue by RM44.99 million or 88.37% to RM5.92 million in FYE 2019 (FYE 2018: RM50.91 million). The revenue was mainly for the balance of works such as installation of lift, flooring, door works and landscaping.

Our Kajang Women and Children Hospital Project recorded an increase in revenue of RM21.38 million to RM22.87 million (FYE 2018: RM1.50 million) mainly for performing the piling, structural works, architectural works and M&E works.

11. FINANCIAL INFORMATION (Cont'd)**FYE 2019 compared to FYE 2020**

As set out in the Industry Overview under Section 7 of this Prospectus, the COVID-19 pandemic had resulted in a decline in the construction activities in both residential and non-residential segments in FYE 2020. The pandemic and the consequential containment measures had also affected the overall performance of our Group in FYE 2020 as compared to FYE 2019. Notwithstanding this, in FYE 2020, we secured one new construction project, namely Riana Dutamas (Phase 2) Project which commenced construction in December 2020. The general slowdown of the construction industry coupled with the completion of a number of projects in FYE 2019 and FYE 2020 resulted in lower construction activities performed by our Group and led to a decrease in revenue in FYE 2020. In the FYE 2020, we recorded a decrease in revenue of RM165.87 million or 39.34% to RM255.77 million (FYE 2019: RM421.64 million).

The non-residential segment recorded a decrease of RM175.17 million or 62.82% to RM103.69 million in FYE 2020 (FYE 2019: RM278.86 million). In addition to temporary suspension and slowdown of construction activities of the non-residential projects, the decrease was also due to the following:-

- (i) TWY Mont Kiara Project which recorded a decrease in revenue by RM43.15 million or 44.06% to RM54.79 million in FYE 2020 (FYE 2019: RM97.94 million) mainly due to lesser construction works compared to previous financial year as the project was completed in October 2020;
- (ii) Menara TCM Project which recorded a decrease in revenue by RM62.95 million or 82.30% to RM13.54 million in FYE 2020 (FYE 2019: RM76.49 million) as majority of the construction works were completed in FYE 2019. The project was completed in September 2020 and the revenue recorded in FYE 2020 was for the balance of works performed;
- (iii) Geo Bukit Rimau Project which recorded a decrease in revenue by RM58.60 million or 92.16% to RM4.99 million in FYE 2020 (FYE 2019: RM63.59 million) following the completion of the project in September 2019 and the revenue recorded was for the balance of works performed; and
- (iv) negative revenue recorded for Nadayu 63 Project mainly due to reduction of final quantities of work and contract sum upon remeasurement during the finalisation of the account.

Meanwhile, we recorded an increase in revenue from Mutiara Central Project by RM20.06 million or 268.49% to RM27.53 million (FYE 2019: RM7.47 million). The construction of this project commenced in June 2019 and recorded a higher level of construction activities for structural works, architectural works and M&E works in FYE 2020. We also recorded revenue of RM1.84 million from Riana Dutamas (Phase 2) Project, which commenced construction works in December 2020.

The residential segment recorded a decrease in revenue by RM17.73 million or 14.78% to RM102.18 million in FYE 2020 (FYE 2019: RM119.90 million). This was attributable to the decrease in revenue from PPAM Sofiya Residensi Project by RM43.06 million or 56.22% to RM33.53 million (FYE 2019: RM76.59 million) arising from the completion of substantial structural works in the previous financial year. The decrease was partially offset by the increase in revenue for Emerald Hills (Phase 3) Project due to an increase in construction activities.

The Kajang Women and Children Hospital Project recorded an increase in revenue by RM27.03 million or 118.16% to RM49.90 million in FYE 2020 (FYE 2019: RM22.87 million), mainly due to the increase in structural works compared to FYE 2019.

11. FINANCIAL INFORMATION (Cont'd)**(b) Cost of sales**

The cost of sales for each project is determined based on a contract cost estimate at the beginning of each project. The contract cost is estimated based on expected costs of construction, materials and equipment, subcontracting costs, project duration, labour costs and other contingencies. The contract cost is affected by fluctuation in the price of construction materials, such as steel, concrete and cement which comprise a significant portion of the overall costs. Generally, the contract cost estimate will be revised during the construction period to reflect the actual cost of construction.

Analysis of cost of sales by cost component

The breakdown of cost of sales by cost component for the Financial Years Under Review is as follows:-

Type of cost component	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Subcontractor cost	163,152	59.09	201,459	64.97	267,827	69.85	158,168	68.03
Construction materials	79,009	28.62	73,507	23.70	66,971	17.46	39,144	16.83
Preliminaries	24,886	9.01	25,001	8.06	35,889	9.36	23,661	10.18
Direct labour cost	9,061	3.28	10,149	3.27	12,757	3.33	11,534	4.96
Total cost of sales	276,108	100.00	310,116	100.00	383,444	100.00	232,507	100.00

The major components of our cost of sales are subcontractor costs and construction materials. Collectively, the subcontractor costs and construction materials constitute 87.71%, 88.67%, 87.31% and 84.86% of the total cost of sales for the FYE 2017, FYE 2018, FYE 2019 and FYE 2020, respectively.

Analysis of cost of sales by segment

The breakdown of cost of sales by segment for the Financial Years Under Review is as follows:-

Segment	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Non-residential	196,780	71.27	238,670	76.96	253,266	66.05	95,919	41.26
Residential	79,328	28.73	70,070	22.60	110,228	28.75	95,871	41.23
Design and construction	-	-	1,376	0.44	19,950	5.20	40,717	17.51
Total cost of sales	276,108	100.00	310,116	100.00	383,444	100.00	232,507	100.00

Consistent with our revenue, the cost of sales for the past Financial Years Under Review was mainly attributable to non-residential and residential segments. Non-residential segment contributed 71.27%, 76.96%, 66.05% and 41.26% of the total cost of sales for the FYE 2017 to FYE 2020, respectively, while residential segment contributed 28.73%, 22.60%, 28.75% and 41.23% of the total cost of sales for the FYE 2017 to FYE 2020, respectively.

11. FINANCIAL INFORMATION (Cont'd)**FYE 2017 compared to FYE 2018**

Our cost of sales increased by RM34.01 million or 12.32% to RM310.12 million for the FYE 2018 (FYE 2017: RM276.11 million). This was in line with the increase of RM35.41 million or 12.11% in revenue mainly from non-residential segment during the same period.

The increase in cost of sales was mainly due to the following:-

- (i) increase in subcontractor cost by RM38.31 million or 23.48% to RM201.46 million in the FYE 2018 (FYE 2017: RM163.15 million) mainly due to higher construction activities for our Geo Bukit Rimau Project, Menara TCM Project and TWY Mont Kiara Project; and
- (ii) increase in direct labour cost for full time employees of our Group who are directly involved in the construction projects by RM1.09 million or 12.01% to RM10.15 million in the FYE 2018 (FYE 2017: RM9.06 million) mainly due to increase in workforce to accommodate the increase in construction activities for Geo Bukit Rimau Project, Menara TCM Project and PPAM Sofiya Residensi Project.

The increase in subcontractor and direct labour costs was offset by a decrease in construction materials by RM5.50 million or 6.96% to RM73.51 million in FYE 2018 (FYE 2017: RM79.01 million) mainly due to:-

- (i) the purchase of construction materials by subcontractors instead of purchasing directly, which contributed to a decrease in the construction materials cost component; and
- (ii) decrease in the average purchase price of concrete materials by 6.02% to RM203 per cubic meter in the FYE 2018 (FYE 2017: RM216 per cubic meter).

FYE 2018 compared to FYE 2019

Our cost of sales increased by RM73.33 million or 23.65% to RM383.44 million for the FYE 2019 (FYE 2018: RM310.12 million), which was in line with the increase in revenue for all 3 business segments. The increase in cost items was mainly due to:-

- (i) increase in subcontractor cost of RM66.37 million or 32.94% to RM267.83 million for the FYE 2019 (FYE 2018: RM201.46 million) due to increase in the level of construction activities for Menara TCM Project, TWY Mont Kiara Project, Kajang Women and Children Hospital Project and PPAM Sofiya Residensi Project. The increase was in line with the increase in revenue recognised for the projects;
- (ii) increase in preliminaries cost such as site management costs, rental and installation of machinery and equipment and other related project maintenance and overhead expenses by RM10.89 million or 43.55% to RM35.89 million for the FYE 2019 (FYE 2018: RM25.00 million) with the commencement of Mutiara Central Project and Emerald Hill (Phase 4) Project in June 2019 and October 2019, respectively; and
- (iii) increase in direct labour cost for full time employees of our Group who are directly involved in the construction projects by RM2.61 million or 25.70% to RM12.76 million for the FYE 2019 (FYE 2018: RM10.15 million) due to increase in workforce to accommodate the increase in construction activities for TWY Mont Kiara Project and Emerald Hills (Phase 3) Project.

The increase was offset by a decrease in construction materials cost by RM6.54 million or 8.89% to RM66.97 million for the FYE 2019 (FYE 2018: RM73.51 million) due to decrease in the average purchase price in the FYE 2019 of the following:-

- (i) steel bars by 17.69% to RM2,196 per tonne (FYE 2018: RM2,668 per tonne); and
- (ii) concrete by 4.93% to RM193 per cubic meter (FYE 2018: RM203 per cubic meter).

11. FINANCIAL INFORMATION (Cont'd)**FYE 2019 compared to FYE 2020**

Our cost of sales decreased by RM150.94 million or 39.36% to RM232.51 million for FYE 2020 (FYE 2019: RM383.44 million) in line with the decrease in revenue for the year. The lower cost of sales was mainly due to the decrease in subcontractor cost by RM109.66 million or 40.94% to RM158.17 million (FYE 2019: RM267.83 million) upon the completion of major structural works for a number of projects in FYE 2019 and also due to the temporary suspension and slowdown of on-site construction activities during the MCO and conditional MCO periods. We did not incur any cost for subcontractor works or construction materials save for the rental of machinery during the period of suspension.

The decrease in the cost of sales for the non-residential and residential segments was also in line with the completion of major construction works of projects in FYE 2019. The cost of sales for the non-residential segment decreased by RM157.35 million or 62.13% to RM95.92 million (FYE 2019: RM253.27 million) due to the following:-

- (i) completion of substantial main construction works for Menara TCM Project and TWY Mont Kiara Project in FYE 2019; and
- (ii) lesser costs incurred for Geo Bukit Rimau Project which was completed in September 2019. In FYE 2020, our Group had only undertaken balance of works for this project.

The cost of sales for the residential segment decreased by RM14.36 million or 13.02% to RM95.87 million (FYE 2019: RM110.23 million) due to completion of substantial structural works for PPAM Sofiya Residensi Project in previous financial year.

However, we recorded an increase of RM20.77 million or 104.10% in the cost of sales for the design and construction segment to RM40.72 million in FYE 2020 (FYE 2019: RM19.95 million), which was in line with the increase in structural works for the segment during the financial year.

(c) GP and GP margin

We price our construction projects based on cost estimates which depends on various factors, including but not limited to the project's scale, complexity and specifications. As such the GP and GP margin are much dependent on the accuracy of our pricing during the tender and/or negotiation stage. The GP and GP margin may fluctuate year-on-year as each project differs in terms of project duration, profit margin and costs and stages of the construction.

GP and GP margin by segment

GP	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Non-residential	12,626	77.57	16,324	92.34	25,593	67.01	7,768	33.39
Residential	3,519	21.62	1,201	6.79	9,674	25.33	6,305	27.11
Design and construction	-	-	120	0.68	2,924	7.66	9,184	39.48
Others	132	0.81	33	0.19	-	-	4	0.02
Total GP	16,277	100.00	17,678	100.00	38,191	100.00	23,261	100.00

11. FINANCIAL INFORMATION (Cont'd)

	FYE 2017	FYE 2018	FYE 2019	FYE 2020
GP margin	%	%	%	%
Non-residential	6.03	6.40	9.18	7.49
Residential	4.25	1.69	8.07	6.17
Design and construction	-	8.02	12.78	18.40
Overall GP margin	5.57	5.39	9.06	9.09

The GP and GP margin of a project will fluctuate through its construction period when the contract cost estimate is updated to reflect the actual cost of construction during the construction period, such as the construction materials market price. Any reduction in the revision of the contract cost will improve the GP and GP margin of the project.

FYE 2017 compared to FYE 2018

Our GP increased by RM1.40 million or 8.61% to RM17.68 million for the FYE 2018 (FYE 2017: RM16.28 million) mainly due to increase in GP in the non-residential segment.

Our non-residential segment recorded an increase in GP by RM3.70 million or 29.29% to RM16.32 million in the FYE 2018 (FYE 2017: RM12.63 million) mainly due to an increase in level of construction activities and a higher margin project with specific design and build façade and prestressed structural works which contributed to the increase in GP in the segment.

Our residential segment recorded a decrease in GP by RM2.32 million or 65.87% to RM1.20 million in the FYE 2018 (FYE 2017: RM3.52 million). The higher GP in FYE 2017 as compared to FYE 2018 was mainly due to recognition of balance revenue of RM2.44 million in FYE 2017 upon finalisation of accounts for a project that was completed.

Our overall GP margin decreased to 5.39% in the FYE 2018 from 5.57% in the FYE 2017. The decrease in GP margin was due to the decrease in our margin in the residential segment for the FYE 2018 mainly due to a lower margin project.

GP margin for non-residential segment increased from 6.03% to 6.40% due to the decrease in average price of concrete purchased in the FYE 2018 which led to cost savings compared to initial budgeted costs.

Our Kajang Women and Children Hospital Project commenced construction in the FYE 2018 recorded a GP of RM0.12 million and GP margin of 8.02%.

FYE 2018 compared to FYE 2019

In the FYE 2019, we recorded a higher GP of RM38.19 million (FYE 2018: RM17.68 million) representing an increase of RM20.51 million or 116.04% due to an increase in GP for all 3 segments as follows:-

- (i) our non-residential segment recorded an increase in GP by RM9.27 million or 56.78% to RM25.59 million in the FYE 2019 (FYE 2018: RM16.32 million) mainly due to increase in level of construction activities for higher margin projects coupled with cost savings achieved from lower construction materials price in FYE 2019;
- (ii) our residential segment recorded an increase in GP by RM8.47 million or 705.50% to RM9.67 million in the FYE 2019 (FYE 2018: RM1.20 million) mainly due to increase in level of construction activities for higher margin projects and revision of cost for a project that was completed in FYE 2018; and

11. FINANCIAL INFORMATION (Cont'd)

- (iii) our design and construction segment recorded an increase in GP by RM2.80 million to RM2.92 million in the FYE 2019 (FYE 2018: RM0.12 million) due to increase in construction activities and installation of M&E.

The increase in GP in FYE 2019 resulted in an increase in the overall GP margin to 9.06% (FYE 2018: 5.39%) and was mainly contributed by:-

- (i) higher gross profit margin achieved from the Kajang Women and Children Hospital Project due to increased scope of work which includes the design of the building and installation of M&E. Generally, the additional scope of work in a design and construction project generates higher margins compared to other projects;
- (ii) actual purchase price of construction materials such as steel and concrete were lower than the budgeted costs;
- (iii) cost improvement measures such as our efforts taken to reduce defects costs by better implementation of the IBS technique in our construction works; and
- (iv) completion of the Geo Bukit Rimau Project and the progress of the Menara TCM Project which were ahead of work schedule resulting in savings for preliminaries such as site management costs, utilities and other related overhead expenses.

FYE 2019 compared to FYE 2020

In FYE 2020, our GP decreased by RM14.93 million or 39.09% to RM23.26 million (FYE 2019: RM38.19 million) which was in line with the decrease in revenue. The decrease in GP was attributed to the decrease in the GP for our non-residential segment by RM17.83 million or 69.65% to RM7.77 million in the FYE 2020 (FYE 2019: RM25.59 million) and decrease in GP for the residential segment by RM3.37 million or 34.83% to RM6.31 million in the FYE 2020 (FYE 2019: RM9.67 million), due to decrease in level of construction activities in both segments.

Meanwhile, we recorded an increase in the GP for our design and construction segment by RM6.26 million or 214.09% to RM9.18 million in the FYE 2020 (FYE 2019: RM2.92 million) mainly due to the increase in level of construction activities during the financial year.

Nonetheless, the overall GP margin increased to 9.09% in the FYE 2020 as compared to 9.06% in the FYE 2019, which was mainly contributed by the GP margin of the design and construction segment of 18.40%. The GP margin of the design and construction segment improved from 12.78% to 18.40% mainly due to lower actual subcontractors' price as compared to initial budgeted price.

GP margin for the non-residential segment decreased from 9.18% to 7.49% mainly due to the finalisation of accounts for a project where the final cost was higher than the budgeted cost. Whereas, the decrease in GP margin for the residential segment from 8.07% to 6.17% was mainly due to the preliminaries cost incurred on the deferment of the superstructural work of a project in FYE 2020.

(The rest of this page has been intentionally left blank)

11. FINANCIAL INFORMATION (Cont'd)**(d) Interest and other income**

The breakdown of interest and other income for the Financial Years Under Review is as follows:-

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest income	776	87.98	915	74.33	983	70.67	541	56.71
Other income								
PrihatinPKS+ Wage subsidy programme	-	-	-	-	-	-	180	18.86
Administrative charges to subcontractors	90	10.21	86	6.99	111	7.98	126	13.21
Rental income	-	-	198	16.08	65	4.67	39	4.09
Others ⁽¹⁾	16	1.81	32	2.60	232	16.68	68	7.13
	106	12.02	316	25.67	408	29.33	413	43.29
Total other income	882	100.00	1,231	100.00	1,391	100.00	954	100.00

Note:-

- (1) Others mainly consist of gain on disposal of assets and write-off of advances owing to a related party.

For the FYE 2018, the interest income increase by RM0.14 million or 17.91% to RM0.92 million (FYE 2017: RM0.78 million) was mainly attributable to higher deposit placed with licensed banks. The other income increased by RM0.21 million or 198.11% to RM0.32 million (FYE 2017: RM0.11 million) mainly due to rental income from 2 units of property located at Bandar Puteri, Puchong and rental of land charged to a concrete supplier for their on-site batching plant usage.

For the FYE 2019, the interest income increased by RM0.07 million or 7.43% to RM0.98 million (FYE 2018: RM0.92 million) mainly attributable to higher deposit placed with licensed banks. The other income increased by RM0.09 million or 29.11% to RM0.41 million (FYE 2018: RM0.32 million) mainly due to write-off of advances amounting to RM0.23 million, owing to a former shareholder of TSHSB following a waiver on repayment of the advances by the shareholder.

For the FYE 2020, the interest income decreased by RM0.44 million or 44.96% to RM0.54 million (FYE 2019: RM0.98 million) mainly attributable to lower deposits placed with licensed banks and lower interest rates. The other income increase by RM0.005 million or 1.23% to RM0.413 million in FYE 2020 (FYE 2019: RM0.408 million). The increase was mainly attributable to the one-off wages subsidy received under the Prihatin Rakyat Economic Stimulus Package (PrihatinPKS+) Wage Subsidy Programme from Social Security Organization (PERKESO).

(The rest of this page has been intentionally left blank)

11. FINANCIAL INFORMATION (Cont'd)**(e) Administrative and other expenses**

The breakdown of administrative and other expenses for the Financial Years Under Review is as follows:-

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Administrative expenses								
Salaries and other emoluments	3,980	58.36	3,901	63.41	4,208	59.40	4,215	52.00
Professional fees	68	1.00	166	2.70	342	4.83	1,465	18.07
Employee expenses	541	7.93	502	8.16	412	5.82	305	3.76
Store expenses	395	5.79	455	7.40	458	6.47	286	3.53
Stamp duty and levy charges	176	2.58	1	0.02	241	3.40	151	1.86
Repair and maintenance	101	1.48	117	1.90	124	1.75	150	1.85
Utilities	58	0.85	58	0.94	62	0.88	61	0.75
Telecommunication	50	0.73	46	0.75	45	0.63	52	0.64
Insurance	95	1.39	84	1.36	121	1.71	49	0.60
Travelling and accommodation	151	2.22	88	1.43	66	0.93	43	0.53
Management fee to TSHSB	357	5.24	-	-	-	-	-	-
Other administrative expenses ⁽¹⁾	303	4.44	242	3.93	232	3.27	355	4.38
	6,275	92.01	5,660	92.00	6,311	89.09	7,132	87.97
Other expenses								
Trade receivables written-off	-	-	-	-	-	-	688	8.49
Depreciation	538	7.89	488	7.93	379	5.35	283	3.49
Loss on assets disposal	-	-	-	-	380	5.36	4	0.05
Tools and equipment	7	0.10	4	0.07	14	0.20	-	-
	545	7.99	492	8.00	773	10.91	975	12.03
Total administrative and other expenses	6,820	100.00	6,152	100.00	7,084	100.00	8,107	100.00

Note:-

- (1) Other administrative expenses consist mainly of tender documentation fees, printing and stationery expenses, license and registration fees, and staff training related expenses.

FYE 2017 compared to FYE 2018

The total administrative and other expenses decreased by RM0.67 million or 9.79% to RM6.15 million in the FYE 2018 (FYE 2017: RM6.82 million). The decrease was mainly due to cessation of management fee to TSHSB and non-recurring stamp duty which were paid in the FYE 2017.

The decrease was offset by an increase in our professional fees by RM0.10 million or 144.12% to RM0.17 million in the FYE 2018 (FYE 2017: RM0.07 million) in relation to audit, tax agent and tender consultation fee.

11. FINANCIAL INFORMATION (Cont'd)**FYE 2018 compared to FYE 2019**

The total administrative and other expenses increased by RM0.93 million or 15.15% to RM7.08 million in the FYE 2019 (FYE 2018: RM6.15 million). The increase was mainly due to the following:-

- (i) increase in salaries and emoluments, levy charges and also professional fees in relation to our IPO by RM0.71 million; and
- (ii) loss on disposal of assets of RM0.38 million arising from the disposal of obsolete scaffoldings.

