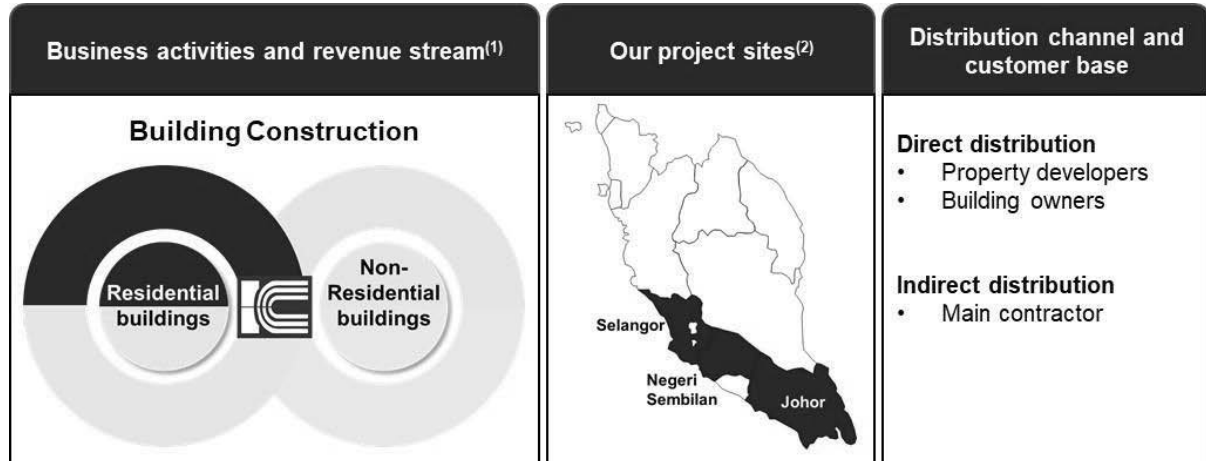


7. BUSINESS OVERVIEW

7.1 OVERVIEW OF OUR BUSINESS

7.1.1 Our business model

Our business model is depicted in the following diagram:



Notes:

- (1) Revenue from building construction accounted for more than 97.0% of our total revenue for the Financial Years/Period Under Review.
- (2) We principally operate in Malaysia and carry out projects in various states in Malaysia.

7.1.2 Business activities and revenue streams

We are a G7 building construction contractor involved in the construction of residential and non-residential buildings. As a main contractor, we are responsible for the overall project including project planning and management including submitting and obtaining the necessary approvals and permits such as the temporary building permit by the local authority and where necessary, permit from SPAN covering the infrastructure works (such as sewerage works) within the project area, appointment of subcontractors, procurement of labour and materials, and monitoring the entire building construction process to ensure timely completion up to handover of project to our customers.

For the Financial Years/Period Under Review up to the LPD, we carry out construction works for both residential and non-residential buildings. Residential buildings mainly consist of landed properties such as terrace, semi-detached and detached houses, cluster houses as well as townhouses, while non-residential buildings include commercial buildings such as shop offices and shopping mall, industrial buildings, purpose-built buildings such as sales gallery and clubhouse, as well as institutional buildings such as school. For the Financial Years/Period Under Review, revenue from building construction projects accounted for approximately 99.7%, 99.8%, 99.9% and 97.3% of our total revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.

During the Financial Years/Period Under Review, a small proportion of our revenue was derived from other related services such as earthworks, roadworks, hoarding works, rectification works, piling works and infrastructure works. Revenue from other related services accounted for approximately 0.3%, 0.2%, 0.1% and 2.7% of our total revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.