FYE 2019 compared to FYE 2020

The total administrative and other expenses increased by RM1.02 million or 14.44% to RM8.11 million in the FYE 2020 (FYE 2019: RM7.08 million). The increase was mainly due to the following:-

- (i) increase in professional fees in relation to our IPO by RM1.13 million; and
- (ii) trade receivables of RM0.69 million written-off arising from discontinuation of the subcontractors' services due to work performance reasons. The amount owing by the subcontractors are in relation to materials purchased on behalf, administrative charges and backcharges of work performed and safety compliance expenses.

(f) Net gain / loss on impairment of financial instruments and contract assets

We did not incur any net gain or loss on impairment of financial instruments and contract assets in the FYE 2017 and FYE 2018.

In the FYE 2019, a net loss on impairment of financial instruments and contract assets of RM10.66 million was incurred due to the following:-

- (i) provision of RM10.44 million for outstanding receivables comprising full provision of RM6.66 million for outstanding receivable from the Phase 1 of PNV Project and partial provision of RM3.78 million for outstanding receivable from the Phase 2 of PNV Project, which was under litigation. The total outstanding receivables from the PNV Project before and after the abovementioned provisions are RM20.93 million and RM10.49 million, respectively. Please refer to Section 13.6 of this Prospectus for further details on the litigation and our Board's that no impairment is required for the balance outstanding of RM10.49 million; and
- (ii) deposits written-off of RM0.22 million due to termination of sale and purchase agreements for the acquisition of properties.

Following the impairment, our PBT in the FYE 2019 was RM21.55 million. For illustrative purpose, if there was no adjustment for the impairment of financial instruments and contract assets of RM10.66 million, our PBT in the FYE 2019 would stand at RM32.21 million.

In FYE 2020, we entered into settlement terms for the PNV Project. Please refer to Section 13.6 of this Prospectus for the settlement terms. Following the settlement, a reversal of impairment arising from financial instruments and contract assets of RM6.03 million was recorded in the FYE 2020.

11. FINANCIAL INFORMATION (Cont'd)**(g) Finance cost**

The breakdown of finance cost for the Financial Years Under Review is as follows:-

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Term loan interest	298	92.55	309	94.50	275	96.15	325	94.48
Interest expenses on lease liabilities	21	6.52	12	3.67	8	2.80	7	2.03
Bank charges	3	0.93	6	1.83	3	1.05	12	3.49
Total	322	100.00	327	100.00	286	100.00	344	100.00

FYE 2017 compared to FYE 2018

In the FYE 2018, our finance costs increased by RM5,000 or 1.55% to RM0.33 million in the FYE 2018 (FYE 2017: RM0.32 million) due to higher term loan interest and bank charges incurred for stamp duty on bank documents. The term loan was used to finance the purchase of a leasehold land and our current office building. Our hire purchase was used to finance the purchase of motor vehicles and aluminium formworks.

FYE 2018 compared to FYE 2019

In the FYE 2019, our finance costs decreased by RM0.04 million or 12.54% to RM0.29 million in the FYE 2019 (FYE 2018: RM0.33 million) due to lower term loan interest and interest expenses on lease liabilities due to completion of 3 hire purchase leases and termination of a term loan for a property disposed during the financial year.

FYE 2019 compared to FYE 2020

In the FYE 2020, our finance cost increased by RM0.06 million or 20.28% to RM0.34 million (FYE 2019: RM0.29 million) mainly due to higher overdraft interest and higher bank guarantee charges.

(h) PBT and PAT

	FYE 2017	FYE 2018	FYE 2019	FYE 2020
PBT (RM'000)	10,017	12,430	21,550	21,794
PBT margin (%)	3.43	3.79	5.11	8.52
PAT (RM'000)	7,300	8,895	15,551	16,268
PAT margin (%)	2.50	2.71	3.69	6.36

The profit margin achieved by our Group is dependent on, amongst others, the market conditions as well as the type of projects secured and their stages of completion during the financial years. For e.g. design and construction projects generally generate higher margins compared to other projects mainly due to the additional scope of work involved.

Our profit margin for the FYE 2017 was relatively low during the Financial Years Under Review mainly due to the mix of non-residential and residential projects in the FYE 2017. The profit margin in FYE 2018 improved mainly due to the commencement of the Kajang Women and Children Hospital Project, cost improvement measures and lower administrative expenses during the financial year.

11. FINANCIAL INFORMATION (Cont'd)

In the FYE 2019, our profit margin had further improved due to increase in design and construction activities for the Kajang Women and Children Hospital Project, which has higher margins compared to other projects. For illustrative purposes, if there was no adjustment for the impairment of financial instruments and contract assets of RM10.66 million as mentioned in Section 11.3.3(f) of this Prospectus, the PBT margin and PAT margin in the FYE 2019 would be significantly higher at 7.64% and 5.51%, respectively.

FYE 2017 compared to FYE 2018

For the FYE 2018, our PBT increased by RM2.41 million or 24.09% to RM12.43 million (FYE 2017: RM10.02 million) mainly contributed by the increase in GP, reduction of other administrative expenses and increase in interest income. As such, our PBT margin also increased to 3.79% in the FYE 2018 (FYE 2017: 3.43%).

Our PAT increased by RM1.60 million or 21.85% to RM8.90 million in the FYE 2018 (FYE 2017: RM7.30 million) and PAT margin improved to 2.71% (FYE 2017: 2.50%) in the FYE 2018, which are consistent with the growth of our PBT and PBT margin.

FYE 2018 compared to FYE 2019

For the FYE 2019, our PBT increased by RM9.12 million or 73.37% to RM21.55 million (FYE 2018: RM12.43 million) which was in line with the increase in GP. The increase in PBT was partially offset by the net loss on impairment of financial instruments and contract assets of RM10.66 million. As a result of the increase in PBT, our PBT margin also increased to 5.11% in the FYE 2019 (FYE 2018: 3.79%).

Correspondingly, our PAT increased by RM6.66 million or 74.83% to RM15.55 million in the FYE 2019 (FYE 2018: RM8.90 million) and PAT margin improved to 3.69% (FYE 2018: 2.71%) in the FYE 2019, which are consistent with the growth of our PBT and PBT margin.

FYE 2019 compared to FYE 2020

For the FYE 2020, our PBT increased by RM0.24 million or 1.13% to RM21.79 million (FYE 2019: RM21.55 million). The reversal of impairment arising from financial instruments and contract assets as set out in Section 11.3.3(f) of this Prospectus resulted in a net gain on impairment of RM6.03 million. The net gain coupled with an improvement in the GP margin of the design and construction segment, contributed to an increase in our PBT margin to 8.52% in the FYE 2020 (FYE 2019: 5.11%).

Correspondingly, our PAT increased by RM0.72 million or 4.61% to RM16.27 million in the FYE 2020 (FYE2019: RM15.55 million) and PAT margin improved to 6.36% (FYE 2019: 3.69%) in the FYE 2020, which are consistent with the increase in our PBT and PBT margin.

(The rest of this page has been intentionally left blank)

11. FINANCIAL INFORMATION (Cont'd)**(i) Income tax expense**

The breakdown of income tax expense for the Financial Years Under Review is as follows:-

	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Income tax expense	2,426	3,181	4,448	4,090
Deferred tax liabilities	291	354	1,551	1,436
Total tax expense	2,717	3,535	5,999	5,526
Effective tax rate (%)	27.12	28.44	27.84	25.36
Statutory tax rate (%)	24.00	24.00	24.00	24.00

Our effective tax rate for the FYE 2017, FYE 2018, FYE 2019 and FYE 2020 was 27.12%, 28.44%, 27.84% and 25.36%, respectively, mainly due to non-tax deductible items of RM0.20 million, RM0.46 million, RM0.68 million and RM0.76 million, respectively. The non-tax deductible items include legal fees, bank facility fees and professional fees.

11.4 LIQUIDITY AND CAPITAL RESOURCES**11.4.1 Working capital**

Our operations are funded through a combination of internal and external sources of funds. Our internal sources of funds are shareholders equity and cash generated from operations while our external sources of funds are facilities granted by financial institutions. Our principal uses of cash have been the payment of the costs of our construction projects, operating expenses, working capital and capital expenditures.

As at 31 December 2020, our Group has the following:-

- (i) cash and cash equivalents of RM33.74 million (including deposits of RM12.96 million pledged as securities for banking facilities granted to PTS); and
- (ii) outstanding loans and borrowings of RM24.19 million and balance unutilised credit facilities of RM140.52 million.

Our Directors are of the opinion that, after taking into consideration our cash and cash equivalents, expected cash flow to be generated from our operations, amount that is available under our existing financing facilities, dividend of RM8.00 million declared for the FYE 2020, impact of COVID-19 as detailed in Section 6.4.14 of this Prospectus as well as proceeds expected to be raised from our Public Issue, we will have adequate working capital to meet our present and foreseeable requirements for a period of 12 months from the date of this Prospectus.

11. FINANCIAL INFORMATION (Cont'd)**11.4.2 Cash flow summary**

The table below sets out the summary of historical audited statements of cash flows for the Financial Years Under Review:-

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	7,332	9,490	537	16,495
Net cash (used in) / from investing activities	(1,785)	(3,139)	1,664	168
Net cash used in financing activities	(7,766)	(2,246)	(1,109)	(24,449)
Net (decrease) / increase in cash and cash equivalents	(2,219)	4,105	1,092	(7,786)
Cash and cash equivalents at beginning of the financial year	23,185	20,966	25,071	26,163
Cash and cash equivalents at end of the financial year ⁽¹⁾	20,966	25,071	26,163	18,377

Note:-

(1) Cash and cash equivalents at end of the financial year comprise the following combined statement of financial position amounts:-

	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks	17,621	13,997	19,035	13,227
Cash and bank balances	24,648	20,972	22,088	20,508
	42,269	34,969	41,123	33,735
Less: Bank overdraft	(4,000)	(985)	(1,154)	(2,401)
Pledged deposits	(17,303)	(8,913)	(13,806)	(12,957)
	20,966	25,071	26,163	18,377

FYE 2017**Net cash from operating activities**

For the FYE 2017, our operating cash flow before working capital changes was RM12.61 million. After adjusting for the following key items, our net operating cash flow was RM7.33 million:-

- (i) increase in trade and other receivables of RM20.50 million due to:-
 - (a) increase in trade receivables of RM19.87 million in line with the increase in certified progress billings for the RUMAWIP SkyAwani Residence Project, Nadayu 63 Project and Grand Medini Residence Project in the FYE 2017; and
 - (b) increase in other receivables of RM0.63 million was mainly due to advance payments made for the purchase of equipment for on-going projects;

11. FINANCIAL INFORMATION (Cont'd)

- (ii) increase in trade and other payables by RM15.91 million mainly attributable to increase in trade payables by RM15.50 million mainly due to longer period taken for payment to our subcontractors and suppliers;
- (iii) increase in contract assets of RM7.48 million mainly attributable to Geo Bukit Rimau Project and Menara TCM Project for work performed up to 31 December 2017 but was only billed to customers after 31 December 2017 following the receipt of the architect's certification;
- (iv) increase in contract liabilities of RM9.11 million mainly attributable to PNV Project, due to timing differences with higher certified progress billings compared to the revenue recognised based on the cost incurred method; and
- (v) income tax paid of RM2.31 million.

Net cash used in investing activities

Our net cash used in investing activities of RM1.79 million was mainly for acquisition of aluminium formworks and scaffoldings of RM2.87 million, partly offset by interest received from fixed deposit of RM0.78 million and proceeds from disposal of a motor vehicle and site equipment of RM0.31 million.

Net cash used in financing activities

In the FYE 2017, our net cash used in financing activities of RM7.77 million was mainly attributable to the following:-

- (i) repayment of bank borrowings comprising RM5.03 million of lease liabilities, RM1.59 million of term loans, and RM0.21 million of revolving credits;
- (ii) payment of interest on loans and borrowings of RM0.32 million;
- (iii) increase in pledged fixed deposit with licensed banks of RM0.51 million; and
- (iv) repayment of advances from TSHSB of RM0.11 million.

FYE 2018**Net cash from operating activities**

For the FYE 2018, our operating cash flow before working capital changes was RM15.37 million. After adjusting for the following key items, our net operating cash flow was RM9.49 million:-

- (i) increase in trade and other receivables of RM25.50 million mainly due to:-
 - (a) increase in trade receivables of RM22.56 million in line with the increase in certified progress billings for the Geo Bukit Rimau Project and Grand Medini Project in the FYE 2018; and
 - (b) increase in other receivables of RM2.94 million mainly due to advance payments made for the purchase of equipment for on-going projects;
- (ii) increase in trade and other payables by RM38.35 million mainly due to:
 - (a) increase in trade payables by RM36.87 million mainly due to higher supplier invoices recorded in December 2018 of RM85.61 million compared to December 2017 of RM49.91 million. The increase was in line with the increase in construction activities; and

11. FINANCIAL INFORMATION (Cont'd)

- (b) increase in other payables by RM1.48 million due to increase in GST liability and non-trade payables such as employee expense claims;
- (iii) increase in contract assets of RM18.90 million mainly attributable to Menara TCM Project PPAM Sofiya Residensi Project and TWY Mont Kiara Project for work performed up to 31 December 2018 but was only billed to customers after 31 December 2018 following the receipt of the architect's certification;
- (iv) increase in contract liabilities of RM2.86 million mainly attributable to Grand Medini Project, due to timing differences with higher certified progress billings compared to the revenue recognised based on the cost incurred method; and
- (v) income tax paid of RM2.70 million.

Net cash used in investing activities

We recorded a net cash outflow of RM3.14 million mainly for the purchase of site equipment and construction formwork of RM4.12 million. The cash outflow was partially offset by interest received for fixed deposits of RM0.92 million and proceeds from disposal of a motor vehicle and site equipment of RM0.07 million.

Net cash used in financing activities

In the FYE 2018, our net cash used in financing activities of RM2.25 million was mainly attributable to the following:-

- (i) decrease in pledged fixed deposits with licensed banks of RM8.39 million;
- (ii) advances from TSHSB of RM2.50 million;
- (iii) repayment of our bank borrowings comprising RM5.39 million of lease liabilities, RM1.42 million of term loans and RM3.50 million of revolving credits;
- (iv) payment of dividend of RM2.51 million for the dividend declared in the FYE 2018; and
- (v) payment of interest on loans and borrowings of RM0.33 million.

FYE 2019**Net cash from operating activities**

For the FYE 2019, our operating cash flow before working capital changes was RM36.39 million. After adjusting for the following key items, our net operating cash flow was RM0.54 million:-

- (i) decrease in trade and other receivables of RM2.39 million, as a result of:-
 - (a) recognition of impairment on financial instruments and contract assets of RM10.66 million mainly due to potential non-recoverability of outstanding receivables;
 - (b) decrease in trade receivables of RM8.07 million due to improved collections from our customers for the Geo Bukit Rimau Project in the FYE 2019; and
 - (c) decrease in other receivables of RM4.98 million mainly due to lower advance payments made for the purchase of equipment in the FYE 2019.
- (ii) decrease in trade and other payables by RM16.72 million, mainly due to payments made to subcontractors and suppliers in relation to the construction of on-going projects;

11. FINANCIAL INFORMATION (Cont'd)

- (iii) decrease in contract assets of RM1.14 million mainly attributable to PPAM Sofiya Residensi Project for work performed during the financial year mainly due to timing differences with higher certified progress billings compared to the revenue recognised based on cost incurred method;
- (iv) decrease in contract liabilities of RM20.57 million mainly attributable to Geo Bukit Rimau Project, Grand Medini Residence Project, Tropicana International School Project and PNV Project, due to timing differences with higher revenue recognised based on cost incurred method compared to certified progress billings; and
- (v) income tax paid of RM2.09 million.

Net cash from investing activities

We recorded a net cash inflow of RM1.66 million from investing activities for the FYE 2019. This was mainly contributed by interest from fixed deposit of RM0.98 million, proceeds from the disposal of a property of RM0.93 million and disposal of motor vehicle and store/site equipment of RM0.10 million. The cash inflow was partially offset by cash outflow for the acquisition of site equipment and office furniture and fittings of RM0.35 million.

Net cash used in financing activities

In the FYE 2019, our net cash used in financing activities of RM1.11 million was mainly attributable to the following:-

- (i) proceeds from revolving credits RM11.05 million which were mainly utilised for general working capital purposes;
- (ii) repayment of bank borrowings comprising RM3.39 million of lease liabilities and RM0.78 million of term loans;
- (iii) repayment of advances from the Directors of PTS, TSHSB and a subsidiary of TSHBH amounting to RM2.81 million;
- (iv) interest payment on loans and borrowings of RM0.29 million; and
- (v) increase in pledged fixed deposits with licensed banks of RM4.89 million mainly for the performance bond guarantees granted for our projects during the financial year.

FYE 2020**Net cash from operating activities**

For the FYE 2020, our operating cash flow before working capital changes was RM21.44 million. After adjusting for the following key items, our net cash from operating activities was RM16.49 million:

- (i) decrease in trade and other receivables by RM46.48 million due to repayment from the following, amongst others:-
 - (a) the net trade receivables (excluding retention sum) due from the Grand Medini Residence Project of RM9.72 million was fully repaid in FYE 2020; and
 - (b) the trade receivables due from the Nadayu 63 Project (including retention sum) of RM13.75 million was repaid in FYE 2020.
- (ii) decrease in trade and other payables by RM34.72 million mainly due to lower suppliers invoices which was in line with the decrease in construction activities in FYE 2020;

11. FINANCIAL INFORMATION (Cont'd)

- (iii) increase in contract assets by RM7.99 million mainly attributable to Kajang Women and Children Hospital Project for work performed up to 31 December 2020 but was only billed to customers after 31 December 2020 following the receipt of the architects' certification;
- (iv) decrease in contract liabilities by RM1.40 million mainly attributable to Menara TCM Project due to timing differences arising from higher revenue recognised based on cost incurred method compared to the certified progress billings; and
- (v) income tax paid of RM7.30 million.

Net cash from investing activities

We recorded a net cash inflow of RM0.17 million from investing activities for the FYE 2020. This was mainly attributed to interest income generated from fixed deposit placed with licensed banks of RM0.54 million and sales proceeds from disposal of a motor vehicle of RM0.06 million. The cash inflow was partially offset by cash outflow for the acquisition of site equipment of RM0.44 million.

Net cash used in financing activities

In the FYE 2020, our net cash used in financing activities of RM24.45 million was mainly attributable to the following:-

- (i) repayment of bank borrowings comprising RM5.81 million of lease liabilities, RM1.91 million of revolving credits, and RM0.64 million of term loans;
- (ii) payment of interest on loans and borrowings of RM0.34 million;
- (iii) payment of listing expenses of RM1.32 million.
- (iv) repayment of advances from TSHSB and Director of PTS amounting to RM9.28 million;
- (v) payment of final dividend of RM6.00 million for FYE 2019; and
- (vi) decrease in pledged fixed deposits with licensed banks of RM0.85 million.

(The rest of this page has been intentionally left blank)

11. FINANCIAL INFORMATION (Cont'd)

11.4.3 Borrowings

As at 31 December 2020, our total outstanding borrowings amounted to RM24.19 million can be analysed further as follows:-

	As at 31 December 2020		
	Short Term (due within 12 months)	Long Term (due after 12 months)	Total
	RM'000	RM'000	RM'000
Term loans	665	3,363	4,028
Lease liabilities	4,618	3,046	7,664
Revolving credits	10,094	-	10,094
Bank overdraft	2,401	-	2,401
Total borrowings	17,778	6,409	24,187

Type of borrowings	Purpose of borrowings	Tenure	Interest rate per annum	As at 31 December 2020
			%	RM'000
Term loans	Mainly to finance purchase of our properties and land	15 years	3.70 – 6.60	4,028
Lease liabilities	Mainly to finance purchase of construction machineries, aluminium formworks and motor vehicles	3 to 7 years	2.12- 6.82	7,664
Revolving credits	Mainly to finance working capital	Payable on demand	4.87 – 7.82	10,094
Bank overdraft	Mainly to finance working capital	Payable on demand	6.85	2,401
		Total borrowings		24,187
		Gearing ratio (times) ⁽¹⁾		0.45

Note:-

(1) Computed based on total borrowing over total equity as at 31 December 2020.

The maturity profile of our total outstanding borrowings as at 31 December 2020 is set out below:

	RM'000
Under 1 year	17,778
1 to 5 years	5,176
More than 5 years	1,233
Total borrowings	24,187

11. FINANCIAL INFORMATION (Cont'd)

As at the LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency. We have not defaulted on payments of either interest and/or principal sum in respect of any borrowings throughout the FYE 2017 to FYE 2020 and up to the LPD. As at the LPD, neither us nor our subsidiary are in breach of any terms and conditions and covenants associated with credit arrangements or bank loans, which can materially affect our financial results, financial position or business operations, or the investments by holders of securities in our Company.

For the FYE 2017 to FYE 2020, we have not experienced any claw back or reduction in the facilities granted to us by our lenders.

11.4.4 Type of financial instruments used

As at the LPD, save for the borrowings as disclosed in Section 11.4.3 of this Prospectus, we do not use any other financial instruments.

For clarity purposes, the financial instruments which are used in the ordinary course of business, from an accounting perspective, may include financial assets such as cash and cash equivalents, trade and other receivables, and contract assets, as well as financial liabilities such as bank borrowings, finance lease, trade and other payables, and contract liabilities. These are shown in the combined statements of financial position.

As at the LPD, we do not utilise any financial instruments for hedging purposes.

11.4.5 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. The combination of internal and external sources of funds includes mainly the cash generated from operation, short-term and long-term bank borrowings. The primary objective is to have sustainable shareholders' equity to ensure we have ability to continue as a going concern and grow our business in order to maximize shareholders' value. We review and manage our capital structure to maintain the debt-to-equity ratio at an optimal level based on the business requirements and prevailing economic conditions.

11.4.6 Material commitment

As at the LPD, we do not have any material capital commitment that may have a material and adverse impact on our financial position.

11.4.7 Material contingent liabilities

As at the LPD, there is no indirect and/or material contingent liabilities incurred by our Group, which may have a substantial impact on the financial position of our Group.

11.4.8 Performance bond guarantees

Save as disclosed below, as at the LPD, there is no indirect and/or material performance bond guarantee incurred by our Group, which may have a substantial impact on the financial position of our Group:-

	RM'000
- Performance bond guarantees by PTS for our construction projects	54,580

The guarantees have not been recognised since the fair value on initial recognition and the associated loss allowances, if any, were not material.

11. FINANCIAL INFORMATION (Cont'd)

11.4.9 Key Financial Ratios

The key financial ratios are as follows:-

	FYE 2017	FYE 2018	FYE 2019	FYE 2020
Trade receivables turnover period (days) ⁽¹⁾	57	72	57	66
Trade payables turnover period (days) ⁽²⁾	109	126	110	139
Current ratio (times) ⁽³⁾	1.04	1.02	1.13	1.26
Gearing ratio (times) ⁽⁴⁾	1.10	0.69	0.67	0.45

Notes:-

- (1) Computed based on net average trade receivables (excluding retention sums) over total revenue and multiplied by 365 days.
- (2) Computed based on net average trade payables (excluding retention sums) over total cost of sales and multiplied by 365 days.
- (3) Computed based on the current assets over the current liabilities as at the respective financial year.
- (4) Computed based on the total borrowings over the total equity as at the respective financial year.

(i) Trade receivables

Our credit term stipulated in the contract to customers generally range from 30 to 60 days from the issuance of architect's certificates. Other credit terms are assessed and approved on a case to case basis after taking consideration the background and credit-worthiness of the customer and the scope of the project.

Our trade receivables turnover period was computed excluding retention sums in relation to our construction services. Due to the nature of the construction industry, our customers are entitled to retain 10% of each progress billing, as retention sum, up to a maximum of 5% of the contract sum awarded, which is set out in the contract with our customer. Our customer will retain the entire retention sum throughout the contract period until the issuance of CPC, upon which half of the retention sum will be released. The remaining half will be released to us at the end of the contracted defect liability period and upon the issuance of the certificate of making good of defects ("CMGD"). As such, the exclusion of the retention sums in the computation of trade receivables turnover period presents a more realistic measure of the average number of days that requires for the collection of debts that are due.

Our trade receivable turnover period for the Financial Years Under Review ranged between 57 days and 72 days, which is beyond our general credit terms range. The higher turnover period was mainly due to delay in payment from the Grand Medini Residence Project and Nadayu 63 Project and the amount outstanding from the PNV Project which was under litigation. The additional amount outstanding from these 3 projects had resulted in the increase in our trade receivable turnover period to 72 days in the FYE 2018. Please refer to Section 13.6 of this Prospectus for further details on the litigation.

Our trade receivable turnover period improved to 57 days in the FYE 2019 compared to FYE 2018. The improvement was mainly due to our tightened policy and procedures on credit control as well as increased collection efforts through close monitoring of trade receivables outstanding and various reminders to our customer of the outstanding amount due. For illustrative purpose, if we exclude the amount outstanding from the PNV Project, Grand Medini Residence Project and Nadayu 63 Project, the trade receivables turnover period for the FYE 2017, FYE 2018 and FYE 2019 was 29 days, 35 days and 25 days, respectively.

11. FINANCIAL INFORMATION (Cont'd)

In FYE 2020, our trade receivables turnover period increased to 66 days compared to 57 days in the FYE 2019, partly due to delay in payment from the PNV Project and Nadayu 63 Project. For illustrative purposes, if we exclude the amount outstanding from these 2 projects, our trade receivables turnover period for the FYE 2020 was 34 days.

The ageing analysis of our trade receivables as at 31 December 2020 and the subsequent collections up to the LPD are set out below:-

	Within credit period	Exceeding credit period				Total
		1 – 30 days	31 – 60 days	61 – 90 days	> 90 days	
		RM'000	RM'000	RM'000	RM'000	
Trade receivables	66,626	1,183	253	108	2,876	71,046
Less: Retention sum	37,151	-	-	-	167	37,318
Net trade receivables	29,475	1,183	253	108	2,709	33,728
% of total net trade receivables	87.39	3.51	0.75	0.32	8.03	100.00
Subsequent collections up to the LPD	25,932	1,072	63	33	381	27,481
Outstanding net trade receivables	3,543	111	190	75	2,328	6,247

For clarification, RM37.32 million is the retention sum as at 31 December 2020, of which RM20.92 million is from completed construction projects, mainly the Grand Medini Residence Project, Geo Bukit Rimau Project, Menara TCM Project and TWY Mont Kiara Project. The retention sum will be released to us in accordance to the terms of the respective contracts.

Up to the LPD, we have collected RM27.48 million, representing about 81.48% of the total net trade receivables as at 31 December 2020. After taking into consideration the subsequent collections up to the LPD, RM2.33 million or about 6.90% of the total net trade receivables had exceeded 90 days. The outstanding net trade receivables of RM2.33 million include the following:

- (i) RM1.53 million outstanding from NSCs for a project and will be set-off with the outstanding trade payables owing by PTS to the respective NSCs upon finalisation of accounts of the project; and
- (ii) RM0.80 million outstanding from subcontractors for our on-going projects and will be set-off against the outstanding trade payables owing by PTS to the respective subcontractors in the progressive billings and/or upon the finalisation of accounts of the respective projects.

Appropriate debts recovery process has been carried out by the project management and finance team to minimize the likelihood of these outstanding trade receivables turning into bad debts. Our Directors are of the view that the remaining trade receivables are recoverable and no further provision for impairment is required after taking into consideration of our relationship with these customers as well as our efforts to improve collection and implement various credit control measures to reduce exposure of credit risk to our Group.

(ii) Trade payables

The normal payment period granted to us by our trade payable ranges from 30 days to 90 days. We have not experienced any disruptions in supplies from our subcontractors and suppliers for the Financial Years Under Review. Retention sum is excluded in arriving at our trade payables turnover period.

11. FINANCIAL INFORMATION (Cont'd)

Our trade payables turnover period for the FYE 2017, FYE 2018, FYE 2019 and FYE 2020 were 109 days, 126 days, 110 days and 139 days, respectively, which is beyond the payment period granted to us. The higher payables turnover period was mainly due to longer period taken for payment to our subcontractors and suppliers. The longer payment periods was due to steps taken by our Group to manage our working capital requirements after taking into consideration, inter-alia, payment from our customers particularly for FYE 2018 and FYE 2019 and the established relationship we have with our subcontractors and suppliers.

The higher trade payable turnover period in the FYE 2018 was mainly due to longer period taken for payment to our subcontractors and suppliers for construction works and supplies in relation to the PNV Project, which was under litigation. In the FYE 2019, our trade payable turnover period improved to 110 days due to faster payments to our suppliers and subcontractors. In the FYE 2020, our trade payable turnover period increased to 139 days as a result of steps taken by our Group to manage our working capital requirements, including longer period taken for payment to the subcontractors and suppliers, after taking into consideration the prolonged COVID-19 pandemic and the impact to our financial position in FYE 2020.

The ageing analysis of our trade payables as at 31 December 2020 and the subsequent collections up to the LPD are set out below:-

	Within credit period	Exceeding credit period				Total
		1 – 30 days	31 – 60 days	61 – 90 days	> 90 days	
		RM'000	RM'000	RM'000	RM'000	
Trade payables	31,266	10,030	7,708	5,510	45,770	100,284
Less: Retention sum	-	-	-	-	28,276	28,276
Net trade payables	31,266	10,030	7,708	5,510	17,494	72,008
% of total net trade payables	43.42	13.93	10.70	7.65	24.30	100.00
Subsequent payments up to the LPD	24,618	6,035	4,617	3,132	10,731	49,133
Outstanding net trade payables	6,648	3,995	3,091	2,378	6,763	22,875

For clarification, RM28.28 million is the retention sum retained by us in relation to our construction projects as at 31 December 2020, of which RM2.34 million has been released to our subcontractor up to the LPD. In general, we will release half of the retention sum to our subcontractors upon the issuance of the CPC, whilst the remaining half will be released at the end of the defect liability period and upon the issuance of Certificate of Making Good Defects (CMGD).

Up to the LPD we have settled RM49.13 million or 68.23% of the total net trade payables which were outstanding as at 31 December 2020. The outstanding net trade payables of RM22.88 million is in relation to both ongoing and completed projects.

There was no matter in dispute with respect to trade payables, as well as no legal action initiated by any of our suppliers and/or subcontractors to demand for payment for the Financial Years Under Review.

(The rest of this page has been intentionally left blank)

11. FINANCIAL INFORMATION (Cont'd)

(iii) Current ratio

	As at 31 December			
	2017	2018	2019	2020
	RM'000	RM'000	RM'000	RM'000
Current assets	169,292	206,385	198,351	158,204
Current liabilities	163,133	202,529	175,431	125,300
Current ratio (times)	1.04	1.02	1.13	1.26

As at 31 December 2018 our current ratio was 1.02, a marginal decrease as compared to 1.04 times as at 31 December 2017. The decrease was mainly due to a reduction in cash and cash equivalents by RM7.30 million or 17.27% to RM34.97 million as at 31 December 2018 (31 December 2017: RM42.27 million) and an increase in trade and other payables by RM40.86 million or 32.15% to RM167.93 million as at 31 December 2018 (31 December 2017: RM127.07 million). The increase in trade payables was mainly due to higher supplier invoices recorded in December 2018 compared to December 2017.

As at 31 December 2019 our current ratio increased to 1.13 times primarily due to the following:-

- (i) decrease in trade and other payables by RM19.53 million or 11.63% to RM148.40 million as at 31 December 2019 (31 December 2018: RM167.93 million) mainly relating to payments made to subcontractors and suppliers for progressive construction works done and purchase of construction materials and consumables;
- (ii) decrease in contract liabilities of RM20.57 million or 83.75% to RM3.99 million as at 31 December 2019 (31 December 2018 : RM24.56 million) mainly attributable to Geo Bukit Rimau Project, Grand Medini Residence Project, Tropicana International School Project and PNV Project, due to timing differences with higher revenue recognised based on cost incurred method compared to certified progress billings; and
- (iii) increase in cash and cash equivalents by RM6.15 million or 17.60% to RM41.12 million as at 31 December 2019 (31 December 2018: RM34.97 million).

As at 31 December 2020, our current ratio improved to 1.26 times, mainly due to a decrease in trade and other payables by RM43.79 million or 29.51% to RM104.61 million as at 31 December 2020 (31 December 2019: RM148.40 million). The decrease was mainly due to lower suppliers invoices which was in line with the decrease in construction activities in FYE 2020.

(iv) Gearing Ratio

	As at 31 December			
	2017	2018	2019	2020
	RM'000	RM'000	RM'000	RM'000
Total loans and borrowings	24,107	19,501	29,423	24,187
Total equity	21,952	28,342	43,893	54,160
Gearing ratio (times)	1.10	0.69	0.67	0.45

Our gearing ratio reduced from 1.10 times as at 31 December 2017 to 0.69 times as at 31 December 2018 mainly due to the following:-

- (i) decrease in our total loans and borrowings by RM4.61 million or 19.11% to RM19.50 million as at 31 December 2018 (31 December 2017: RM24.11 million) mainly due to repayments made during the financial year; and

11. FINANCIAL INFORMATION (Cont'd)

- (ii) increase in our total equity by RM6.39 million or 29.11% to RM28.34 million as at 31 December 2018 (31 December 2017: RM 21.95 million) due to an increase in retained earnings by RM8.90 million offset by dividend of RM2.51 million declared and paid for the FYE 2018.

Our gearing ratio improved marginally from 0.69 times as at 31 December 2018 to 0.67 times as at 31 December 2019 mainly due to an increase in retained earnings by RM15.55 million or 57.94% to RM42.39 million as at 31 December 2019 (31 December 2018: RM26.84 million) despite an increase in loans and borrowings by RM9.92 million or 50.88% to RM29.42 million as at 31 December 2019 (31 December 2018: RM19.50 million).

Our gearing ratio has further decreased from 0.67 times as at 31 December 2019 to 0.45 times as at 31 December 2020 mainly due to the following:-

- (i) decrease in our total loans and borrowings by RM5.24 million to RM24.19 million as at 31 December 2020 (31 December 2019: RM29.42 million) due to repayments made during the financial year; and
- (ii) increase in our total equity by RM10.27 million or 23.39% to RM54.16 million as at 31 December 2020 (31 December 2019 : RM43.89 million) due to increase in retained earnings by RM16.27 million offset by dividend of RM6.00 million declared and paid in relation to FYE 2019.

11.5 ORDER BOOK

As our revenue from our construction projects is recognised based on the stage of completion method, our order book excludes the value of completed works in respect of on-going projects which have been recognised in revenue.

Our order book as at the LPD is contributed by the following on-going projects:-

Project	Completed * / Expected Completion Date	RM'000
Menara TCM Project *	September 2020	2,749
TWY Mont Kiara Project *	October 2020	100
PPAM Sofiya Residensi Project	April 2021	3,537
Emerald Hills (Phase 3) Project	October 2021	18,377
Mutiara Central Project	January 2022	59,343
Kajang Women and Children Hospital Project	March 2022	115,010
Riana Dutamas (Phase 2) Project	August 2023	172,817
TUAI Residence Project	June 2023	72,120
121 Residences Project	July 2023	143,500
Emerald Hills (Phase 4) Project	May 2024	186,430
The Pulse Residence Project	August 2024	179,100
Total		953,083

11. FINANCIAL INFORMATION (Cont'd)

Our order book as at the LPD is expected to be realised over the following financial years:

	RM'000
FYE 2021 (from 1 April 2021 up to 31 December 2021)	349,976
FYE 2022	332,685
FYE 2023	214,675
FYE 2024	55,747
	953,083

There may be variations from the amount awarded as compared to the final works to be performed resulting from, amongst others, changes in project requirements, which may take place during the implementation of the project.

As at the LPD, we have participated in tenders for various building construction projects. We have also submitted proposals for hospital design and construction projects to healthcare services provider. As at the LPD, the total value of the projects we have tendered and/or submitted proposals for amounts to RM3.96 billion. These projects, if awarded to us, will further increase our order book.

11.6 TREND INFORMATION

As at the LPD, our Board confirms that our operations have not been and are not expected to be affected by any of the following:-

- (i) known trends, demands, commitments, events or uncertainties that have had, or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position, operations, liquidity and capital resources, save as disclosed in this section and Sections 6.4.14 and 11.3.2 of this Prospectus;
- (ii) material commitment for capital expenditure;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this section and Sections 6.4.14 and 11.3.2 of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits, save as disclosed in this section and in Sections 6.4.14, 11.3.2 and 11.3.3(f) of this Prospectus; and
- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical combined financial statements not indicative of the future financial performance and position, save as disclosed in this section and Sections 6.4.14 and 11.3.2 of this Prospectus.

However, our Board foresees certain risk factors as set out in Section 8 of this Prospectus that may affect our future financial condition and results of operations.

Our Board is optimistic about the future prospects of our Group after taking into account the overview of the construction industry in Malaysia as set out in Section 7 of this Prospectus, our competitive advantages and key strengths as set out in Section 6.1.2 of this Prospectus and our business strategies as set out in Section 6.8 of this Prospectus.

11. FINANCIAL INFORMATION (Cont'd)**11.7 SIGNIFICANT CHANGES**

Save for the prolonged COVID-19 pandemic and as disclosed in this Prospectus, there is no significant changes that have occurred which may have a material effect on the financial position and results of our Group subsequent to the FYE 2020 up to the LPD. Please refer to Section 6.4.14 of this Prospectus for further details on the impact of the prolonged COVID-19 pandemic on our business and financial performance.

11.8 DIVIDEND POLICY

It is the intention of our Board to recommend and distribute a dividend of 25% of the profit attributable to the owners of the Company. Our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits recorded and excess of funds not required to be retained for working capital of our business. Our Directors will take into consideration, amongst others, the following factors when recommending dividends for approval by our shareholders or when declaring any dividends:-

- (i) the availability of adequate reserves and cash flows;
- (ii) our operating cash flow requirements and financing commitments;
- (iii) our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans;
- (iv) our Company is solvent as the Act requires;
- (v) any material impact of tax laws and other regulatory requirements; and
- (vi) prior written consent from financial institutions, where required.

Investors should note that the intention to recommend dividends should not be treated as a legal obligation on our Company to do so. The level of dividends should also not be treated as an indication of our Company's future dividend policy. There can be no assurance that dividends will be paid out in the future or on timing of any dividends that are to be paid in the future. In determining dividends in respect of subsequent financial years, consideration will be given to maximising shareholders' value.

Save for some financial covenants which PTS is subject to, there are no legal, financial or economic restrictions on the ability of PTS to transfer funds in the form of cash dividend, loans or advances to us.

The dividends declared and paid for the past FYE 2017 to FYE 2020 are as follows:-

	FYE 31 December				1 January 2021 up to the LPD
	2017	2018	2019	2020	
	RM'000	RM'000	RM'000	RM'000	RM'000
Dividends declared	-	2,505	6,000	8,000	-
Dividends paid	-	2,505	-	* 6,000	-

Note:-

- * Dividend paid in relation to FYE 2019

The dividend declared for the FYE 2020 amounting to RM8.00 million will be paid prior to the Listing and funded via internally generated funds. Our Board confirms that the dividend is not expected to affect the execution and implementation of our Group's future plans and strategies moving forward.

11. FINANCIAL INFORMATION (Cont'd)

11.9 REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION



KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 3399
Website www.kpmg.com.my

The Board of Directors
Tuju Setia Berhad
No. 31-1, Jalan Puteri 4/8
Bandar Puteri
47100 Puchong
Selangor Darul Ehsan

1 April 2021

Dear Sir/Madam,

Tuju Setia Berhad (the "Company") and its combining entity (the "Group")

Report on the compilation of pro forma consolidated statements of financial position for inclusion in the Company's prospectus in connection with the initial public offering of 80,000,000 ordinary shares in the Company in conjunction with the listing of and quotation for the entire 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 consolidated statements of financial position of the Group as at 31 December 2020 ("Pro Forma Financial Position") prepared by the Board of Directors of the Company (the "Directors"). The Pro Forma Financial Position and the 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 Financial Position are described in the notes to the Pro Forma Financial Position. The Pro Forma Financial Position is prepared in accordance with the requirements of Chapter 9 of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The Pro Forma Financial Position has 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 Financial Position in Attachment A on the Group's combined statements of financial position as at 31 December 2020, as if the transactions had taken place as at 31 December 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's audited combined financial statements for the year ended 31 December 2020, on which a reporting accountants' report dated 1 April 2021 has been issued.

11. FINANCIAL INFORMATION (Cont'd)



Tuju Setia Berhad
*Report on the compilation of pro forma consolidated statements of
financial position for inclusion in the Prospectus
in connection with the IPO
1 April 2021*

Directors' Responsibility for the Pro Forma Financial Position

The Directors are responsible for compiling the Pro Forma Financial Position on the basis described in the notes to the Pro Forma 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 International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our 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* and adopted 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 Financial Position has been compiled, in all material respects, by the Directors on the basis described in the notes to the Pro Forma 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 International Auditing and Assurance Standards Board, as adopted 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 Financial Position on the basis described in the notes to the Pro Forma 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 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 Financial Position.

The purpose of the Pro Forma 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.

11. FINANCIAL INFORMATION (Cont'd)



Tuju Setia Berhad
*Report on the compilation of pro forma consolidated statements of
financial position for inclusion in the Prospectus
in connection with the IPO
1 April 2021*

Reporting Accountants' Responsibilities (continued)

A reasonable assurance engagement to report on whether the Pro Forma Financial Position has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma 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 Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma 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 Financial Position as at 31 December 2020 has been compiled, in all material respects, on the basis stated in the notes to the Pro Forma Financial Position in Attachment A.

Other Matter

Our report on the Pro Forma Financial Position has been prepared for the submission to the Securities Commission Malaysia in connection with the IPO and should not be relied upon for any other purposes.


KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants


Eric Kuo Sze-Wei
Approval Number: 03473/11/2021 J
Chartered Accountant

11. FINANCIAL INFORMATION (Cont'd)

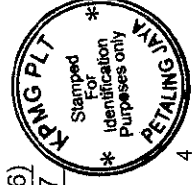
Attachment A

Tuju Setia Berhad (the "Company") and its combining entity ("the Group")
Pro Forma Consolidated Statements of Financial Position and the notes thereon

Pro Forma Consolidated Statements of Financial Position

The pro forma consolidated statements of financial position of the Group as at 31 December 2020 ("Pro Forma Financial Position") 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 December 2020, and should be read in conjunction with the said notes to the Pro Forma Financial Position.