7. BUSINESS OVERVIEW (CONT'D)

Our revenue for the Financial Years/Period Under Review was derived from the construction of residential and non-residential buildings in Malaysia, the breakdown of which is set out below:

	←-----Audited----->						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Residential	469,190	80.7	387,663	79.2	383,124	84.0	201,480	84.4	203,176	86.6
Non-residential										
• Commercial	66,548	11.4	66,519	13.6	42,682	9.4	25,943	10.9	6,177	2.6
• Industrial	40,778	7.0	20,909	4.3	22,357	4.9	5,012	2.1	18,207	7.8
• Others ⁽¹⁾	3,360	0.6	13,437	2.7	7,156	1.6	6,203	2.6	650	0.3
	<u>110,686</u>	<u>19.0</u>	<u>100,865</u>	<u>20.6</u>	<u>72,195</u>	<u>15.9</u>	<u>37,158</u>	<u>15.6</u>	<u>25,034</u>	<u>10.7</u>
Other related services ⁽²⁾	1,647	0.3	1,117	0.2	183	0.1	-	-	6,523	2.7
Total	<u>581,523</u>	<u>100.0</u>	<u>489,645</u>	<u>100.0</u>	<u>455,502</u>	<u>100.0</u>	<u>238,638</u>	<u>100.0</u>	<u>234,733</u>	<u>100.0</u>

Notes:

- (1) 'Others' include institutional building such as school and purpose-built buildings such as show village and recreational hub which consists of, among others, banquet halls, cafeteria, gym, swimming pool as well as tennis and badminton courts.
- (2) Other related services include, among others, earthworks, roadworks, hoarding works, rectification works, piling works and infrastructure works.

7.1.3 Principal market

Our principal market is in Malaysia. The table below sets out the revenue by the geographical locations of our projects for the Financial Years/Period Under Review:

	←-----Audited----->						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Selangor	547,414	94.1	475,049	97.0	440,835	96.8	228,439	95.7	230,248	98.1
Negeri Sembilan	19,573	3.4	1,394	0.3	7,184	1.6	2,716	1.2	3,020	1.3
Johor	14,536	2.5	13,202	2.7	7,483	1.6	7,483	3.1	1,465	0.6
Total	<u>581,523</u>	<u>100.0</u>	<u>489,645</u>	<u>100.0</u>	<u>455,502</u>	<u>100.0</u>	<u>238,638</u>	<u>100.0</u>	<u>234,733</u>	<u>100.0</u>

7.1.4 Distribution channels and customers

We mainly utilise a direct distribution channel to secure our contracts. Direct distribution channel is where we secure contracts as the main contractor directly from the property developers or building owners. The key advantage of our direct distribution channel is that we deal directly with decision makers that may provide us with continuous projects as they develop other properties and grow their business. Revenue from direct distribution channel accounted for 92.5%, 98.4%, 92.3% and 88.6% of our total revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.

We also use the indirect distribution channel, where we secure contracts from the main contractor. As a subcontractor for these projects, we are responsible for the entire construction project including project management and planning up to the completion of construction, with the exception of submitting and obtaining the necessary approvals and permits such as the temporary building permit by the local authority. Revenue from indirect distribution channel accounted for 7.5%, 1.6%, 7.7% and 11.4% of our total revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively.

7. BUSINESS OVERVIEW (CONT'D)

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

	<-----Audited----->							
	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Direct distribution								
• Property developers	536,588	92.3	481,354	98.3	420,220	92.3	202,150	86.1
• Building owners ⁽¹⁾	1,336	0.2	587	0.1	-	-	5,780	2.5
	537,924	92.5	481,941	98.4	420,220	92.3	207,930	88.6
Indirect distribution								
• Main contractor ⁽²⁾	43,599	7.5	7,704	1.6	35,282	7.7	26,803	11.4
	581,523	100.0	489,645	100.0	455,502	100.0	234,733	100.0

Notes:

- (1) Refers to our customers who are not property developers such as Benteng Etika, Kireka Resources, Gereja Methodist Malaysia and Seminari Theologi Malaysia.
- (2) Refers to contracts secured from our former associate, namely QLB. The Disposal of QLB was completed in June 2022 and we do not anticipate to continue providing construction services to QLB upon completion of the Disposal of QLB and handover of existing projects to QLB.