	As at 31 December 2020*	Pro Forma I After adjustments for subsequent event	Pro Forma II After Pro Forma I and the Acquisition of PTS	Pro Forma III After Pro Forma II and the Initial Public Offering ("IPO")	Pro Forma IV After Pro Forma III and the use of proceeds
Notes	RM	RM	RM	RM	RM
Assets					
Property, plant and equipment	9,117,956	9,117,956	9,117,956	9,117,956	9,117,956
Right-of-use assets	21,959,384	21,959,384	21,959,384	21,959,384	21,959,384
Total non-current assets	31,077,340	31,077,340	31,077,340	31,077,340	31,077,340
Trade and other receivables	78,982,818	78,982,818	78,982,818	78,982,818	78,982,818
Contract assets	45,486,287	45,486,287	45,486,287	45,486,287	45,486,287
Cash and cash equivalents	33,734,566	25,734,566	25,734,566	81,734,566	77,883,620
Total current assets	158,203,671	150,203,671	150,203,671	206,203,671	202,352,725
Total assets	189,281,011	181,281,011	181,281,011	237,281,011	233,430,065
Equity					
Share capital	100	100	37,892,676	93,892,676	91,519,510
Invested equity	1,500,000	1,500,000	-	-	-
Retained earnings	52,660,163	44,660,163	44,660,163	44,660,163	43,182,383
Merger reserve	-	-	(36,392,576)	(36,392,576)	(36,392,576)
Total equity	54,160,263	46,160,263	46,160,263	102,160,263	98,309,317



11. FINANCIAL INFORMATION (Cont'd)

Attachment A

Tuju Setia Berhad (the "Company") and its combining entity ("the Group")
Pro Forma Consolidated Statements of Financial Position and the notes thereon

	As at 31 December 2020*	Pro Forma I After adjustments for subsequent event	Pro Forma II After Pro Forma I and the Acquisition of PTS	Pro Forma III After Pro Forma II and the Initial Public Offering ("IPO")	Pro Forma IV After Pro Forma III and the use of proceeds
Notes	RM	RM	RM	RM	RM
Liabilities					
Loans and borrowings	3,362,986	3,362,986	3,362,986	3,362,986	3,362,986
Lease liabilities	3,046,336	3,046,336	3,046,336	3,046,336	3,046,336
Deferred tax liabilities	3,411,745	3,411,745	3,411,745	3,411,745	3,411,745
Total non-current liabilities	9,821,067	9,821,067	9,821,067	9,821,067	9,821,067
Trade and other payables	104,610,999	104,610,999	104,610,999	104,610,999	104,610,999
Loans and borrowings	13,160,174	13,160,174	13,160,174	13,160,174	13,160,174
Lease liabilities	4,617,707	4,617,707	4,617,707	4,617,707	4,617,707
Contract liabilities	2,589,425	2,589,425	2,589,425	2,589,425	2,589,425
Current tax liabilities	321,376	321,376	321,376	321,376	321,376
Total current liabilities	125,299,681	125,299,681	125,299,681	125,299,681	125,299,681
Total liabilities	135,120,748	135,120,748	135,120,748	135,120,748	135,120,748
Total equity and liabilities	189,281,011	181,281,011	181,281,011	237,281,011	233,430,065



*Extracted from Tuju Setia Berhad's audited combined financial statements for the financial year ended 31 December 2020.

11. FINANCIAL INFORMATION (Cont'd)**Attachment A****Tuju Setia Berhad (the “Company”) and its combining entity (“the Group”)
Pro Forma Consolidated Statements of Financial Position and the notes thereon****Notes to the Pro Forma Consolidated Statements of Financial Position**

The pro forma consolidated statements of financial position of the Group as at 31 December 2020 (“Pro Forma Financial Position”) have been prepared for inclusion in the prospectus of the Company to be issued in connection with the initial public offering of 80,000,000 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”) 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 Financial Position are as described below. The Pro Forma Financial Position is prepared in accordance with the requirements of Chapter 9 of the Prospectus Guidelines issued by the Securities Commission Malaysia and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The Pro Forma Financial Position has been prepared based on the audited combined financial statements of the Group for the year ended on 31 December 2020, 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 adjusted for the events and transactions detailed in Note 2.

The pro forma adjustments are appropriate for the purpose of preparing the Pro Forma Financial Position.

The auditors’ report dated 1 April 2021 on the Group’s audited combined financial statements for the year ended on 31 December 2020 was not subject to any qualification, modification or disclaimer of opinion.

The Pro Forma Financial Position is not necessarily indicative of the financial position that would have been attained had the IPO actually occurred at the respective dates. The Pro Forma Financial Position has been prepared for illustrative purposes only.



11. FINANCIAL INFORMATION (Cont'd)

Attachment A

Tuju Setia Berhad (the "Company") and its combining entity ("the Group")
Pro Forma Consolidated Statements of Financial Position and the notes thereon**2. Pro forma adjustments to the Pro Forma Financial Position**

The Pro Forma Financial Position illustrates the effects of the following events or transactions:

2.1 Subsequent event**(i) Dividend declaration**

On 23 March 2021, the Company declared a dividend amounting to RM8 million for the financial year ended 31 December 2020 in cash. The dividend will be paid prior to the Listing and is illustrated in the Pro Forma Financial Position.

2.2 Acquisition of PTS

On 11 August 2020, the Company entered into a conditional share sale agreement to acquire the entire issued share capital of PTS of RM1,500,000 comprising 1,500,000 ordinary shares from the vendor of PTS, namely Tuju Setia Holdings Sdn Bhd ("TSHSB"), for a purchase consideration of RM37,892,576 ("Acquisition of PTS"). The said purchase consideration will be fully satisfied by the issuance of 236,828,600 new ordinary shares at an issue price of RM0.16 per Share, which will be issued to the shareholders of TSHSB, namely Wee Eng Kong and Dato' Wee Beng Aun.

The Acquisition of PTS will be accounted for using book value accounting. Under book value accounting, the difference between the consideration paid and the share capital of the acquiree is accounted for as merger reserve.

2.3 IPO**(i) Public Issue**

The public issue of 80,000,000 new ordinary shares in the Company ("Issue Share(s)") at a price of RM0.70 per Issue Share.

(ii) Offer for Sale

The offer for sale by Wee Eng Kong and Dato' Wee Beng Aun (collectively referred to as "the Offerors") of 27,000,000 existing ordinary shares in the Company ("Offer Share(s)") at a price of RM0.70 per Offer Share by way of private placement to selected investors.

2.4 Use of proceeds

The total gross proceeds from the Public Issue of RM56,000,000 are intended to be used as follows:

	RM
Capital expenditure ⁽¹⁾	32,000,000
Working capital	19,000,000
Estimated listing expenses ⁽²⁾	5,000,000
	56,000,000



11. FINANCIAL INFORMATION (Cont'd)

Attachment A

Tuju Setia Berhad (the "Company") and its combining entity ("the Group")
Pro Forma Consolidated Statements of Financial Position and the notes thereon

2. Pro forma adjustments to the Pro Forma Financial Position (continued)**2.4 Use of proceeds (continued)**

Notes:

(1) *The breakdown of capital expenditure amounting to RM32,000,000 is set out below:-*

	RM
<i>Purchase of construction machinery and equipment</i>	24,000,000
<i>Purchase of land and construction of storage facilities</i>	8,000,000
	32,000,000

As at the latest practicable date, the Company has yet to enter into any contractual binding arrangements or issued any purchase orders in relation to the above capital expenditure. Accordingly, the use of proceeds earmarked for capital expenditure is not reflected in the Pro Forma Financial Position.

(2) *The estimated listing expenses comprise the following:*

	RM
<i>Professional fees</i>	2,808,000
<i>Fees to authorities</i>	57,000
<i>Brokerage, underwriting and placement fees</i>	1,623,740
<i>Printing and advertising</i>	159,000
<i>Contingencies</i>	352,260
	5,000,000

The total listing expenses to be borne by the Company is estimated to be RM5,000,000. As of 31 December 2020, RM1,149,054 has been paid and charged to the profit or loss account of the Group.

Upon completion of the IPO, the estimated listing expenses totalling RM2,373,166 will be set-off against equity and the remaining RM1,477,780 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 RM18,900,000 from the Offer for Sale will accrue entirely to the Offerors.



11. FINANCIAL INFORMATION (Cont'd)

Attachment A

Tuju Setia Berhad (the "Company") and its combining entity ("the Group")
Pro Forma Consolidated Statements of Financial Position and the notes thereon**3. Effects on the Pro Forma Financial Position****(a) Movement in cash and cash equivalents**

	RM
Balance as at 31 December 2020	33,734,566
Effects of Pro Forma I:	
- Dividend payment	(8,000,000)
Pro Forma I and II	<u>25,734,566</u>
Effects of Pro Forma III:	
- Proceeds from the Public Issue	56,000,000
Pro Forma III	81,734,566
Effects of Pro Forma IV:	
- Estimated listing expenses	(3,850,946)
Pro Forma IV	<u>77,883,620</u>

(b) Movement in share capital

	RM
Balance as at 31 December 2020 / Pro Forma I	100
Effects of Pro Forma II:	
- Acquisition of PTS	37,892,576
Pro Forma II	37,892,676
Effects of Pro Forma III:	
- Shares issued under the Public Issue	56,000,000
Pro Forma III	93,892,676
Effects of Pro Forma IV:	
- Estimated listing expenses	(2,373,166)
Pro Forma IV	<u>91,519,510</u>

(c) Movement in invested equity

	RM
Balance as at 31 December 2020 / Pro Forma I	1,500,000
Effects of Pro Forma II:	
- Acquisition of PTS	(1,500,000)
Pro Forma II, III and IV	<u>-</u>



11. FINANCIAL INFORMATION (Cont'd)

Attachment A

Tuju Setia Berhad (the "Company") and its combining entity ("the Group")
 Pro Forma Consolidated Statements of Financial Position and the notes thereon

3. Effects on the Pro Forma Financial Position (continued)**(d) Movement in retained earnings**

	RM
Balance as at 31 December 2020	52,660,163
Effect of Pro Forma I:	
- Dividend payment	(8,000,000)
Pro Forma I, II and III	44,660,163
Effects of Pro Forma IV:	
- Estimated listing expenses	(1,477,780)
Pro Forma IV	43,182,383

(e) Movement in merger reserve

	RM
Balance as at 31 December 2020 / Pro Forma I	-
Effects of Pro Forma II:	
- Acquisition of PTS	(36,392,576)
Pro Forma II, III and IV	(36,392,576)



12. ACCOUNTANTS' REPORT

Tuju Setia Berhad
(Registration No. 202001005607 (1361927-V))
(Incorporated in Malaysia under the Companies Act 2016)

**Accountants' Report on the
Combined Financial Statements**

12. ACCOUNTANTS' REPORT (Cont'd)

1

Tuju Setia Berhad

(Registration No. 202001005607 (1361927-V))

(Incorporated in Malaysia)

Combined statements of financial position

	Note	31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM
Assets					
Property, plant and equipment	3	9,117,956	9,606,998	14,225,132	11,215,178
Right-of-use assets	4	21,959,384	23,261,407	21,323,364	15,094,802
Total non-current assets		<u>31,077,340</u>	<u>32,868,405</u>	<u>35,548,496</u>	<u>26,309,980</u>
Trade and other receivables	5	78,982,818	119,733,610	132,782,117	107,285,621
Contract assets	6	45,486,287	37,493,874	38,634,237	19,737,531
Cash and cash equivalents	7	33,734,566	41,122,994	34,968,963	42,269,079
Total current assets		<u>158,203,671</u>	<u>198,350,478</u>	<u>206,385,317</u>	<u>169,292,231</u>
Total assets		<u>189,281,011</u>	<u>231,218,883</u>	<u>241,933,813</u>	<u>195,602,211</u>
Equity					
Share capital	8	100	-	-	-
Invested equity	8	1,500,000	1,500,000	1,500,000	1,500,000
Retained earnings		52,660,163	42,392,568	26,842,056	20,451,608
Total equity		<u>54,160,263</u>	<u>43,892,568</u>	<u>28,342,056</u>	<u>21,951,608</u>
Liabilities					
Loans and borrowings	9	3,362,986	4,078,597	4,674,143	5,906,574
Lease liabilities		3,046,336	5,841,888	5,963,691	4,540,019
Deferred tax liabilities	10	3,411,745	1,974,916	423,817	70,267
Total non-current liabilities		<u>9,821,067</u>	<u>11,895,401</u>	<u>11,061,651</u>	<u>10,516,860</u>
Trade and other payables	11	104,610,999	148,398,988	167,927,238	127,070,523
Loans and borrowings	9	13,160,174	13,743,778	2,715,172	9,412,442
Lease liabilities		4,617,707	5,759,508	6,148,122	4,248,732
Contract liabilities	6	2,589,425	3,992,080	24,562,334	21,704,704
Current tax liabilities		321,376	3,536,560	1,177,240	697,342
Total current liabilities		<u>125,299,681</u>	<u>175,430,914</u>	<u>202,530,106</u>	<u>163,133,743</u>
Total liabilities		<u>135,120,748</u>	<u>187,326,315</u>	<u>213,591,757</u>	<u>173,650,603</u>
Total equity and liabilities		<u>189,281,011</u>	<u>231,218,883</u>	<u>241,933,813</u>	<u>195,602,211</u>

12. ACCOUNTANTS' REPORT (Cont'd)

2

Tuju Setia Berhad

(Registration No. 202001005607 (1361927-V))

(Incorporated in Malaysia)

Combined statements of profit or loss and other comprehensive income

	Note	31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM
Revenue	12	255,767,807	421,634,981	327,794,037	292,385,000
Cost of sales		(232,507,028)	(383,443,931)	(310,116,162)	(276,108,463)
Gross profit		23,260,779	38,191,050	17,677,875	16,276,537
Other income		412,892	407,755	315,866	105,535
Administrative expenses		(7,131,787)	(6,310,632)	(5,659,783)	(6,274,842)
Net gain/(loss) on impairment of financial instruments and contract assets	16	6,030,228	(10,661,501)	-	-
Other expenses		(974,584)	(772,768)	(492,364)	(544,664)
Results from operating activities		21,597,528	20,853,904	11,841,594	9,562,566
Finance income	13	540,569	983,471	915,420	776,276
Finance costs	14	(343,914)	(286,893)	(326,893)	(321,552)
Net finance income		196,655	696,578	588,527	454,724
Profit before tax		21,794,183	21,550,482	12,430,121	10,017,290
Tax expense	15	(5,526,588)	(5,999,970)	(3,534,673)	(2,717,702)
Profit and total comprehensive income for the year	16	16,267,595	15,550,512	8,895,448	7,299,588
Basic earnings per ordinary share (sen)	17	1,084	1,037	593	487

12. ACCOUNTANTS' REPORT (Cont'd)

3

Tuju Setia Berhad

(Registration No. 202001005607 (1361927-V))

(Incorporated in Malaysia)

Combined statements of changes in equity

	<i>Non-distributable</i> Share capital RM	<i>Invested</i> equity RM	<i>Distributable</i> Retained earnings RM	Total equity RM
At 1 January 2017	-	1,500,000	13,152,020	14,652,020
Profit and total comprehensive income for the year	-	-	7,299,588	7,299,588
At 31 December 2017/ 1 January 2018	-	1,500,000	20,451,608	21,951,608
Profit and total comprehensive income for the year	-	-	8,895,448	8,895,448
Distributions to owner of Pembinaan Tuju Setia Sdn. Bhd. ("PTS") - Dividends to owner of PTS (Note 18)	-	-	(2,505,000)	(2,505,000)
At 31 December 2018/ 1 January 2019	-	1,500,000	26,842,056	28,342,056
Profit and total comprehensive income for the year	-	-	15,550,512	15,550,512
At 31 December 2019/ 1 January 2020	-	1,500,000	42,392,568	43,892,568
At 18 February 2020 (date of incorporation)	100	-	-	100
Profit and total comprehensive income for the year	-	-	16,267,595	16,267,595
Distributions to owner of PTS - Dividends to owner of PTS (Note 18)	-	-	(6,000,000)	(6,000,000)
At 31 December 2020	<u>100</u>	<u>1,500,000</u>	<u>52,660,163</u>	<u>54,160,263</u>

12. ACCOUNTANTS' REPORT (Cont'd)

4

Tuju Setia Berhad

(Registration No. 202001005607 (1361927-V))

(Incorporated in Malaysia)

Combined statements of cash flows

	Note	31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM
Cash flows from operating activities					
Profit before tax		21,794,183	21,550,482	12,430,121	10,017,290
<i>Adjustments for:</i>					
Depreciation of property, plant and equipment	3	926,218	1,510,357	1,075,638	888,095
Depreciation of right-of-use assets	4	3,188,232	2,945,773	2,489,129	2,173,164
Finance costs	14	343,914	286,893	326,893	321,552
Finance income	13	(540,569)	(983,471)	(915,420)	(776,276)
Gain on disposal of property, plant and equipment		(3,280)	(52,982)	(31,667)	(8,215)
(Gain)/Loss on disposal of right-of-use assets		(60,999)	433,059	-	(7,394)
Gain on lease modification		(17,166)	-	-	-
Property, plant and equipment written off		-	40,193	-	-
Trade receivables written off	16	687,547	-	-	-
Net (gain)/loss on impairment of financial instruments and contract assets	16	(6,030,228)	10,661,501	-	-
Initial public offering expenses	16	1,149,054	-	-	-
Operating profit before changes in working capital		21,436,906	36,391,805	15,374,694	12,608,216
Change in trade and other receivables		46,476,491	2,387,006	(25,496,496)	(20,502,410)
Change in trade and other payables		(34,717,622)	(16,722,750)	38,351,773	15,908,504
Change in contract assets		(7,992,413)	1,140,363	(18,896,706)	(7,481,120)
Change in contract liabilities		(1,402,655)	(20,570,254)	2,857,630	9,109,615
Cash generated from operations		23,800,707	2,626,170	12,190,895	9,642,805
Tax paid		(7,304,943)	(2,089,551)	(2,701,225)	(2,310,427)
Net cash from operating activities		16,495,764	536,619	9,489,670	7,332,378
Cash flows from investing activities					
Acquisition of property, plant and equipment		(442,249)	(352,343)	(4,121,969)	(2,870,898)
Interest received from fixed deposits		540,569	983,471	915,420	776,276
Proceeds from disposal of property, plant and equipment		8,353	929,801	68,044	9,599
Proceeds from disposal of right-of-use assets		61,000	103,109	-	300,000
Net cash from/(used in) investing activities		167,673	1,664,038	(3,138,505)	(1,785,023)

12. ACCOUNTANTS' REPORT (Cont'd)

5

Combined statements of cash flows (continued)

	Note	31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM
Cash flows from financing activities					
Change in pledged deposits		850,782	(4,893,799)	8,390,413	(513,336)
Dividends paid to owner of the Company	18	(6,000,000)	-	(2,505,000)	-
(Repayment of)/Proceeds from revolving credits		(1,910,225)	11,048,682	(3,498,152)	(206,327)
Interest paid on loans and borrowings		(343,914)	(286,893)	(326,893)	(321,552)
Payment of lease liabilities		(5,806,397)	(3,387,293)	(5,394,629)	(5,026,316)
Repayment of term loans		(636,652)	(783,955)	(1,416,992)	(1,593,266)
(Repayment of)/Proceeds from advances from related parties		(9,282,028)	(2,805,500)	2,504,942	(105,079)
Payment of listing expenses		(1,320,411)	-	-	-
Net cash used in financing activities		(24,448,845)	(1,108,758)	(2,246,311)	(7,765,876)
Net (decrease)/increase in cash and cash equivalents					
		(7,785,408)	1,091,899	4,104,854	(2,218,521)
Cash and cash equivalents at 18 February 2020 (date of incorporation)		100	-	-	-
Cash and cash equivalents at 1 January		<u>26,162,805</u>	<u>25,070,906</u>	<u>20,966,052</u>	<u>23,184,573</u>
Cash and cash equivalents at 31 December	A	<u>18,377,497</u>	<u>26,162,805</u>	<u>25,070,906</u>	<u>20,966,052</u>

NOTES:

A. Cash and cash equivalents

Cash and cash equivalents included in the combined statements of cash flows comprise the following combined statements of financial position amounts:

	Note	31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM
Fixed deposits with licensed banks	7	13,226,900	19,034,674	13,997,116	17,620,949
Cash and bank balances	7	<u>20,507,666</u>	<u>22,088,320</u>	<u>20,971,847</u>	<u>24,648,130</u>
		33,734,566	41,122,994	34,968,963	42,269,079
Less: Bank overdraft	9	(2,401,428)	(1,153,766)	(985,433)	(3,999,990)
Pledged deposits	7	<u>(12,955,641)</u>	<u>(13,806,423)</u>	<u>(8,912,624)</u>	<u>(17,303,037)</u>
		<u>18,377,497</u>	<u>26,162,805</u>	<u>25,070,906</u>	<u>20,966,052</u>

Combined statements of cash flows (continued)**Cash outflows for leases as lessee**

	Note	31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM
Included in net cash from operating activities:					
Payment relating to short-term leases	16	900,857	274,859	348,444	478,232
Payment relating to leases of low-value assets	16	26,094	28,152	24,089	20,498
Payment relating to variable lease payments not included in the measurement of lease liabilities	16	91,644	296,907	450,997	144,000
Interest paid in relation to lease liabilities	16	555,108	162,443	173,131	186,616
Included in net cash from financing activities:					
Payment of lease liabilities		<u>5,806,397</u>	<u>3,387,293</u>	<u>5,394,629</u>	<u>5,026,316</u>
Total cash outflows for leases		<u>7,380,100</u>	<u>4,149,654</u>	<u>6,391,290</u>	<u>5,855,662</u>

12. ACCOUNTANTS' REPORT (Cont'd)

7

Combined statements of cash flows (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Note	At 1 January 2017 RM	Net changes from financing cash flows RM	Acquisition of new lease RM	At 31 December 2017/ 1 January 2018 RM	Net changes from financing cash flows RM	Acquisition of new lease RM	At 31 December 2018 RM
Secured term loans	9	8,458,729	(1,593,266)	-	6,865,463	(1,416,992)	-	5,448,471
Revolving credits	9	4,659,890	(206,327)	-	4,453,563	(3,498,152)	-	955,411
Lease liabilities		12,538,330	(5,026,316)	1,276,737	8,788,751	(5,394,629)	8,717,691	12,111,813
Advances from related parties	11	9,687,665	(105,079)	-	9,582,586	2,504,942	-	12,087,528
		35,344,614	(6,930,988)	1,276,737	29,690,363	(7,804,831)	8,717,691	30,603,223

	Note	At 1 January 2019 RM	Net changes from financing cash flows RM	Acquisition of new lease RM	At 31 December 2019/ 1 January 2020 RM	Net changes from financing cash flows RM	Acquisition of new lease RM	Other changes RM	At 31 December 2020 RM
Secured term loans	9	5,448,471	(783,955)	4,664,516	(636,652)	-	-	-	4,027,864
Revolving credits	9	955,411	11,048,682	12,004,093	(1,910,225)	-	-	-	10,093,868
Lease liabilities		12,111,813	(3,387,293)	2,876,876	11,601,396	(5,806,397)	1,953,706	(84,662)	7,664,043
Advances from related parties	11	12,087,528	(2,805,500)	-	9,282,028	(9,282,028)	-	-	-
		30,603,223	4,071,934	2,876,876	37,552,033	(17,635,302)	1,953,706	(84,662)	21,785,775

Tuju Setia Berhad

(Registration No. 202001005607 (1361927-V))
(Incorporated in Malaysia)

Notes to the combined financial statements

Tuju Setia Berhad ("the Company") is a public limited liability 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

No. 31-1, Jalan Puteri 4/8
Bandar Puteri
47100 Puchong
Selangor Darul Ehsan

Registered office

12th Floor, Menara Symphony
No.5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

The Company is principally engaged in investment holding activities, whilst the combining entity, PTS is principally engaged in the provision of construction services including non-residential and residential buildings. Non-residential buildings include mixed-use commercial buildings, offices, serviced apartments as well as institutional buildings such as schools and hospitals, while residential buildings include condominiums and affordable apartments.

1. Basis of preparation

The Company was incorporated on 18 February 2020 for the purpose of a restructuring exercise, as part of the listing scheme in relation to the listing of and quotation for the entire issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("IPO"), that will result in the Company becoming the holding company of PTS.

The combined financial statements of the Company and its combining entity (together referred to as the "Group" and individually referred to as "Group entity") have been prepared solely in connection with the IPO and for no other purpose.

The combined financial statements consist of the financial statements of the Company and the combining entity, PTS, under the common control of Wee Eng Kong and Dato' Wee Beng Aun (collectively referred to as the "Controlling Shareholders").

The combined financial statements of the Group have been prepared as if the Group has been operated as a single economic entity throughout the financial years ended 31 December 2020, 2019, 2018 and 2017.

1. Basis of preparation (continued)

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Control exists 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 the 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.

The financial information as prepared in the combined financial statements may not correspond with the consolidated financial statements of the Group after incorporating or effecting the relevant acquisitions, as the combined financial statements reflect business combinations under common control for the purpose of the IPO. 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.

(a) Statement of compliance

The combined financial statements of the Group for the financial years ended 31 December 2020, 2019, 2018 and 2017 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRS").

Changes in accounting policies

The Group has adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* which are effective for annual periods beginning on or after 1 January 2018 and MFRS 16, *Leases* which is effective for annual periods beginning on or after 1 January 2019.

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligation. The standard specifies that the revenue is to be recognised when control over the goods and services is transferred to the customers, moving from the transfer of risk and rewards.

The Group adopted MFRS 15, *Revenue from Contracts with Customers* retrospectively.

The adoption of MFRS 15, *Revenue from Contracts with Customers* does not have a material financial impact to the combined financial statements of the Group as disclosed in Note 25.

(ii) MFRS 9, *Financial Instruments*

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investment in equity instruments.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

Changes in accounting policies (continued)

(ii) MFRS 9, *Financial Instruments* (continued)

The Group adopted MFRS 9, *Financial Instruments* retrospectively.

The adoption of MFRS 9, *Financial Instruments* has a material financial impact to the combined financial statements of the Group. The comparative figures were restated and the cumulative impact arising from the adoption was recognised in the retained earnings as at 1 January 2017 as disclosed in Note 25.

(iii) MFRS 16, *Leases*

MFRS 16 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*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The adoption of MFRS 16 has a material financial impact to the combined financial statements of the Group. The comparative figures were restated and the cumulative impact arising from the adoption was recognised in the retained earnings as at 1 January 2017 as disclosed in Note 25.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group:

Amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

Amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

Amendments effective for annual periods beginning on or after 1 January 2022 (continued)

- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRS and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

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*

During the financial year, the Group has early adopted the amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions* which is effective for annual periods beginning on or after 1 June 2020. Nevertheless, the impact from the early adoption of amendment to MFRS 16 is not material to the combined financial statements.

The Group plans to apply the abovementioned accounting standards and amendments:

- from the annual period beginning on 1 January 2021 for the amendments that are effective for annual periods beginning on or after 1 January 2021.
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for amendments to MFRS 141, *Agriculture* which is not applicable to the Group.
- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17, *Insurance Contracts* which is not applicable to the Group.

The initial application of the abovementioned accounting standards and amendments is not expected to have any material financial impact to the current period and prior period combined financial statements of the Group.

1. Basis of preparation (continued)

(b) Basis of measurement

The combined financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These combined 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 the combined 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 period in which the estimates are revised and in any future periods 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 combined financial statements other than those disclosed in the following notes:

- Note 4 - extension options and incremental borrowing rate in relation to leases
- Note 12 - revenue recognition
- Note 20 - measurement of expected credit loss ("ECL")

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these combined financial statements and have been applied consistently by the Group, unless otherwise stated.

Arising from the adoption of the amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*, MFRS 15, *Revenue from Contracts with Customers*, MFRS 9, *Financial Instruments* and MFRS 16, *Leases*, there are changes to the accounting policies of:

- i) financial instruments;
- ii) revenue recognition;
- iii) impairment losses of financial instruments; and
- iv) leases

as compared to those applied in previous years' combined entity's audited financial statements. The impact arising from the changes is disclosed in Note 25.

2. Significant accounting policies (continued)

(a) Basis of combination

(i) Combining entities

The combined financial statements comprise the financial statements of the Company and its combining entity as at the reporting dates. The financial statements of the Company and its combining entity used in the preparation of the combined financial statements are prepared as of the same reporting dates.

The combining entities are entities, including structured entities, under common control of the shareholders that control the Company and the combining entity ("Controlling Shareholders"), and are accounted for as if the Company and the combining entity are a single economic entity at the beginning of the earlier 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 combining entities are recognised at the carrying amounts recognised in the respective combining entities' financial statements. The components of equity of the combining entities 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) Transactions eliminated on combination

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

2. Significant accounting policies (continued)

(b) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

Amortised cost category comprises financial assets that are 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. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are 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.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(g)(i)) where the effective interest rate is applied to the amortised cost.

All financial assets are subject to impairment assessment (see Note 2(g)(i)).

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

Amortised cost

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised 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 modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(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 liability simultaneously.

2. Significant accounting policies (continued)

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

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.

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.

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.

2. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(iii) Depreciation (continued)

The estimated useful lives for the current and comparative periods are as follows:

• Buildings	50 years
• Motor vehicles	5 years
• Office equipment, furniture and fittings	10 years
• Store equipment, site equipment, portable cabins and computers	5 - 10 years
• Renovation	10 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

(d) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

2. Significant accounting policies (continued)

(d) Leases (continued)

(ii) Recognition and initial measurement

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. Significant accounting policies (continued)

(d) Leases (continued)

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

COVID-19-Related Rent Concessions

The Group has applied COVID-19-Related Rent Concessions. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

(e) Contract asset/Contract liability

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(g)(i)).

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

2. Significant accounting policies (continued)

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(g) Impairment

(i) Financial assets

The Group recognises loss allowances for expected credit losses on financial assets measured at amortised cost and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

The Group measures loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balance, which are measured at 12-month expected credit loss. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, 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, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

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.

The gross carrying amount of a financial asset is written off (either partially or 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 amounts due.

2. Significant accounting policies (continued)

(g) Impairment (continued)

(ii) Other assets

The carrying amounts of other assets (except for contract assets) 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 to reduce the carrying amounts of the assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

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.

(h) 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 recognised as a deduction from equity.

2. Significant accounting policies (continued)

(h) Equity instruments (continued)

(ii) Ordinary shares

Ordinary shares are classified as equity.

(i) 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.

(j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(k) Revenue and other income

(i) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Group performs;

2. Significant accounting policies (continued)

(k) Revenue and other income (continued)

(i) Revenue from contracts with customers (continued)

The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met (continued):

- (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(l) Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss.

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 statement of financial position and their tax bases. Deferred tax is not recognised for 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 period.

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 taxation 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.

2. Significant accounting policies (continued)

(m) Income tax (continued)

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.

(n) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(o) 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 segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(p) 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 asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

12. ACCOUNTANTS' REPORT (Cont'd)

3. Property, plant and equipment

Cost	Note	Buildings RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Store equipment, site equipment, portable cabins and computers RM	Renovation RM	Total RM
At 1 January 2017		5,696,000	704,491	459,875	6,693,589	71,911	13,625,866
Additions		892,680	31,900	46,605	1,899,713	-	2,870,898
Disposals		-	(39,150)	-	(2,151)	-	(41,301)
At 31 December 2017/1 January 2018		6,588,680	697,241	506,480	8,591,151	71,911	16,455,463
Additions		-	27,512	72,264	4,022,193	-	4,121,969
Disposals		-	(186,000)	-	(61,382)	-	(247,382)
At 31 December 2018/1 January 2019		6,588,680	538,753	578,744	12,551,962	71,911	20,330,050
Additions		-	-	71,677	280,666	-	352,343
Write-off		-	-	(246,793)	(898,530)	-	(1,145,323)
Disposals		(892,680)	-	(9,590)	(20,879)	-	(923,149)
Transfer to right-of-use assets	3.2	-	-	-	(2,933,496)	-	(2,933,496)
At 31 December 2019/1 January 2020		5,696,000	538,753	394,038	8,979,723	71,911	15,680,425
Additions		-	-	7,310	434,939	-	442,249
Disposals		-	(40,193)	(4,400)	(21,820)	-	(66,413)
At 31 December 2020		5,696,000	498,560	396,948	9,392,842	71,911	16,056,261

12. ACCOUNTANTS' REPORT (Cont'd)

3. Property, plant and equipment (continued)

	Note	Buildings RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Store equipment, site equipment, portable computers and cabins and computers RM	Renovation RM	Total RM
Depreciation							
At 1 January 2017		531,626	629,458	319,097	2,840,022	71,904	4,392,107
Depreciation for the year		128,798	34,532	27,363	697,402	-	888,095
Disposals		-	(39,150)	-	(767)	-	(39,917)
At 31 December 2017/1 January 2018		660,424	624,840	346,460	3,536,657	71,904	5,240,285
Depreciation for the year		131,774	15,567	31,099	897,198	-	1,075,638
Disposals		-	(185,999)	-	(25,006)	-	(211,005)
At 31 December 2018/1 January 2019		792,198	454,408	377,559	4,408,849	71,904	6,104,918
Depreciation for the year		116,896	15,996	33,245	1,344,220	-	1,510,357
Write-off		-	-	(206,744)	(898,386)	-	(1,105,130)
Disposals		(35,707)	-	(879)	(9,744)	-	(46,330)
Transfer to right-of-use assets	3.2	-	-	-	(390,388)	-	(390,388)
At 31 December 2019/1 January 2020		873,387	470,404	203,181	4,454,551	71,904	6,073,427
Depreciation for the year		113,920	11,981	27,286	773,031	-	926,218
Disposals		-	(40,192)	(4,399)	(16,749)	-	(61,340)
At 31 December 2020		987,307	442,193	226,068	5,210,833	71,904	6,938,305

12. ACCOUNTANTS' REPORT (Cont'd)

3. Property, plant and equipment (continued)

Carrying amounts	Buildings RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Store equipment, site equipment, portable computers and cabins and computers RM	Renovation RM	Total RM
At 1 January 2017	5,164,374	75,033	140,778	3,853,567	7	9,233,759
At 31 December 2017/1 January 2018	5,928,256	72,401	160,020	5,054,494	7	11,215,178
At 31 December 2018/1 January 2019	5,796,482	84,345	201,185	8,143,113	7	14,225,132
At 31 December 2019/1 January 2020	4,822,613	68,349	190,857	4,525,172	7	9,606,998
At 31 December 2020	4,708,693	56,367	170,880	4,182,009	7	9,117,956

3.1 Security

At 31 December 2020, the buildings were used to secure banking facilities granted to the Group (see Note 9).

3.2 Transfer to right-of-use assets

This was related to site equipment acquired by the Group in year 2018 of which lease financing was obtained in year 2019.

12. ACCOUNTANTS' REPORT (Cont'd)

4. Right-of-use assets

Cost	Note	Land RM	Buildings RM	Motor vehicles RM	Site equipment RM	Total RM
At 1 January 2017		2,847,578	459,401	1,381,620	13,604,754	18,293,353
Additions		-	876,686	-	400,050	1,276,736
Disposals		-	-	-	(347,651)	(347,651)
At 31 December 2017/1 January 2018		2,847,578	1,336,087	1,381,620	13,657,153	19,222,438
Additions		-	317,076	582,208	7,818,407	8,717,691
At 31 December 2018/1 January 2019		2,847,578	1,653,163	1,963,828	21,475,560	27,940,129
Additions		-	449,755	-	2,427,121	2,876,876
Disposals		-	-	(235,097)	(824,873)	(1,059,970)
Transfer from property, plant and equipment	3.2	-	-	-	2,933,496	2,933,496
At 31 December 2019/1 January 2020		2,847,578	2,102,918	1,728,731	26,011,304	32,690,531
Additions		-	33,734	391,987	1,527,985	1,953,706
Disposals		-	-	(313,656)	-	(313,656)
Lease modification		-	(158,280)	-	90,784	(67,496)
At 31 December 2020		2,847,578	1,978,372	1,807,062	27,630,073	34,263,085

12. ACCOUNTANTS' REPORT (Cont'd)

4. Right-of-use assets (continued)

	Note	Land RM	Buildings RM	Motor vehicles RM	Site equipment RM	Total RM
Depreciation						
At 1 January 2017		42,915	317,982	618,339	1,030,281	2,009,517
Depreciation for the year		28,763	322,483	276,323	1,545,595	2,173,164
Disposals		-	-	-	(55,045)	(55,045)
At 31 December 2017/1 January 2018		71,678	640,465	894,662	2,520,831	4,127,636
Depreciation for the year		28,763	370,734	292,066	1,797,566	2,489,129
At 31 December 2018/1 January 2019		100,441	1,011,199	1,186,728	4,318,397	6,616,765
Depreciation for the year		28,763	495,267	237,609	2,184,134	2,945,773
Disposals		-	-	(235,096)	(288,706)	(523,802)
Transfer from property, plant and equipment	3.2	-	-	-	390,388	390,388
At 31 December 2019/1 January 2020		129,204	1,506,466	1,189,241	6,604,213	9,429,124
Depreciation for the year		28,763	315,443	147,705	2,696,321	3,188,232
Disposals		-	-	(313,655)	-	(313,655)
At 31 December 2020		157,967	1,821,909	1,023,291	9,300,534	12,303,701
Carrying amounts						
At 1 January 2017		2,804,663	141,419	763,281	12,574,473	16,283,836
At 31 December 2017/1 January 2018		2,775,900	695,622	486,958	11,136,322	15,094,802
At 31 December 2018/1 January 2019		2,747,137	641,964	777,100	17,157,163	21,323,364
At 31 December 2019/1 January 2020		2,718,374	596,452	539,490	19,407,091	23,261,407
At 31 December 2020		2,689,611	156,463	783,771	18,329,539	21,959,384

The Group leases certain land, buildings, motor vehicles and site equipment. The leases are between 1 year and 99 years, with an option to renew the lease after that date.

4. Right-of-use assets (continued)

4.1 Variable lease payments based on occupancy (usage)

Some leases of buildings and site equipment contain variable lease payments based on occupancy (usage). Such leases are not material to the Group and hence, no further disclosures are provided for.

4.2 Extension options

Some leases of buildings contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

The extension options of all leases are currently included in the lease term as the Group assessed that it is reasonably certain to exercise the extension options, which is supported by the high historical rate of extensions exercised by the Group. Hence, as at 31 December 2020 and 31 December 2019, there are no potential future lease payments not included in lease liabilities.

4.3 Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Group considers all facts and circumstances including its past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help it determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group first determines the closest available borrowing rates before using judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

4.4 Security

At 31 December 2020, the land and site equipment were used to secure banking facilities granted to the Group (see Note 9).

12. ACCOUNTANTS' REPORT (Cont'd)

31

5. Trade and other receivables

	Note	31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM
Trade					
Trade receivables	5.1	71,045,677	110,664,044	118,736,511	96,176,746
Non-trade					
Other receivables	5.2	4,930,675	4,882,128	10,614,197	7,408,859
Deposits		2,329,018	3,457,242	2,933,055	3,392,930
Prepayments		677,448	730,196	498,354	307,086
		<u>7,937,141</u>	<u>9,069,566</u>	<u>14,045,606</u>	<u>11,108,875</u>
		<u>78,982,818</u>	<u>119,733,610</u>	<u>132,782,117</u>	<u>107,285,621</u>

- 5.1 Included in trade receivables at 31 December 2020 are retentions of RM37,317,446 (31 December 2019: RM53,073,255, 31 December 2018: RM44,658,734, 31 December 2017: RM42,318,444) which will be collected upon expiry of defect liability period. Retentions are unsecured, interest free and are expected to be collected as follows:

	31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM
Within 1 year	9,160,182	18,184,932	12,508,883	6,833,402
More than 1 year	<u>28,157,264</u>	<u>34,888,323</u>	<u>32,149,851</u>	<u>35,485,042</u>
	<u>37,317,446</u>	<u>53,073,255</u>	<u>44,658,734</u>	<u>42,318,444</u>

- 5.2 Included in other receivables at 31 December 2020 are project deposits and advances paid to sub-contractors of RM647,050 (31 December 2019: RM1,934,341, 31 December 2018: RM7,260,660, 31 December 2017: RM4,041,398).

12. ACCOUNTANTS' REPORT (Cont'd)

32

6. Contract assets/(liabilities)

	31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM
Contract assets	<u>45,486,287</u>	<u>37,493,874</u>	<u>38,634,237</u>	<u>19,737,531</u>
Contract liabilities	<u>(2,589,425)</u>	<u>(3,992,080)</u>	<u>(24,562,334)</u>	<u>(21,704,704)</u>

The contract assets primarily relate to the Group's rights to consideration for work completed on construction contracts but not yet billed at the reporting date. The amount will be billed on achievement of billing milestones as per the contracts.

The contract liabilities primarily relate to the advance consideration received from customers for construction contracts, which revenue is recognised over time during the construction.

The changes to contract assets and contract liabilities during the current and previous financial years were mainly affected by progress billings raised and recognition of revenue.

Significant changes to contract assets and contract liabilities balances during the year are as follows:

	31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM
Contract liabilities at the beginning of the period recognised as revenue	<u>(2,166,302)</u>	<u>(23,050,787)</u>	<u>(6,260,509)</u>	<u>(3,763,279)</u>

7. Cash and cash equivalents

	31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM
Fixed deposits with licensed banks	13,226,900	19,034,674	13,997,116	17,620,949
Cash and bank balances	<u>20,507,666</u>	<u>22,088,320</u>	<u>20,971,847</u>	<u>24,648,130</u>
Cash and cash equivalents in the combined statements of financial position	33,734,566	41,122,994	34,968,963	42,269,079
Less: Bank overdraft	(2,401,428)	(1,153,766)	(985,433)	(3,999,990)
Pledged deposits	<u>(12,955,641)</u>	<u>(13,806,423)</u>	<u>(8,912,624)</u>	<u>(17,303,037)</u>
Cash and cash equivalents in the combined statements of cash flows	<u>18,377,497</u>	<u>26,162,805</u>	<u>25,070,906</u>	<u>20,966,052</u>

Fixed deposits with licensed banks of RM12,955,641 (31 December 2019: RM13,806,423, 31 December 2018: RM8,912,624, 31 December 2017: RM17,303,037) are pledged for bank facilities granted to the Group (see Note 9).

12. ACCOUNTANTS' REPORT (Cont'd)

8. Share capital and invested equity

(a) Share capital

	Number of shares 31.12.2020	Amount 31.12.2020	Number of shares 31.12.2019	Amount 31.12.2019	Number of shares 31.12.2018	Amount 31.12.2018	Number of shares 31.12.2017	Amount 31.12.2017
		RM		RM		RM		RM
Issued and fully paid shares with no par value of the Company classified as equity instruments: At 18 February 2020 (date of incorporation)/31 December	100	100	-	-	-	-	-	-

(b) Invested equity

	Number of shares 31.12.2020	Amount 31.12.2020	Number of shares 31.12.2019	Amount 31.12.2019	Number of shares 31.12.2018	Amount 31.12.2018	Number of shares 31.12.2017	Amount 31.12.2017
		RM		RM		RM		RM
Issued and fully paid shares with no par value of PTS classified as equity instruments: At 1 January/31 December	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Invested equity

Invested equity comprised the share capital of the combining entity.

9. Loans and borrowings

	Note	31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM
Non-current					
Secured term loans	9.1	3,362,986	4,078,597	4,674,143	5,906,574
Current					
Secured term loans	9.1	664,878	585,919	774,328	958,889
Revolving credits	9.1	10,093,868	12,004,093	955,411	4,453,563
Bank overdraft	9.1	2,401,428	1,153,766	985,433	3,999,990
		<u>13,160,174</u>	<u>13,743,778</u>	<u>2,715,172</u>	<u>9,412,442</u>
		<u>16,523,160</u>	<u>17,822,375</u>	<u>7,389,315</u>	<u>15,319,016</u>

9.1 Securities

Term loans

The term loans are secured by the following:

- The Group's land, buildings and site equipment as disclosed in Note 3 and Note 4;
- Joint and several guarantees by certain Directors of the Company;
- Corporate guarantees by Tuju Setia Holdings Sdn. Bhd. ("TSHSB");
- Assignment of Keyman/Life Insurance policy of a director.

Revolving credits/bank overdraft

The revolving credits/bank overdraft are secured by the following:

- Assignment of contract proceeds;
- Joint and several guarantees by certain Directors of the Company;
- Corporate guarantees by Tuju Setia Holdings Sdn. Bhd. ("TSHSB");
- Charge over the fixed deposits of the Group as disclosed in Note 7;
- A memorandum of deposit and authorisation to the lending bank to create a sinking fund in the form of fixed deposits by way of deduction of 5% from each contract proceeds received.