7.2 MODE OF OPERATION

7.2.1 Securing contracts/projects

Our contracts are typically secured through tenders. We participate in tenders mainly through invitation from prospective customers including developers and building owners, tender notices, as well as through referrals to participate in tenders from project consultants such as engineers, architects and quantity surveyors whom we have worked with in past construction projects. Depending on the terms of the contract, we may be required to take out a tender bond when tendering for new projects.

7.2.2 Retention sum and performance bond

A retention sum, which is typically equivalent to 5% to 10% of each progress billings up to a maximum of 5% of the total contract sum, is retained by the customer as stipulated in the contract. Our customer will retain the retention sum throughout the contract period and the first portion (representing 50% of the total retention sum retained) will be released upon the issuance of CPC, while the remaining 50% will be released upon the issuance of CMGD or upon the expiry of the DLP. Similarly, we are entitled to retain part of our subcontractors' billings as retention sum up to a maximum of 5% of the total contract sum as stipulated in our letters of award to subcontractors, and we generally release half of the retention sum to our subcontractors upon the issuance of CPC, while the remaining half will be released after the end of the DLP.

Depending on the terms of the contract, we may or may not be required to take out a performance bond of 5% of the contract sum in the form of bank guarantee. The performance bond is typically valid until the issuance of CPC, CMGD or expiry of the DLP, or up to a period of 3 to 6 months after the issuance of CPC, CMGD or expiry of the DLP. We do not impose a requirement for performance bond on our subcontractors.

7. BUSINESS OVERVIEW (CONT'D)

7.2.3 Project contract period obligation

We are obligated to complete the project within the time period stipulated in the contract or in the extended contract. Typically, the contract period ranges from 24 months to 36 months. In the event of any delay in the completion of a project, we are subject to LAD claim by the customer at an agreed fixed rate of damages per day as stipulated in the contract, which ranges between RM1,000 and RM98,000 based on our ongoing contracts during the Financial Years/Period Under Review up to the LPD. Please refer to Section 9.1.6 of this Prospectus for further details of the risks relating to our projects which may be subject to delays resulting in the risk of claims relating to LAD.

In the event the project encounters any unforeseen circumstances that may delay the construction such as delay in obtaining permits or approvals from regulatory authorities, issues relating to engineering, safety or site conditions, adverse weather conditions such as flood or haze, force majeure events such as terrorist acts, governmental action, epidemics and natural disasters, shortage of raw materials or labour, and changes in government policies relating to foreign labour, we will seek EOT from the customer. These unforeseen circumstances are not provided for in the contract and the EOT is subject to approval by the customer.

7.2.4 Progressive claims

During the various stages of construction, we will submit monthly progress claims to the customers based on the proportion of work completed. Approval of the monthly progress claims is subject to the architect's certification that allows us to invoice the customer.

7.2.5 Post construction commitment

We are responsible for the rectification of defects during the DLP, which generally ranges from 12 to 36 months from the issuance of CPC.

We will be responsible for any rectification works together with the respective subcontractors, including nominated subcontractors who work under our supervision, control and management. If there is a defect liability claim that is attributable to the works carried by a subcontractor, we usually require the responsible subcontractor to perform the rectification works and the related costs will be borne by the said subcontractor.

7.3 COMPETITIVE STRENGTHS

7.3.1 We have an established track record of 32 years in the building construction industry

We have been operating in the building construction industry for approximately 32 years since the commencement of operation of our subsidiary, KSB, in 1990, where we started with various small-scale construction and subcontracting works including renovations and construction of an industrial building. We were registered with CIDB as a contractor since 1996 and subsequently we received the certificate of registration from CIDB in 1997 as a G7 contractor. Since 1990, we have completed a range of construction projects including residential, commercial, industrial, purpose-built and institutional buildings.