12. ACCOUNTANTS' REPORT (Cont'd)

10. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31.12.2020 RM	31.12.2019 RM	31.12.2020 RM	31.12.2019 RM	31.12.2020 RM	31.12.2019 RM
Property, plant and equipment	-	-	(1,498,274)	(1,501,984)	(1,498,274)	(1,501,984)
Right-of-use assets	-	-	(1,382,137)	(1,058,577)	(1,382,137)	(1,058,577)
Lease liabilities	39,031	149,205	-	-	39,031	149,205
Contract assets and liabilities	-	436,440	(570,365)	-	(570,365)	436,440
Tax assets/(liabilities)	39,031	585,645	(3,450,776)	(2,560,561)	(3,411,745)	(1,974,916)
Set off of tax	(39,031)	(585,645)	39,031	585,645	-	-
Net tax liabilities	-	-	(3,411,745)	(1,974,916)	(3,411,745)	(1,974,916)

	Assets		Liabilities		Net	
	31.12.2018 RM	31.12.2017 RM	31.12.2018 RM	31.12.2017 RM	31.12.2018 RM	31.12.2017 RM
Property, plant and equipment	-	-	(1,561,028)	(997,490)	(1,561,028)	(997,490)
Right-of-use assets	-	-	(820,510)	(587,207)	(820,510)	(587,207)
Provisions	478,074	1,314,216	-	-	478,074	1,314,216
Lease liabilities	165,431	200,214	-	-	165,431	200,214
Contract assets and liabilities	1,420,128	-	-	-	1,420,128	-
Other items	-	-	(105,912)	-	(105,912)	-
Tax assets/(liabilities)	2,063,633	1,514,430	(2,487,450)	(1,584,697)	(423,817)	(70,267)
Set off of tax	(2,063,633)	(1,514,430)	2,063,633	1,514,430	-	-
Net tax liabilities	-	-	(423,817)	(70,267)	(423,817)	(70,267)

12. ACCOUNTANTS' REPORT (Cont'd)

36

10. Deferred tax assets/(liabilities) (continued)

Unrecognised deferred tax assets

Deferred tax assets which have not been recognised are as follows:

	2020
	RM
Unutilised tax losses	<u>101,046</u>

In accordance with the provision of Finance Act 2018, the unutilised tax losses are available for utilisation in the next seven years, for which, any excess at the end of the seventh year, will be disregarded. Deferred tax assets have not been recognised in respect of this item because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

The unutilised tax losses will expire in financial year 2027.

Movement in temporary differences during the year

	At 1.1.2017 RM	Recognised in profit or loss (Note 15) RM	At 31.12.2017/ 1.1.2018 RM	Recognised in profit or loss (Note 15) RM	At 31.12.2018/ 1.1.2019 RM	Recognised in profit or loss (Note 15) RM	At 31.12.2019/ 1.1.2020 RM	Recognised in profit or loss (Note 15) RM	At 31.12.2020 RM
Property, plant and equipment	(958,364)	(39,126)	(997,490)	(563,538)	(1,561,028)	59,044	(1,501,984)	3,710	(1,498,274)
Right-of-use assets	(217,316)	(369,891)	(587,207)	(233,303)	(820,510)	(238,067)	(1,058,577)	(323,560)	(1,382,137)
Provisions	1,314,216	-	1,314,216	(836,142)	478,074	(478,074)	-	-	-
Lease liabilities	82,918	117,296	200,214	(34,783)	165,431	(16,226)	149,205	(110,174)	39,031
Contract assets and liabilities	-	-	-	1,420,128	1,420,128	(983,688)	436,440	(1,006,805)	(570,365)
Other items	-	-	-	(105,912)	(105,912)	105,912	-	-	-
	<u>221,454</u>	<u>(291,721)</u>	<u>(70,267)</u>	<u>(353,550)</u>	<u>(423,817)</u>	<u>(1,551,099)</u>	<u>(1,974,916)</u>	<u>(1,436,829)</u>	<u>(3,411,745)</u>

12. ACCOUNTANTS' REPORT (Cont'd)

37

11. Trade and other payables

	Note	31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM
Trade					
Trade payables	11.1	100,284,227	134,453,757	151,429,906	114,563,134
Non-trade					
Amounts due to Directors	11.2	-	979,280	2,746,280	2,746,280
Other payables	11.3	2,513,532	10,398,083	11,385,687	7,060,181
Deposits		102,190	21,690	280,390	261,190
Accrued expenses		1,711,050	2,546,178	2,084,975	2,439,738
		<u>4,326,772</u>	<u>13,945,231</u>	<u>16,497,332</u>	<u>12,507,389</u>
		<u>104,610,999</u>	<u>148,398,988</u>	<u>167,927,238</u>	<u>127,070,523</u>

11.1 Included in trade payables at 31 December 2020 are retentions of RM28,276,462 (31 December 2019: RM30,212,302, 31 December 2018: RM25,421,330, 31 December 2017: RM26,773,471) relating to projects under defect liability period. Retentions are unsecured, interest free and are expected to be paid as follows:

	31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM
Within 1 year	6,218,970	10,276,557	13,316,684	6,136,233
More than 1 year	<u>22,057,492</u>	<u>19,935,745</u>	<u>12,104,646</u>	<u>20,637,238</u>
	<u>28,276,462</u>	<u>30,212,302</u>	<u>25,421,330</u>	<u>26,773,471</u>

11.2 The non-trade balances due to Directors were unsecured, interest free and repayable on demand.

11.3 Included in other payables at 31 December 2020 are amounts due to companies in which certain Directors have interests totalling RM Nil (31 December 2019: RM8,302,748, 31 December 2018: RM9,341,248, 31 December 2017: RM6,836,306), which were unsecured, interest free and repayable on demand.

12. Revenue

	31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM
Revenue from contracts with customers	<u>255,767,807</u>	<u>421,634,981</u>	<u>327,794,037</u>	<u>292,385,000</u>

12.1 Disaggregation of revenue

Disaggregation of revenue has not been disclosed as the Group is solely engaged in the provision of construction services in Malaysia and timing of recognition for revenue is solely over time.

12. ACCOUNTANTS' REPORT (Cont'd)

38

12. Revenue (continued)**12.2 Nature of services**

The following information reflects the typical transactions of the Group:

Nature of services	Timing of recognition or method used to recognise revenue	Significant payment terms	Warranty
Construction services	Revenue is recognised over time using the cost incurred method by comparing the actual costs incurred with the estimated total costs required to complete the construction.	Based on agreed milestone, progress billings submitted to customers which are approved by accredited architects are subject to a credit period of 30 to 60 days.	Defect liability period of 2 to 3 years is given to the customers.

12.3 Transaction price allocated to the remaining performance obligations

The following table shows revenue from performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	2021 - 2024 RM
31.12.2020	
Construction services	<u>689,045,065</u>
	2020 - 2022 RM
31.12.2019	
Construction services	<u>709,487,763</u>
	2019 - 2021 RM
31.12.2018	
Construction services	<u>896,277,947</u>
	2018 - 2020 RM
31.12.2017	
Construction services	<u>727,785,284</u>

The above revenue does not include variable consideration.

The Group applies the practical expedients exemption not to adjust the promised amount of consideration for the effects of a significant financing component when the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service is one year or less.

12. ACCOUNTANTS' REPORT (Cont'd)

39

12. Revenue (continued)**12.4 Significant judgements and assumptions arising from revenue recognition**

For construction contracts, the Group measured the performance of construction work done by comparing the actual costs incurred with the estimated total costs required to complete the construction. Significant judgements are required to estimate the total contract costs to complete. 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.

13. Finance income

	31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM
Interest income of financial assets calculated using the effective interest method that are at amortised cost	<u>540,569</u>	<u>983,471</u>	<u>915,420</u>	<u>776,276</u>

14. Finance costs

	31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM
Interest expense of financial liabilities that are not at fair value through profit or loss	331,972	283,821	321,700	318,572
Other finance costs	<u>11,942</u>	<u>3,072</u>	<u>5,193</u>	<u>2,980</u>
	<u>343,914</u>	<u>286,893</u>	<u>326,893</u>	<u>321,552</u>

15. Tax expense**Recognised in profit or loss**

	31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM
Current tax expense				
Current year	4,718,891	5,764,201	3,086,198	2,309,238
(Over)/Under provision in prior year	<u>(629,132)</u>	<u>(1,315,330)</u>	<u>94,925</u>	<u>116,743</u>
Total current tax recognised in profit or loss	<u>4,089,759</u>	<u>4,448,871</u>	<u>3,181,123</u>	<u>2,425,981</u>
Deferred tax expense				
Origination and reversal of temporary differences	1,293,545	84,800	353,550	291,721
Under provision in prior year	<u>143,284</u>	<u>1,466,299</u>	<u>-</u>	<u>-</u>
Total deferred tax recognised in profit or loss (Note 10)	<u>1,436,829</u>	<u>1,551,099</u>	<u>353,550</u>	<u>291,721</u>
Total income tax expense	<u>5,526,588</u>	<u>5,999,970</u>	<u>3,534,673</u>	<u>2,717,702</u>

12. ACCOUNTANTS' REPORT (Cont'd)

40

15. Tax expense (continued)

Reconciliation of tax expense

	31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM
Profit before tax	21,794,183	21,550,482	12,430,121	10,017,290
Income tax calculated using Malaysian tax rate of 24%	5,230,604	5,172,116	2,983,229	2,404,150
Non-deductible expenses	757,581	676,885	456,519	196,809
Effect of deferred tax assets not recognised	24,251	-	-	-
(Over)/Under provision in prior year	(485,848)	150,969	94,925	116,743
	<u>5,526,588</u>	<u>5,999,970</u>	<u>3,534,673</u>	<u>2,717,702</u>

16. Profit and total comprehensive income for the year

	Note	31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM
Profit and total comprehensive income for the year is arrived at after charging:					
Auditors' remunerations					
Audit fees:					
- KPMG PLT		86,000	76,000	76,000	-
- Other auditors		-	-	-	25,000
		<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Material expenses/(income)					
Depreciation of property, plant and equipment	3	926,218	1,510,357	1,075,638	888,095
Depreciation of right-of-use assets	4	3,188,232	2,945,773	2,489,129	2,173,164
(Gain)/Loss on disposal of right-of-use assets		(60,999)	433,059	-	(7,394)
Trade receivables written off		687,547	-	-	-
Initial public offering expenses		1,149,054	-	-	-
Personnel expenses (including key management personnel):					
- Wages, salaries and others		12,353,192	12,219,736	10,131,813	8,988,517
- Contributions to state plans		1,459,838	1,469,178	1,245,606	1,079,864
		<u>12,353,192</u>	<u>12,219,736</u>	<u>10,131,813</u>	<u>8,988,517</u>
		<u>1,459,838</u>	<u>1,469,178</u>	<u>1,245,606</u>	<u>1,079,864</u>
Expenses arising from leases					
Expenses relating to short-term leases	a	900,857	274,859	348,444	478,232
Expenses relating to leases of low-value assets	a	26,094	28,152	24,089	20,498
Expenses relating to variable lease payments not included in the measurement of lease liabilities	b	91,644	296,907	450,997	144,000
		<u>91,644</u>	<u>296,907</u>	<u>450,997</u>	<u>144,000</u>

12. ACCOUNTANTS' REPORT (Cont'd)

41

16. Profit and total comprehensive income for the year (continued)

	Note 31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM
Profit and total comprehensive income for the year is arrived at after charging (continued):				
Expenses arising from leases (continued)				
Interest expense on lease liabilities recognised in cost of sales	<u>555,108</u>	<u>162,443</u>	<u>173,131</u>	<u>186,616</u>
Net (gain)/loss on impairment of financial instruments and contract assets				
Financial assets at amortised cost	<u>(6,030,228)</u>	<u>10,661,501</u>	<u>-</u>	<u>-</u>

Note a

The Group leases office equipment and site equipment with contract terms of one month to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Note b

The Group leases buildings and site equipment with contract terms of one to two years. The payment of these leases is based on occupancy (usage). Hence, right-of-use assets and lease liabilities are not recognised for these leases. Such leases are instead recognised upon payment.

17. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	31.12.2020	31.12.2019	31.12.2018	31.12.2017
	RM	RM	RM	RM
Profit for the year attributable to owner of Company	<u>16,267,595</u>	<u>15,550,512</u>	<u>8,895,448</u>	<u>7,299,588</u>
	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Number of ordinary shares at 31 December	<u>1,500,100</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
	31.12.2020	31.12.2019	31.12.2018	31.12.2017
	Sen	Sen	Sen	Sen
Basic earnings per ordinary share	<u>1,084</u>	<u>1,037</u>	<u>593</u>	<u>487</u>

Diluted loss per ordinary share is not presented as there are no dilutive instruments as at the end of the current and previous financial years.

12. ACCOUNTANTS' REPORT (Cont'd)

42

18. Dividends

Dividends recognised by the Group:

	Sen per share	Total amount RM	Date of payment
2018			
Interim 2018 ordinary	167	<u>2,505,000</u>	12 September 2018
	Sen per share	Total amount RM	Date of payment
2019			
Final 2019 ordinary	400	<u>6,000,000</u>	3 July 2020

There was no dividend declared during the financial year ended 31 December 2017.

After the end of the reporting period, a final dividend of 533 sen per share amounting to total of RM8,000,000 dividend was proposed by the Directors for the financial year ended 31 December 2020. The dividend will be recognised in subsequent financial period upon approval by TSHSB.

19. Segment reporting

The Group is solely engaged in dealing the provision of construction services, the only business segment. All the Group's operations are carried out in Malaysia.

Major customers

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

	Revenue			
	31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM
Customer A	33,530,265	76,592,828	-	-
Customer B	61,856,784	-	-	-
Customer C	49,901,145	-	-	-
Customer D	27,525,678	-	-	-
Customer E	54,789,885	97,940,864	-	-
Customer F	-	76,485,105	58,836,071	-
Customer G	-	63,591,127	113,433,153	27,827,647
Customer H	-	-	50,909,149	79,913,599
Customer I	-	-	-	35,079,059
Customer J	-	-	-	<u>116,031,147</u>

These customers combined, in aggregate, contributed 89% (31 December 2019: 75%, 31 December 2018: 68%, 31 December 2017: 89%) of the Group's total revenue.

20. Financial instruments

20.1 Categories of financial instruments

As at 31 December 2020, 31 December 2019, 31 December 2018 and 31 December 2017, all of the financial assets of the Group, which comprise trade and other receivables (excluding prepayments) and cash and cash equivalents, and all of the financial liabilities of the Group, which comprise trade and other payables and loans and borrowings, are categorised as amortised cost.

20.2 Net gains and losses arising from financial instruments

	31.12.2020	31.12.2019	31.12.2018	31.12.2017
	RM	RM	RM	RM
Net gains/(losses) arising on:				
Financial assets at amortised cost	5,883,250	(9,678,030)	915,420	776,276
Financial liabilities at amortised cost	<u>(343,914)</u>	<u>(286,893)</u>	<u>(326,893)</u>	<u>(321,552)</u>
	<u>5,539,336</u>	<u>(9,964,923)</u>	<u>588,527</u>	<u>454,724</u>

20.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

20.4 Credit risk

Credit risk is the risk of a financial loss 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 the individual characteristics of each customer. There are no significant changes as compared to prior periods.

Trade receivables and contract assets

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are usually performed on all customers.

At each reporting date, the Group assesses whether any of the trade receivables and contract assets are credit impaired.

20. Financial instruments

20.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Risk management objectives, policies and processes for managing the risk (continued)

The gross carrying amounts of credit impaired trade receivables and contract assets are impaired or written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets is represented by the carrying amounts in the combined statements of financial position.

Concentration of credit risk

The exposure of credit risk for trade receivables and contract assets as at the end of the reporting period arises solely from the domestic construction industry.

As at 31 December 2020, the 5 (31 December 2019: 4, 31 December 2018: 3, 31 December 2017: 4) major customers which contributed in aggregate, 89% (31 December 2019: 75%, 31 December 2018: 68%, 31 December 2017: 89%) of the Group's total revenue as disclosed in Note 19, combined in aggregate, 61% (31 December 2019: 45%, 31 December 2018: 43%, 31 December 2017: 62%) of the Group's trade receivables and contract assets.

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors with credit term of 30 to 60 days and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 30 to 60 days. The Group's debt recovery process is as follows:

- a) Above 30 to 60 days past due after credit term, the Group will start to initiate a structured debt recovery process which is monitored by the project management and finance teams; and
- b) If there is any indication that the past due debts are uncollectable, the Group will commence legal proceedings against the customer.

The Group measures expected credit loss ("ECLs") of trade receivables individually. Consistent with the debt recovery process, invoices which customers have defaulted on debt recovery arrangements are generally considered as credit impaired.

20. Financial instruments (continued)

20.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment loss (continued)

Loss rates are determined for each individual customer using past payment trends and other external information relating to the customer that are publicly available.

The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

The Group assessed the risk of loss of each customer individually based on their financial information, past trend of payments and external credit ratings, where applicable.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets which are grouped together as they are expected to have similar risk nature.

	Gross- carrying amount RM	Loss allowance RM	Net balance RM
31.12.2020			
Not past due	71,582,731	-	71,582,731
Past due 1 - 30 days	480,676	-	480,676
Past due 31 - 60 days	252,867	-	252,867
Past due 61 - 90 days	107,908	-	107,908
Past due more than 90 days	2,709,900	-	2,709,900
	75,134,082	-	75,134,082
Credit impaired			
Individually impaired	5,589,509	(1,509,073)	4,080,436
	80,723,591	(1,509,073)	79,214,518
Retention sums not past due	33,745,796	-	33,745,796
Retention sums past due	166,407	-	166,407
	33,912,203	-	33,912,203
Credit impaired			
Individually impaired	6,527,443	(3,122,200)	3,405,243
	40,439,646	(3,122,200)	37,317,446
	121,163,237	(4,631,273)	116,531,964
Trade receivables	75,676,950	(4,631,273)	71,045,677
Contract assets	45,486,287	-	45,486,287
	121,163,237	(4,631,273)	116,531,964

20. Financial instruments (continued)

20.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment loss (continued)

	Gross- carrying amount RM	Loss allowance RM	Net balance RM
31.12.2019			
Not past due	64,888,110	-	64,888,110
Past due 1 - 30 days	525,916	-	525,916
Past due 31 - 60 days	813,840	-	813,840
Past due 61 - 90 days	4,814,991	-	4,814,991
Past due more than 90 days	16,956,057	-	16,956,057
	87,998,914	-	87,998,914
Credit impaired			
Individually impaired	14,409,400	(7,323,651)	7,085,749
	102,408,314	(7,323,651)	95,084,663
Retention sums not past due	49,261,605	-	49,261,605
Retention sums past due	406,407	-	406,407
	49,668,012	-	49,668,012
Credit impaired			
Individually impaired	6,527,443	(3,122,200)	3,405,243
	56,195,455	(3,122,200)	53,073,255
	158,603,769	(10,445,851)	148,157,918
Trade receivables	121,109,895	(10,445,851)	110,664,044
Contract assets	37,493,874	-	37,493,874
	158,603,769	(10,445,851)	148,157,918

20. Financial instruments (continued)**20.4 Credit risk (continued)****Trade receivables and contract assets (continued)****Recognition and measurement of impairment loss (continued)**

	Gross- carrying amount RM	Loss allowance RM	Net balance RM
31.12.2018			
Not past due	57,119,121	-	57,119,121
Past due 1 - 30 days	15,322,349	-	15,322,349
Past due 31 - 60 days	672,550	-	672,550
Past due 61 - 90 days	256,529	-	256,529
Past due more than 90 days	39,341,465	-	39,341,465
	<u>112,712,014</u>	-	<u>112,712,014</u>
Retention sums not past due	<u>44,658,734</u>	-	<u>44,658,734</u>
	<u>157,370,748</u>	-	<u>157,370,748</u>
Trade receivables	118,736,511	-	118,736,511
Contract assets	<u>38,634,237</u>	-	<u>38,634,237</u>
	<u>157,370,748</u>	-	<u>157,370,748</u>
31.12.2017			
Not past due	34,969,448	-	34,969,448
Past due 1 - 30 days	17,691,189	-	17,691,189
Past due 31 - 60 days	4,165,958	-	4,165,958
Past due 61 - 90 days	4,601,486	-	4,601,486
Past due more than 90 days	12,167,752	-	12,167,752
	<u>73,595,833</u>	-	<u>73,595,833</u>
Retention sums not past due	<u>42,318,444</u>	-	<u>42,318,444</u>
	<u>115,914,277</u>	-	<u>115,914,277</u>
Trade receivables	96,176,746	-	96,176,746
Contract assets	<u>19,737,531</u>	-	<u>19,737,531</u>
	<u>115,914,277</u>	-	<u>115,914,277</u>

20. Financial instruments (continued)

20.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment loss (continued)

The movement in the allowance for impairment losses of trade receivables and contract assets during the year is shown below:

	RM
Balance at 1 January 2017/31 December 2017/1 January 2018/ 31 December 2018/1 January 2019	-
Net remeasurement of loss allowance - credit impaired	<u>10,445,851</u>
Balance at 31 December 2019/ 1 January 2020	10,445,851
Net remeasurement of loss allowance - credit impaired	<u>(5,814,578)</u>
Balance at 31 December 2020	<u>4,631,273</u>

During 2019, the increase in the credit impaired balance of a customer resulted in the increase in the impairment allowances as above.

During 2020, the decrease in the credit impaired balance of a customer following repayments made resulted in the decrease in the impairment allowances as above.

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 combined statements of financial position.

The banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group is of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

Credit risks on other receivables are mainly arising from project deposits and advances paid to sub-contractors. These deposits will be refunded upon completion of each project while the advances will be recouped from subsequent progress payment.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the combined statements of financial position.

20. Financial instruments (continued)**20.4 Credit risk (continued)****Other receivables (continued)**

The following table provides information about the exposure to credit risk and ECL of other receivables.

	31.12.2020	31.12.2019	31.12.2018	31.12.2017
	RM	RM	RM	RM
Gross carrying amount	4,930,675	10,573,679	16,090,098	12,884,760
Loss allowance	-	(5,691,551)	(5,475,901)	(5,475,901)
Net balance	<u>4,930,675</u>	<u>4,882,128</u>	<u>10,614,197</u>	<u>7,408,859</u>

The movement in the allowance for impairment losses of other receivables during the year is shown below:

	RM
Balance at 1 January 2017/31 December 2017/1 January 2018/31 December 2018/1 January 2019	5,475,901
Net remeasurement of loss allowance - credit impaired	<u>215,650</u>
Balance at 31 December 2019/ 1 January 2020	5,691,551
Net remeasurement of loss allowance - credit impaired	(215,650)
Amount written off	<u>(5,475,901)</u>
Balance at 31 December 2020	<u>-</u>

20.5 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 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 significantly different amounts.

12. ACCOUNTANTS' REPORT (Cont'd)

20. Financial instruments (continued)

20.5 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/Discount rate %	Contractual cash flows RM	Under 1 year RM	1 - 5 years RM	More than 5 years RM
31.12.2020						
Trade and other payables	104,610,999	-	104,610,999	104,610,999	-	-
Secured term loans	4,027,864	3.70 - 6.60	4,800,120	847,404	2,589,510	1,363,206
Lease liabilities	7,664,043	2.12 - 6.82	8,135,233	4,934,019	3,201,214	-
Revolving credits	10,093,868	4.87 - 7.82	10,093,868	10,093,868	-	-
Bank overdraft	2,401,428	6.85	2,401,428	2,401,428	-	-
	<u>128,798,202</u>		<u>130,041,648</u>	<u>122,887,718</u>	<u>5,790,724</u>	<u>1,363,206</u>
31.12.2019						
Trade and other payables	148,398,988	-	148,398,988	148,398,988	-	-
Secured term loans	4,664,516	4.95 - 7.85	6,009,730	852,636	2,859,446	2,297,648
Lease liabilities	11,601,396	2.66 - 6.82	12,463,154	6,328,938	6,118,187	16,029
Revolving credits	12,004,093	6.42 - 8.32	12,004,093	12,004,093	-	-
Bank overdraft	1,153,766	8.19	1,153,766	1,153,766	-	-
	<u>177,822,759</u>		<u>180,029,731</u>	<u>168,738,421</u>	<u>8,977,633</u>	<u>2,313,677</u>

12. ACCOUNTANTS' REPORT (Cont'd)

20. Financial instruments (continued)

20.5 Liquidity risk (continued)

Maturity analysis (continued)

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 (continued).

	Carrying amount RM	Contractual interest rate/Discount rate/ %	Contractual cash flows RM	Under 1 year RM	1 - 5 years RM	More than 5 years RM
31.12.2018						
Trade and other payables	167,927,238	-	167,927,238	167,927,238	-	-
Secured term loans	5,448,471	4.95 - 7.85	7,092,401	1,083,189	3,105,047	2,904,165
Lease liabilities	12,111,813	2.41 - 6.82	13,108,746	6,770,104	6,301,169	37,473
Revolving credits	955,411	8.32	955,411	955,411	-	-
Bank overdraft	985,433	8.35	985,433	985,433	-	-
	<u>187,428,366</u>		<u>190,069,229</u>	<u>177,721,375</u>	<u>9,406,216</u>	<u>2,941,638</u>

	Carrying amount RM	Contractual interest rate/Discount rate/ %	Contractual cash flows RM	Under 1 year RM	1 - 5 years RM	More than 5 years RM
31.12.2017						
Trade and other payables	127,070,523	-	127,070,523	127,070,523	-	-
Secured term loans	6,865,463	4.95 - 8.10	8,855,006	1,797,293	3,572,996	3,484,717
Lease liabilities	8,788,751	2.41 - 6.82	9,524,063	4,714,415	4,809,648	-
Revolving credits	4,453,563	7.96 - 8.21	4,453,563	4,453,563	-	-
Bank overdraft	3,999,990	7.96	3,999,990	3,999,990	-	-
	<u>151,178,290</u>		<u>153,903,145</u>	<u>142,035,784</u>	<u>8,382,644</u>	<u>3,484,717</u>

20. Financial instruments (continued)

20.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows. The Group is not exposed to foreign currency risk and other price risk.

20.6.1 Interest rate risk

The Group's fixed rate instruments are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate instruments 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

Management has an interest rate policy in place and management reviews interest rates exposure closely.

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 is as follows:

	31.12.2020	31.12.2019	31.12.2018	31.12.2017
	RM	RM	RM	RM
Fixed rate instruments				
Financial assets	13,226,900	19,034,674	13,997,116	17,620,949
Financial liabilities	<u>(7,664,043)</u>	<u>(11,601,396)</u>	<u>(12,111,813)</u>	<u>(8,788,751)</u>
	<u>5,562,857</u>	<u>7,433,278</u>	<u>1,885,303</u>	<u>8,832,198</u>
Floating rate instruments				
Financial liabilities	<u>(16,523,160)</u>	<u>(17,822,375)</u>	<u>(7,389,315)</u>	<u>(15,319,016)</u>

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, remained constant.

20. Financial instruments (continued)**20.6 Market risk (continued)****20.6.1 Interest rate risk (continued)***Interest rate risk sensitivity analysis (continued)**Cash flow sensitivity analysis for variable rate instruments (continued)*

	Profit or loss	
	100 bp increase RM	100 bp decrease RM
31.12.2020		
Floating rate instruments	<u>(125,576)</u>	<u>125,576</u>
31.12.2019		
Floating rate instruments	<u>(135,450)</u>	<u>135,450</u>
31.12.2018		
Floating rate instruments	<u>(56,159)</u>	<u>56,159</u>
31.12.2017		
Floating rate instruments	<u>(116,425)</u>	<u>116,425</u>

20.7 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The fair values of other financial liabilities, together with the carrying amounts shown in the combined statements of financial position, are as follows:

	Fair value of financial instruments not carried at fair value			Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM		
31.12.2020					
Financial liabilities					
Secured term loans	-	-	3,871,267	3,871,267	4,027,864
31.12.2019					
Financial liabilities					
Secured term loans	-	-	4,491,420	4,491,420	4,664,516
31.12.2018					
Financial liabilities					
Secured term loans	-	-	4,912,532	4,912,532	5,448,471
31.12.2017					
Financial liabilities					
Secured term loans	-	-	6,025,000	6,025,000	6,865,463

20. Financial instruments (continued)**20.7 Fair value information (continued)****Level 3 fair value**

Fair value for term loans is determined using the discounted cash flows valuation technique based on the current market rate of borrowings of the Group.

21. Capital management

The Group's objectives when managing capital are to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

There was no change in the Group's approach to capital management during the financial year.

22. Capital and other commitments

	31.12.2020	31.12.2019	31.12.2018	31.12.2017
	RM	RM	RM	RM
Capital expenditure commitments				
Right-of-use assets				
Authorised and contracted for	123,910	-	-	-

23. Related parties**Identity of related parties**

For the purposes of these combined financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the parties are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of Group either directly or indirectly. The key management personnel include all the Directors of the Group.

The Group has related party relationship with its key management personnel.

12. ACCOUNTANTS' REPORT (Cont'd)

55

23. Related parties (continued)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group are shown below. The balances related to the below transactions are shown in Note 11.

	31.12.2020	31.12.2019	31.12.2018	31.12.2017
	RM	RM	RM	RM
Key management personnel				
<i>Directors</i>				
- Fees	290,500	192,000	180,000	156,000
- Remuneration	1,115,584	1,551,797	1,510,259	1,769,217
- Other short-term employee benefits	-	260,500	76,500	72,000
- Estimated monetary value of benefit-in-kind	15,238	-	-	-
	<u>1,421,322</u>	<u>2,004,297</u>	<u>1,766,759</u>	<u>1,997,217</u>

24. Combining entity

Name of entity	Country of incorporation	Principal activities	Effective ownership			
			Interest and voting interest			
			2020	2019	2018	2017
			%	%	%	%
Pembinaan Tuju Setia Sdn. Bhd.	Malaysia	Provision of construction services	100	100	100	100

25. Significant changes in accounting policies

The Group has adopted MFRS 15, *Revenue from Contracts with Customers*, MFRS 9, *Financial Instruments* which are effective for annual periods beginning on or after 1 January 2018 and MFRS 16, *Leases* which is effective for annual periods beginning on or after 1 January 2019.

25.1 MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligation. The standard specifies that the revenue is to be recognised when control over the goods and services is transferred to the customers, moving from the transfer of risk and rewards.

The Group adopted MFRS 15, *Revenue from Contracts with Customers* retrospectively.

25. Significant changes in accounting policies (continued)

25.1 MFRS 15, Revenue from Contracts with Customers (continued)

The following tables summarise the impact of adopting MFRS 15 on the combined entity's audited financial statements, which forms the Group's combined financial statements.

For the year ended 31 December 2017

	As per combined entity's audited financial statements RM	Effects of MFRS 15 RM	Effects of MFRS 9* RM	Changes after the adoption RM
Combined statements of financial position				
<u>Current assets</u>				
Trade and other receivables	147,579,742	(34,818,220)	(5,475,901)	107,285,621
Contract assets	-	19,737,531	-	19,737,531
<u>Current liabilities</u>				
Trade and other payables	163,855,916	(36,785,393)	-	127,070,523
Contract liabilities	-	21,704,704	-	21,704,704

*The effects of MFRS 9, *Financial Instruments* are further discussed in Note 25.2.

	As per combined entity's audited financial statements RM	Effects of MFRS 15 RM	Changes after the adoption RM
Combined statements of cash flows			
Change in trade and other receivables	(38,101,384)	17,598,974	(20,502,410)
Change in trade and other payables	35,135,949	(19,227,445)	15,908,504
Change in contract assets	-	(7,481,120)	(7,481,120)
Change in contract liabilities	-	9,109,615	9,109,615

25.2 MFRS 9, Financial Instruments

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investment in equity instruments.

25. Significant changes in accounting policies (continued)

25.2 MFRS 9, *Financial Instruments* (continued)

Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018:

Category under MFRS 139	31.12.2017 (after adoptions disclosed in Note 25.1) RM	1.1.2018 Reclassification to new MFRS 9 category	
		Remeasurement RM	Amortised cost ("AC") RM
Financial assets			
Loans and receivables			
Trade and other receivables	107,285,621	-	107,285,621
Cash and bank balances	42,269,079	-	42,269,079
	<u>149,554,700</u>	-	<u>149,554,700</u>
Financial liabilities measured at amortised cost			
Trade and other payables	(127,070,523)	-	(127,070,523)
Loans and borrowings	(15,319,016)	-	(15,319,016)
	<u>(142,389,539)</u>	-	<u>(142,389,539)</u>

(i) Reclassification from loans and receivables to amortised cost

Trade and other receivables that were classified as loans and receivables under MFRS 139 are now reclassified at amortised cost.

(ii) Allowance for impairment

An increase of RM5,475,901 in allowance for impairment was recognised in opening retained earnings of the Group at 1 January 2017 on transition to MFRS 9.

25.3 MFRS 16, *Leases*

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed.

25. Significant changes in accounting policies (continued)

25.3 MFRS 16, Leases (continued)

As a lessee

Where the Group is a lessee, the Group applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2017.

The Group decided to apply the recognition exemptions to short-term leases and low-value assets. For leases that were not covered by the recognition exemptions under MFRS 16, the Group recognised right-of-use assets and lease liabilities measured under MFRS 16.

Impact on combined financial statements

The tables below show the effects of the adoption of MFRS 16 to the combined financial statements. The tax effects of the adjustments affecting the profit or loss were deemed insignificant to be adjusted for.

a. For the year ended 31 December 2018

	As per combined entity's audited financial statements RM	Effects of MFRS 16 RM	Changes after the adoption RM
Combined statements of financial position			
<u>Non-current assets</u>			
Property, plant and equipment	34,859,198	(20,634,066)	14,225,132
Right-of-use assets	-	21,323,364	21,323,364
<u>Equity</u>			
Retained earnings	26,868,412	(26,356)	26,842,056
<u>Non-current liabilities</u>			
Loans and borrowings	10,349,039	(5,674,896)	4,674,143
Lease liabilities	-	5,963,691	5,963,691
<u>Current liabilities</u>			
Loans and borrowings	8,436,435	(5,721,263)	2,715,172
Lease liabilities	-	6,148,122	6,148,122
Combined statements of profit or loss and other comprehensive income			
Cost of sales	<u>(310,105,599)</u>	<u>(10,563)</u>	<u>(310,116,162)</u>

25. Significant changes in accounting policies (continued)**25.3 MFRS 16, Leases (continued)****Impact on combined financial statements (continued)****b. For the year ended 31 December 2017**

	As per combined entity's audited financial statements RM	Effects of MFRS 16 RM	Changes after the adoption RM
Combined statements of financial position			
<u>Non-current assets</u>			
Property, plant and equipment	25,475,751	(14,260,573)	11,215,178
Right-of-use assets	-	15,094,802	15,094,802
<u>Equity</u>			
Retained earnings	20,467,401	(15,793)	20,451,608
<u>Non-current liabilities</u>			
Loans and borrowings	10,022,149	(4,115,575)	5,906,574
Lease liabilities	-	4,540,019	4,540,019
<u>Current liabilities</u>			
Loans and borrowings	13,235,596	(3,823,154)	9,412,442
Lease liabilities	-	4,248,732	4,248,732
Combined statements of profit or loss and other comprehensive income			
Cost of sales	<u>(276,102,468)</u>	<u>(5,995)</u>	<u>(276,108,463)</u>

26. Significant and subsequent events during the financial year

(a) COVID-19 pandemic

On 11 March 2020, the World Health Organisation declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. The COVID-19 outbreak resulted in travel restrictions, lockdowns and other containment measures imposed in various countries, including Malaysia. These containment measures have brought significant economic uncertainties in markets in which the Group operates.

The Group's current financial year results were affected by pandemic and the implementation of different stages of Movement Control Order ("MCO") which had disrupted the construction activities of the projects. As such, the Group billings to customers have been delayed and as a result, the Group experienced a delay in the billings and collections. However, this did not materially affect the business operations and cash flow position.

With the rolling out of vaccines under the National COVID-19 Immunisation Program by the Government in February 2021, it is expected to help boost market sentiments although the economic recovery is expected to be gradual and aided by the economic stimulus initiatives undertaken by the government. Nevertheless, the Group will continue to monitor the impact of the pandemic and take appropriate and timely measures to ensure stability of its finances and business operations.

(b) Acquisition of the PTS

On 11 August 2020, the Company entered into a conditional SSA to acquire the entire issued share capital of PTS of RM1,500,000 comprising 1,500,000 ordinary shares from the vendor of PTS, namely TSHSB for a purchase consideration of RM37,892,576. The said purchase consideration will be fully satisfied by the issuance of 236,828,600 new ordinary shares at an issue price of RM0.16 per share to the shareholders of TSHSB, namely Wee Eng Kong and Dato' Wee Beng Aun.

The completion of the SSA is conditional upon certain conditions precedent being obtained/fulfilled/waived, which include the approvals of the Securities Commission Malaysia and Bursa Securities for the admission of the share capital of the Company to the official list of Bursa Securities for its proposed listing.

On 2 February 2021 and 11 March 2021 respectively, the Company has obtained the approvals from the Securities Commission Malaysia and Bursa Securities. As of the date of this report, the Company is in the process of completing the necessary procedures for its proposed listing on Bursa Securities, which is anticipated to be in the 2nd quarter of 2021.

12. ACCOUNTANTS' REPORT (Cont'd)



KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 3399
Website www.kpmg.com.my

The Board of Directors
Tuju Setia Berhad
No. 31-1, Jalan Puteri 4/8
Bandar Puteri
47100 Puchong
Selangor Darul Ehsan

1 April 2021

Dear Sir/Madam,

**Reporting Accountants' opinion on the combined financial statements
contained in the accountants' report of Tuju Setia Berhad**

Opinion

We have audited the combined financial statements of Tuju Setia Berhad and its combining entity, Pembinaan Tuju Setia Sdn. Bhd. (collectively referred to as the "Group"), which comprise the combined statements of financial position as at 31 December 2020, 31 December 2019, 31 December 2018 and 31 December 2017, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and combined statements of cash flows for the years then ended, and notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages 1 to 60. The combined financial statements of the Group have been prepared for inclusion in the prospectus of Tuju Setia Berhad in connection with the listing of and quotation for the entire issued share capital of Tuju Setia Berhad on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and for no other purposes.

In our opinion, the accompanying combined financial statements give a true and fair view of the combined financial position of the Group as at 31 December 2020, 31 December 2019, 31 December 2018 and 31 December 2017, and of its combined financial performance and combined cash flows for the years then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

12. ACCOUNTANTS' REPORT (Cont'd)

Tuju Setia Berhad
*Accountants' Report on the
Combined Financial Statements
1 April 2021*

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements* section of our reporting accountants' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Responsibilities of the Directors for the Combined Financial Statements

The Directors of the Company ("Directors") are responsible for the preparation of the combined financial statements of 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 the 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 Accountants' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a reporting accountants' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

12. ACCOUNTANTS' REPORT (Cont'd)

Tuju Setia Berhad
*Accountants' Report on the
 Combined Financial Statements
 1 April 2021*

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (continued)

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 accountants' 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 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.

12. ACCOUNTANTS' REPORT (Cont'd)



Tuju Setia Berhad
*Accountants' Report on the
Combined Financial Statements
1 April 2021*

Restriction on distribution and use

This report is made solely to Tuju Setia Berhad and for inclusion in the prospectus of Tuju Setia Berhad in connection with the listing of and quotation for the entire issued share capital of Tuju Setia Berhad on the Main Market of Bursa Securities and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.


KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants


Eric Kuo Sze-Wei
Approval Number: 03473/11/2021 J
Chartered Accountant

13. ADDITIONAL INFORMATION

13.1 EXTRACT OF OUR CONSTITUTION

The following provisions are extracted from our Company's Constitution which complies with the Listing Requirements, the Act and the Rules.

The words and expressions appearing in the following provisions shall bear the same meanings used in our Company's Constitution unless they are otherwise defined or the context otherwise requires:-

(i) Remuneration, voting and borrowing powers of Directors**(a) Directors' Remuneration**

Clause 108 - The fees and any benefits payable to the Directors of the Company and its subsidiary(ies) including any compensation for loss of employment of Director or former Director shall be approved by an Ordinary Resolution of the Company in general meeting annually and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine PROVIDED ALWAYS that:-

- (a) fee payable to non-executive Directors shall be a fixed sum, and not by a commission on or percentage of profits or turnover and which shall not exceed the amount approved by the shareholders in general meeting;
- (b) remuneration and other emoluments (including bonus, benefits or any other emoluments) payable to executive Directors who hold an executive office in the Company pursuant to a contract of service need not be determined by the Company in general meeting but such remuneration and emoluments may not include a commission on or percentage of turnover. Nothing herein shall prejudice the powers of the Directors to appoint any of their members to be the employee or agent of the Company at such remuneration and upon such terms as they think fit provided that such remuneration shall not include commission on or percentage of turnover;
- (c) fees of Directors and any benefits payable to Directors shall be subject to annual shareholders' approval at a general meeting;
- (d) any fee paid to an Alternate Director shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter; and
- (e) the fees and / or benefits payable to non-executive Directors who is also Director of the subsidiary(ies) includes fees, meeting allowances, travelling allowances, benefits, gratuity and compensation for loss of employment of Director or former Director of the Company provided by the Company and subsidiary(ies), but does not include insurance premium or any issue of securities.

Clause 109 - The Company may repay to any Directors all such reasonable expenses as he may incur in attending and returning from meetings of the Directors, or any committee of the Directors or general meeting of the Company or in connection with the business of the Company, whether within or outside his country of domicile or residence.

13. ADDITIONAL INFORMATION (Cont'd)

Clause 110 - The Directors may grant special remuneration to Director who (on request by the Director) is willing to render any special or extra services to the Company.

Such special remuneration may be paid to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be paid in a lump sum or by way of remuneration, or by a percentage of profits (other than non-executive Directors), or by all or any of such methods but shall not include (where such special remuneration is paid by way of remuneration) a commission on or a percentage of turnover.

(b) Voting of Directors

Clause 124 - A Director may vote in respect of:-

- (a) any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company;
- (b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of security;
- (c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- (d) any proposal concerning any other company in which he is interested directly or indirectly and whether as an officer or Member or otherwise howsoever, but is not the holder of or beneficially interested in one per centum (1%) or more of the issued shares of any class of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interested being deemed for the purpose of this Clause to be a material interest in all circumstances); and
- (e) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the relevant authorities for taxation purposes.

(c) Borrowing Powers of Directors

Clause 119 - Subject to the Act, the Directors may exercise all the powers of the Company to obtain financing and to mortgage or charge its undertaking, property, and uncalled capital or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability, or obligation of the Company or of any related third party. The Directors may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon with power to the Directors to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or hypothecation of or charge upon any property and asset of the Company or otherwise.

The Directors shall not obtaining financing or mortgage or charge any of the Company or the subsidiaries' undertaking, property or any uncalled capital, or issue any debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

13. ADDITIONAL INFORMATION (Cont'd)**(ii) Changes to Share Capital**

Clause 55 - The Company may by Ordinary Resolution increase its share capital by the creation and issue of new Shares, such new capital to be of such amount to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may direct in the resolution authorizing such increase.

Clause 56 - Except so far as otherwise provided by the condition of issue, any capital raised by the creation of new Shares shall be considered as part of the original share capital of the Company. All new Shares shall be subject to the provisions herein contained with reference to allotments, the payment of calls and instalments, transmission, forfeiture, lien or otherwise. Unless otherwise provided in accordance with this Constitution the new shares shall be ordinary Shares. New capital to be considered as part of the current share capital of the Company.

Clause 58 - The Company may alter its share capital in any one or more of the following ways by passing as Ordinary Resolution to:-

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (b) subdivide its share capital or any part thereof into shares of smaller amount than is fixed by this Constitution by subdivision of its existing Shares or any of them, subject nevertheless to the provision of the Act and so that as between the resulting Shares, one (1) or more of such Shares may, by the resolution by which such subdivision is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the others or any of such other Shares;
- (c) cancel Shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the Shares so cancelled; and
- (d) subject to the provision of this Constitution and the Act, convert and / or re-classify any class of Shares into any other class of Shares.