For the Financial Years/Period Under Review up to the LPD, we have constructed 4,698 units of landed residential properties, 580 units of commercial properties, 74 units of industrial properties, an institutional building and purpose-built buildings including a clubhouse and a show village. Our long established track record in the construction industry will provide us with the platform to grow, and serve as important reference sites to secure new projects.

7. BUSINESS OVERVIEW (CONT'D)

7.3.2 We specialise in township construction which enables us to continually bid for various phases or parcels within a township development

In 1993, we secured our first construction project for township development in Bandar Sri Damansara, Selangor involving various parcels, where we completed 388 units of terrace houses and 32 units of shop offices. The project, which was awarded to us in 5 contracts, was completed between 1993 and 2000.

Since then, we have continued to leverage on our capabilities in the construction of township developments and this specialisation has resulted in continuing and long-term business relationships with our customers. The key benefit of being involved in township development is the ability to bid for continuing work within the same township across different phases of the development. In such circumstances, our project completion in the initial phase of the development will provide us with an advantage of having a directly relevant reference site and experience with our customer to bid for subsequent phases of the development.

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7. BUSINESS OVERVIEW (CONT'D)

Some of our notable township developments projects where we were involved in the construction of one or more parcels include, among others, Bukit Jelutong, Kota Kemuning, Alam Damai, Bandar Enstek, Bandar Bukit Raja, Alam Impian, Kota Seriemas, Subang Bestari, Setia Eco Hill, Bandar Universiti Pagoh, Eco Majestic, Tropicana Aman, City of Elmina, Serene Heights, Bandar Ainsdale and Kota Emerald. Further details are as follows:

No.	Township development projects	Location	Customer	No. of projects		
				Awarded	Completed	Ongoing
Ongoing township development projects						
1.	Bandar Bukit Raja	Klang, Selangor	Sime Darby Property Group	20	19	1
2.	Bandar Enstek	Seremban, Negeri Sembilan	THP Enstek Development Sdn Bhd and QLB	14	13	1
3.	Bandar Universiti Pagoh	Pagoh, Johor	Sime Darby Property Group	4	3	1
4.	Bukit Jelutong	Shah Alam, Selangor	Sime Darby Property Group	11	10	1
5.	City of Elmina	Shah Alam, Selangor	Sime Darby Property Group	14	8	6
6.	Serene Heights	Semenyih, Selangor	Symphony Hills Sdn Bhd	10	7	3
7.	Tropicana Aman	Kuala Langat, Selangor	Tropicana Aman Sdn Bhd	11	9	2
Completed township development projects						
1.	Alam Damai	Cheras, Kuala Lumpur	S P Setia Group	6	6	-
2.	Alam Impian	Shah Alam, Selangor	S P Setia Group and QLB	8	8	-
3.	Bandar Ainsdale	Seremban, Negeri Sembilan	Sime Darby Property Group	2	2	-
4.	Eco Majestic	Semenyih, Selangor	Eco World Development Group	5	5	-
5.	Kota Emerald	Rawang, Selangor	GLM Emerald West (Rawang) Sdn Bhd	2	2	-
6.	Kota Kemuning	Shah Alam, Selangor	Hicom-Gamuda Development Sdn Bhd	8	8	-
7.	Kota Seriemas	Nilai, Negeri Sembilan	PNB Development Group and QLB	5	5	-
8.	Setia Eco Hill	Semenyih, Selangor	S P Setia Group	2	2	-
9.	Subang Bestari	Shah Alam, Selangor	Worldwide Holdings Berhad	4	4	-

Please refer to Section 7.4.2.3 of this Prospectus for further details of our completed and ongoing projects.

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7. BUSINESS OVERVIEW (CONT'D)

7.3.3 We emphasise on the quality of our construction as supported by our certifications and awards

As a contractor, we place significant emphasis on the quality of our construction works and this is demonstrated by our accreditations with ISO 9001:2015 (quality management systems) since 2007, and ISO 14001:2015 (environmental management systems) and ISO 45001:2018 (occupational health and safety management systems) since 2008.