Clause 59 - The Company may by Special Resolution, reduce its share capital in any manner permitted or authorised under and in compliance with the Applicable Laws.

(iii) Transfer of securities

Clause 31 - Shares shall be transferable, but every transfer must be in writing and in such form prescribed and approved by the Exchange, or such form as may from time to time be prescribed under the Act or approved by the Exchange or such authorities of the stock exchange on which the Company's Shares are listed.

Clause 33 - The transfer of any listed securities or class of listed securities of the Company which have been deposited with the Bursa Depository, shall be by way of book entry by the Bursa Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to subsection 148(2) of the Act and any exemption that may be made from compliance with subsection 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such listed securities.

Clause 34 (1) - There shall be no restrictions on the transfer of fully paid securities. No shares shall be in any circumstances be knowingly transferred to any infant, bankrupt or person of unsound mind. In case of Deposited Securities, the Bursa Depository may refuse to register any transfer that does not comply with the Central Depositories Act and the Rules.

13. ADDITIONAL INFORMATION (Cont'd)**(iv) Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights**

Clause 8 - Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares and subject to the provisions of this Constitution, Applicable Laws, and to the provisions of any resolution of the Company, the Board may issue, allot or otherwise dispose of such shares to such persons at such price, on such terms and conditions, with such preferred, deferred or other special rights and subject to such restrictions and at such times as the Board may determine, by Ordinary Resolution, but the Board in making any issue of shares shall comply with the following conditions:-

- (1) in the case of shares other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution and in the resolution creating the same;
- (2) no issue of shares shall be made which will have the effect of transferring a controlling interest in the Company to any person or corporation without the prior approval of the Members in general meeting;
- (3) except in the case of an issue of securities on a pro rata basis to shareholders or pursuant to a back-to-back placement undertaken in compliance with the Listing Requirements, no Director shall participate in a scheme that involves a new issuance of shares or other convertible securities to employees unless the Members in a general meeting have approved the specific allotment to be made to such Director; and
- (4) in the case of shares offered to the public or offered pursuant to a prospectus that is registered under the CMSA, for subscription the amount payable on application on each share shall not be less than five-percent (5%) of the offer price of the share.

Clause 9 (1) - Subject to the provisions of Sections 71 and 91 of the Act, if at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the sanction of a Special Resolution passed at a separate meeting of the shareholders of that class. Where necessary majority of such a Special Resolution is not obtained at the meeting, consent in writing if obtained from the holders of not less than seventy-five per centum (75%) of the total voting rights of the shareholders of that class within two (2) Months of the meeting, shall be as valid and effectual as a Special Resolution carried at the meeting.

To every such separate general meeting, the provisions of this Constitution relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be at least two (2) persons who are shareholders present in person or represented by proxy holding at least one-third (1/3) of the number of issued shares of the class, excluding any shares of that class held as treasury shares and that any holder of shares of the class present in person or by proxy may demand a poll.

If that class of shares only has one (1) holder, a quorum is constituted by one (1) person present holding shares of such class. For an adjourned meeting, quorum is one person present holding shares of such class. To every such Special Resolution, the provisions of Section 292 of the Act shall with such adaptations as are necessary, apply.

Clause 9 (2) - The rights attaching to shares other than ordinary shares shall be expressed.

13. ADDITIONAL INFORMATION (Cont'd)

13.2 SHARE CAPITAL

- (i) None of our Group's capital is under any option or agreed conditionally or unconditionally to be put under any option as at the date of this Prospectus.
- (ii) No person has been or is entitled to be given an option to subscribe for any share, stock, debenture or other security of our Group, except for the Pink Form Allocation.
- (iii) There is no scheme involving our employees in the capital of our Group, except for the Pink Form Allocation.
- (iv) Save as disclosed in Sections 4.1.1, 6.1.3 and 6.2.1 of this Prospectus, no shares, outstanding warrants, options, convertible securities or uncalled capital of our Group have been or are proposed to be issued as fully or partly paid-up, in cash or otherwise than in cash, within the 3 years preceding the date of this Prospectus.
- (v) As at the date of this Prospectus, our Group does not have any outstanding convertible debt securities, options, warrants or uncalled capital.

13.3 LIMITATION ON THE RIGHT TO OWN SECURITIES

Save for Clauses 70 and 84 which have been reproduced below from our Company's Constitution, there is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares:-

Clause 70(3)

Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 (where applicable), a depositor shall not be regarded as a Member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.

Clause 84

A Member shall be entitled to be present and to vote at any general meeting or at a meeting of any class of Members in respect of any Share or Shares upon which all calls or other sums presently payable by him due to the Company have been paid. No Member shall be entitled to be present or to vote on any question either personally or otherwise by proxy or attorney at any general meeting or at a meeting of any class of members or upon a poll to be reckoned in the quorum in respect of any Shares upon which calls are undue or unpaid, and/or the instrument of proxy, the power of attorney or other authority, if any, naming another person /party (other than the said Member) as proxy, attorney, or person/party authorised to so act has not been deposited with the Company in accordance with Clause 89 in our Company's Constitution.

13.4 PUBLIC TAKE-OVERS

None of the following has occurred during the last financial year and up to the LPD:

- (i) public take-over offers by third parties in respect of our Group's shares; and
- (ii) public take-over offers by us in respect of other company's shares.

13. ADDITIONAL INFORMATION (Cont'd)**13.5 EXCHANGE CONTROLS**

Our Group has not established any other place of business outside of Malaysia and is not subject to governmental laws, decrees, regulations or other legislations that may affect the repatriation of capital and remittance of profits by or to our Group.

13.6 MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, save as disclosed below, we are not engaged in any material litigation, claims and / or arbitration, either as plaintiff or defendant, which has a material effect on our financial position, and our Directors confirm that there are no proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect our financial position or business.

Arising from 2 separate claims by PTS against Perpetual Nice View Sdn Bhd (“PNV”) to recover monies due for construction works done by PTS under 2 different contracts awarded by PNV to PTS for construction of 2 different phases of the PNV Project, several suits were initiated by PTS as set out below:

Claim by PTS against PNV for a sum of RM20,242,722.11 in relation to Phase 1 of the PNV Project (“Claim 1”)**(a) Arbitration proceedings filed by PTS against PNV**

By way of the adjudicator’s corrected adjudication decision dated 11 July 2018, PTS was awarded the adjudicated sum of RM14,741,843.74 and interest (“**Adjudication Sum 1**”) under the Construction Industry Payment and Adjudication Act 2012 (“**CIPAA Act**”) in relation to progress claim for works done, variation orders and retention fund (“**July 2018 Adjudication Decision**”). On 31 July 2018, PTS filed an application to enforce the July 2018 Adjudication Decision. On 21 August 2018, PNV filed an application to stay and set aside the July 2018 Adjudication Decision. On 28 November 2019, the court had dismissed the enforcement application and the stay application was struck out; whilst the setting aside application was allowed on the ground that the adjudication dispute was not within the jurisdiction of the adjudicator. This was due to the change in the law at the material time when the relevant court decisions were made. The CIPAA Act, which had retrospective effect at the time of the July 2018 Adjudication Decision and at the time of filing of the said applications, has, at the time when the relevant applications were decided, changed to only apply prospectively to construction contracts entered into after the CIPAA Act came into force and in this case, the construction contract between PNV and PTS was entered into before the CIPAA Act came into force. As the July 2018 Adjudication Decision was set aside, even though not on the merits of PTS’s claim for the Adjudication Sum 1, PTS commenced arbitration proceedings against PNV by way of a Notice of Arbitration dated 7 February 2020, to pursue the progress claim for the works done, variation orders and retention fund amounting to RM20,242,722.11, which included the earlier claim for Adjudication Sum 1. PNV has served its reply to the Notice of Arbitration dated 28 February 2020 to PTS. On 8 September 2020, Sr. Ong Hock Teck accepted his appointment by the president of Pertubuhan Akitek Malaysia to serve as the arbitrator in this dispute. The 1st preliminary meeting between the parties and the arbitrator was held on 30 September 2020 where the arbitrator has, among others, given PTS’s directions to file its statement of case by 11 November 2020 and statement of defence to counterclaim by 20 January 2021. The next meeting was fixed for 10 March 2021 and the hearing of the arbitration was fixed for 1 June 2021 to 3 June 2021, 22 June 2021 to 24 June 2021, 29 June 2021 to 30 June 2021 and 1 July 2021.

13. ADDITIONAL INFORMATION (Cont'd)

As at 31 December 2019, the outstanding amount due from PNV for the Phase 1 of PNV Project was RM6,663,646.23 and has been fully impaired in the FYE 2019. As such, there is no adverse impact to our Group arising from Claim 1.

On 27 October 2020, a resolution was reached between PTS and PNV on Claim 1 in the manner as set out below.

Claim by PTS against PNV for a sum of RM11,029,086.02 and interest in relation to Phase 2 of the PNV Project ("Claim 2")

On 10 January 2018, PTS initiated adjudication proceedings against PNV under the CIPAA Act to recover monies due for construction works done by PTS. An adjudication decision was issued on 12 June 2018 ("**June 2018 Adjudication Decision**") in favour of PTS ordering PNV to pay RM11,029,086.02 with interests until the date of full settlement ("**Adjudication Sum 2**").

To enforce the June 2018 Adjudication Decision to recover the Adjudication Sum 2, the following suits were initiated:-

- (i) Suit in Shah Alam High Court ("**the Court**") filed by PTS against Perfect Eagle Development Sdn Bhd ("**PED**")

On 29 November 2019, PTS filed an action against PED (the principal of PNV) for direct payment under Section 30 of the CIPAA Act as the Adjudication Sum 2 was not paid by PNV. The estimate maximum quantum is RM11,029,086.02 plus interests. On 29 February 2020, PED has filed an application to strike out PTS's claim. On 8 September 2020, the Court has dismissed PED's striking out application. PED did not satisfy any of the grounds it relied on to strike out PTS's claim, i.e. that there was no cause of action, that the suit was vexatious and an abuse of process. The trials were fixed on 10 June 2021, 11 June 2021, 16 June 2021, 17 June 2021 and 18 June 2021.

- (ii) Suit in Shah Alam High Court filed by PTS against the defendant, PNV, and the garnishees, Hong Leong Bank Berhad ("**HLBB**"), AmBank (M) Berhad ("**AmBank**") and Alliance Bank Malaysia Berhad ("**ABMB**")

On 8 November 2019, the High Court (a) granted an enforcement order against PNV to enforce the June 2018 Adjudication Decision for RM11,029,086.02 plus interest ("**Enforcement Order**") as PNV had failed to pay the Adjudication Sum 2; and (b) dismissed PNV's application to set aside and stay the June 2018 Adjudication Decision ("**Dismissal**"). On 3 December 2019, to enforce the Enforcement Order, PTS initiated proceedings to garnish PNV's account with HLBB, AmBank and ABMB. On 16 January 2020, the High Court granted an order to attach PNV's monies with HLBB, AmBank and ABMB, if any. On 23 January 2020, PNV applied for a stay of execution of the Enforcement Order ("**Enclosure 51**"). On 21 May 2020, the High Court dismissed the Enclosure 51 filed by PNV with costs. On 10 July 2020, the High Court allowed PTS's application where the monies in PNV's bank accounts with HLBB and ABMB was ordered to be paid over to PTS. The monies of RM27,637.17 (which form part of the Adjudication Sum 2) were subsequently received on 23 July 2020.

- (iii) Appeals in Court of Appeal at Putrajaya filed by PNV against PTS

On 4 December 2019, PNV filed appeals against the High Court decisions dated 8 November 2019 on the Enforcement Order and Dismissal mentioned in item (ii) above. The next case management was fixed on 3 November 2020 to update the Court of Appeal on the status of filing of submissions, executive summaries and core bundles. The appeals were initially fixed to be heard on 17 November 2020. As the parties have agreed to settle the matter and all related suits on Claim 2, the consent order was recorded on 17 November 2020 and 20 November 2020 to reflect the settlement terms in the manner as set out below.

13. ADDITIONAL INFORMATION (Cont'd)

- (iv) Judgement Debtor Summons (“**JDS**”) / Examination of Judgment Debtor under Order 48 of the Rules of Court 2012

On 9 June 2020, PTS filed a judgement debtor summons to compel the director of PNV, Puan Sri Datin Su Bee Leng and Ong Sun Perng to appear at court to assess PNV's means to satisfy the Adjudication Sum 2 awarded under the June 2018 Adjudication Decision. On 1 September 2020, PTS withdrew both JDS against both directors. On 2 September 2020, PTS filed an application to examine the officers of PNV under Order 48 of the Rules of Court 2012 instead. An Examination of Judgment Debtor is to assess PNV's means of satisfying the Adjudication Sum 2, the outcome of the hearing would depend on what the directors of PNV present during the examination.

As at 31 December 2019, the outstanding amount due from PNV for the Phase 2 of PNV Project was RM14,273,196.84. A partial impairment loss of RM3,782,205.00 was recognised in FYE 2019. The remaining outstanding amount of RM10,490,991.84 forms part of the Adjudication Sum 2 pursuant to the June 2018 Adjudication Decision.

On 27 October 2020, a resolution was reached between PTS and PNV on Claim 2 in the manner as set out below. As such, the Board is of the view that there is no further impairment loss to be recognised for the outstanding amount for Claim 2.

Settlement of Claim 1 and Claim 2

On 27 October 2020, the parties above have agreed to resolve all disputes and differences relating to Claim 1 and Claim 2 as set out above and have agreed to withdraw all the legal suits and arbitration proceedings against each other vide an exchange of letters. The total outstanding amount due from PNV for Phase 1 and Phase 2 of the PNV Project before impairment is RM20,946,843.07 and after the impairment is RM10,490,991.84. Consent order was recorded in court by PTS and PNV on 17 November 2020 and 20 November 2020 to reflect the settlement terms where among others, PNV shall pay PTS the total amount of RM17,000,000 as full and final settlement of any and all claims in connection with the contracts awarded by PNV to PTS under the PNV Project in the following manner:-

1. RM3,000,000 shall be paid by PNV within 7 working days from the acceptance of the settlement terms;
2. RM10,000,000 shall be paid by PNV by way of 8 post-dated monthly cheques of RM1,250,000 each commencing 15 November 2020 to 15 June 2021; and
3. RM4,000,000 shall be paid by way of set-off with the transfer of 7 units of properties under the PNV Project at a discount of 30% from the selling price of the project.

13.7 MATERIAL CONTRACTS

Save as disclosed below, we have not entered into any contracts which are material (not being contracts entered into in the ordinary course of business) within the period covered by the historical financial information as disclosed in this Prospectus up to the date of this Prospectus:-

- (i) the property transfer agreement dated 28 February 2019 entered into between PTS and Yihin Glass & Aluminium Sdn Bhd (“**YGA**”) where PTS agreed to transfer the property identified as D-09-3, Pangsapuri Servis Sky Residence, No.76, Jalan Raja Muda Abdul Aziz, Off Jalan Tun Razak, 50300 Kuala Lumpur from PTS to YGA at RM928,888. The property transfer agreement has been completed;
- (ii) the sale and purchase agreement dated 28 May 2020 entered into between PTS and Der-Cheng Fastener Sdn Bhd (“**DCF**”) where PTS agreed to sell and DCF agreed to purchase a piece of leasehold land held under PM8389, Lot 104178, Mukim Klang, Daerah Klang, Negeri Selangor for a cash consideration of RM1,150,000. The sale and purchase agreement is currently pending completion;

13. ADDITIONAL INFORMATION (Cont'd)

- (iii) the share sale agreement dated 11 August 2020 entered into between TSHSB (as vendor) and our Company (as purchaser) in relation to the Acquisition of PTS. Please refer to Section 4.1.1(a) of this Prospectus for further details;
- (iv) the sale and purchase agreement dated 17 December 2020 entered into between PTS and Wee Eng Kong where PTS agreed to sell and Wee Eng Kong agreed to purchase a unit of property under the PNV Project for a consideration of RM635,520. The sale and purchase agreement has been completed; and
- (v) the Underwriting Agreement.

13.8 CONSENTS

- (i) The written consents of the Principal Adviser, Joint Underwriters and Joint Placement Agents, Solicitors to our Company, Share Registrar, Issuing House and Company Secretaries for the inclusion in this Prospectus of their names in the form and context in which their names appear in this Prospectus have been given before the issue of this Prospectus, and have not subsequently been withdrawn.
- (ii) The written consent of the External Auditors and Reporting Accountants for the inclusion in this Prospectus of their name, the Accountants' Report and the Reporting Accountants' Report on the Pro Forma Consolidated Statements of Financial Position in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus, and has not subsequently been withdrawn.
- (iii) The written consent of the IMR for the inclusion in this Prospectus of its name and Industry Overview in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus, and has not subsequently been withdrawn.

13.9 RESPONSIBILITY STATEMENTS

- (i) AIBB acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts relating to our IPO.
- (ii) This Prospectus has been seen and approved by our Directors and Promoters and they collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

13.10 DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at our registered office during office hours for a period of 6 months from the date of this Prospectus:-

- (i) our Constitution;
- (ii) the Industry Overview referred to in Section 7 of this Prospectus;
- (iii) the Reporting Accountants' Report on the Pro Forma Consolidated Statements of Financial Position of our Group as at 31 December 2020 referred to in Section 11.9 of this Prospectus;
- (iv) the Accountants' Report as included in Section 12 of this Prospectus;

13. ADDITIONAL INFORMATION (Cont'd)

- (v) the relevant cause papers in relation to the material litigation as set out in Section 13.6 of this Prospectus;
- (vi) the material contracts referred to in Section 13.7 of this Prospectus;
- (vii) the letters of consent referred to in Section 13.8 of this Prospectus; and
- (viii) the audited financial statements of PTS for the FYE 2018, FYE 2019 and FYE 2020.

(The rest of this page has been intentionally left blank)

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR ISSUE SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT OUR ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in this Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

14.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 26 April 2021

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 5 May 2021

Applications for the Issue Shares will open and close at the time and dates stated above.

In the event there is any change to the time and dates stated above, we will advertise the notice of the change in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

Late Applications will not be accepted.

14.2 METHODS OF APPLICATIONS

14.2.1 Application for our Issue Shares by the Malaysian Public and our eligible Directors, employees and persons who have contributed to the success of our Group

<u>Types of Application and category of investors</u>	<u>Application method</u>
Applications by eligible Directors, employees and persons who have contributed to the success of our Group	Pink Application Form only
Applications by the Malaysian Public:-	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

14.2.2 Application by selected investors via placement

<u>Types of Application</u>	<u>Application method</u>
Applications by:- Selected investors and Bumiputera investors approved by the MITI	The Joint Placement Agents will contact the selected investors and Bumiputera investors approved by the MITI directly. They should follow the Joint Placement Agents' instructions.

14.3 ELIGIBILITY

14.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 ISSUE SHARES OR MULTIPLES OF 100 ISSUE SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

14.3.2 Application by the Malaysian Public

You can only apply for our Issue Shares if you fulfill all of the following:-

- (i) You must be one of the following:-
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our Issue Shares; or
 - (b) a corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (ii) You must not be a director or employee of our Issuing House or an immediate family member of a director or employee of our Issuing House; and
- (iii) You must submit Applications by using only one of the following methods:-
 - (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

14.3.3 Application by eligible Directors, employees and persons who have contributed to the success of our Group

The eligible Directors, employees and persons (including any entities, wherever established) who have contributed to the success of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation.

Eligible Directors, employees and persons who have contributed to the success of our Group may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, our Issuing House, AIBB, Participating Organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

14.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.70 for each Issue Share.

Payment must be made out in favour of “**MIH SHARE ISSUE ACCOUNT NO. 608**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:-

- (i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:-

Malaysian Issuing House Sdn Bhd (Registration No.: 199301003608 (258345-X))
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

or

P.O.Box 00010
Pejabat Pos Jalan Sultan
46700 Petaling Jaya
Selangor Darul Ehsan

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (ii) **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at the front portion of Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan,

so as to arrive not later than 5.00 p.m. on 5 May 2021 or by such other time and date specified in any change to the date and time for closing.

We, together with our Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or application monies. Please direct all enquiries in respect of the White Application Form to our Issuing House.

14.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our Issue Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

14.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our Issue Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

14.7 AUTHORITY OF OUR BOARD AND OUR ISSUING HOUSE

Our Issuing House, on the authority of our Board reserves the right to:-

- (i) reject Applications which:-
- (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (iii) bank in all application monies (including those from unsuccessful / partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 14.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of our Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

14.8 OVER / UNDER-SUBSCRIPTION

In the event of over-subscription, our Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our Issue Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by our Issuing House to the SC, Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on our Issuing House's website (www.mih.com.my) within 1 business day after the balloting event.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 1,000 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our Issue Shares by the Malaysian Public and / or eligible Directors, employees and persons who have contributed to the success of our Group, subject to the underwriting arrangements and reallocation as set out in Section 4.1.1(b) of our Prospectus, any of the abovementioned Issue Shares not applied for will then be subscribed by the Joint Underwriters based on the terms of the Underwriting Agreement.

14.9 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful / partially successful in your Application, your application monies (without interest) will be refunded to you in the following manner.

14.9.1 For applications by way of Application Forms

- (i) The application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (ii) If your Application is rejected because you did not provide a CDS account number, your application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by our Issuing House as per items (i) and (ii) above (as the case may be).
- (iv) Our Issuing House reserves the right to bank into its bank account all application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

14.9.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) Our Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the application monies or the balance of it will be credited without interest into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from our Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by our Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institutions or Internet Participating Financial Institutions will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institutions or Internet Participating Financial Institutions will credit the application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from our Issuing House.

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

14.10 SUCCESSFUL APPLICANTS

If you are successful in your application:-

- (i) Our Issue Shares allotted to you will be credited into your CDS account.
- (ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as prescribed securities. As such, our Issue Shares offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

14.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:-

Mode of Application	Parties to direct the enquiries
Application Form	MIH Enquiry Services Telephone at telephone no. (03) 7890 4700
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

You may also check the status of your Application by calling your respective ADA during office hours at the telephone number as set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

(The rest of this page has been intentionally left blank)