The quality of our construction works is further supported by the awards and recognitions from CIDB for QLASSIC and SHASSIC. Please refer to Sections 6.4.2 and 6.4.3 of this Prospectus for further details of our QLASSIC and SHASSIC awards for the past 5 years from 2018 up to the LPD.

The quality of our workmanship and construction works was assessed through QLASSIC, a system introduced by CIDB to measure and evaluate the quality of workmanship of building construction work based on the Construction Industry Standard. QLASSIC serves as a benchmark for the quality of construction against industry standards based on a scoring system. Meanwhile, SHASSIC is a system introduced by CIDB to assess and evaluate the safety and health performance of contractors in construction works/projects based on CIS 10:2020. SHASSIC serves as a benchmark for the level of occupational safety and health performance of the construction industry in Malaysia using a scoring system.

For the past 5 years from 2018 up to the LPD, we were awarded with the high QLASSIC Achievement under the Construction Quality Excellence Award and achieved 5-star ratings under SHASSIC for some of our construction projects. 31 out of our total of 41 QLASSIC assessments achieved a minimum score of 80%, which is higher compared to the average QLASSIC score of approximately 69% in 2019 and 71% in 2020 published by CIDB. In addition, 29 out of our total of 40 SHASSIC assessments were rated a minimum of 4 stars and above (equivalent to a score of between 80.0% and 89.9%).

Our ISO quality management systems as well as QLASSIC and SHASSIC achievements demonstrate the quality and safety of our building construction projects which serve as important references for our existing and potential customers.

7.3.4 We have established long-term business relationships with our customers

Over the years, we have established long-term business relationships with our customers. For the FPE 2022, we served a total of 20 customers. Out of our top 5 customers for the FPE 2022, 3 customers have been dealing with us for at least 4 years, while the other 2 have been dealing with us for more than 20 years. The customers whom we have been working with for more than 20 years as at the LPD include Sime Darby Property Group and S P Setia Group.

The long established business relationship is a reflection of customer loyalty and confidence that we have built over the years. As the nature of our industry is project-based (whereby we are engaged by our customer for a project and our engagement comes to an end after we have completed and handed over the project to the customer) and typically each project is for a duration of approximately 2 to 3 years, the long established business relationships with our customers demonstrate a continuity in the business relationship with repeat customers.

7.3.5 We have experienced Executive Directors and Key Senior Management

We are led by our Managing Director, Tan Ah Kee, who has contributed significantly to the growth, development and strategic direction of our Group. He is supported by our COO, Gam Boon Tin, who is responsible for the day-to-day management of our Group. Tan Ah Kee and Gam Boon Tin bring with them approximately 38 and 27 years of experience in the construction industry respectively. They are supported by our Key Senior Management which include:

- (i) our CFO, Goh Yin Huat, who is responsible for the finance related matters and has approximately 20 years of experience in accounting and finance matters; and
- (ii) our GM (Operation 1), namely Chooi Kuen Wah, and GM (Operation 2), namely Kwo Hwa Sung, who have approximately 31 and 23 years of experience in the construction industry respectively.

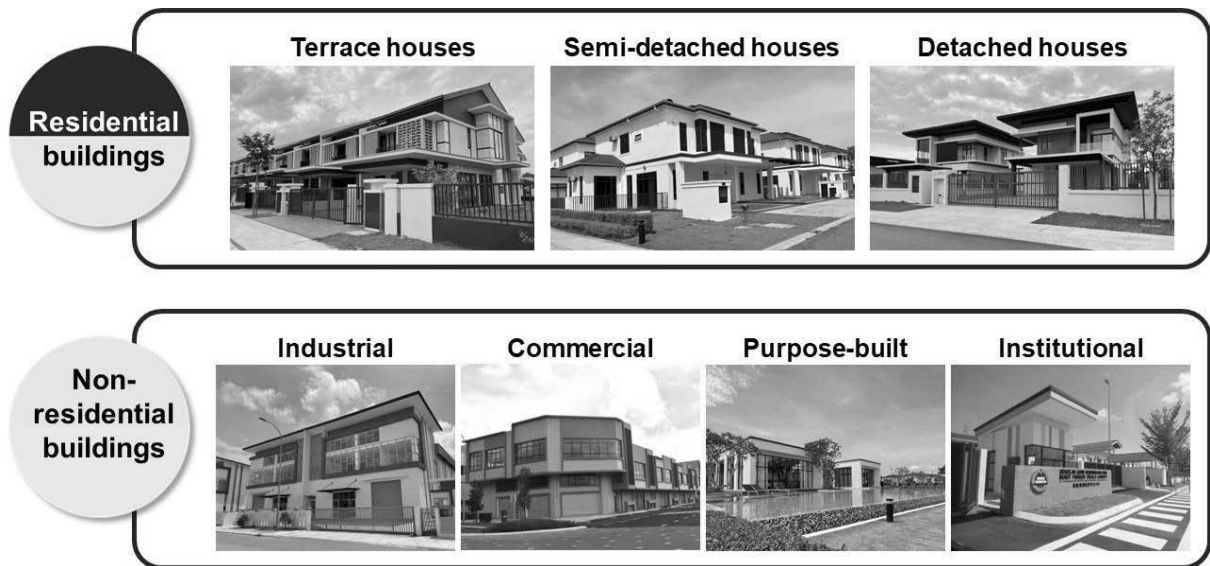
7. BUSINESS OVERVIEW (CONT'D)

Our team of experienced Executive Directors, together with the support of our Key Senior Management, will continue to expand our business operations. Please refer to Sections 5.1.2, 5.2.2 and 5.4.3 of this Prospectus for the profiles of our Executive Directors and Key Senior Management.

7.4 OUR PRODUCTS AND SERVICES

7.4.1 Overview of our business activities

We are principally a main contractor for building construction. During the Financial Years/Period Under Review, revenue from building construction projects accounted for approximately 99.7%, 99.8%, 99.9% and 97.3% of our total revenue respectively. We specialise in township construction where we are involved in the construction of residential as well as non-residential buildings within a development including the following:



During the Financial Years/Period Under Review, a small proportion of our revenue was derived from other related services including earthworks, roadworks, rectification works, hoarding works, piling works as well as infrastructure works. Revenue from other related services accounted for approximately 0.3%, 0.2%, 0.1% and 2.7% of our total revenue for the Financial Years/Period Under Review respectively.

7.4.2 Building construction

7.4.2.1 Overview

For our building construction projects, we mainly carry out the role of a main contractor and our scope of works involves the following:

(i) Project management

As a main contractor, we are responsible for the overall management of the construction for a project which is a continuous process throughout the contract period. Once we secure the contract, we will form a project team who will be involved in supervising and managing the entire construction process. This covers the various stages of planning, project implementation up to the completion and handover of project to our customer. We will liaise with all the parties including the authorities, suppliers, subcontractors as well as consultants such as architects and engineers involved in the project and report directly to our customer.

7. BUSINESS OVERVIEW (CONT'D)

Our roles as a project manager include the following:

- ensure timely completion and delivery of the project;
- ensure the project adheres to the planned budget;
- ensure all relevant licences and permits required are obtained for the construction projects;
- ensure the construction works are carried out in accordance with the design and specifications;
- manage, liaise and coordinate with all parties involved in the construction projects;
- manage and mitigate unforeseen circumstances, conditions and events;
- ensure workers' health and safety;
- ensure security and protection of machinery and equipment as well as other assets at project site; and
- minimise adverse impact of construction works on the environment as well as neighbouring properties and occupants by ensuring our machinery and equipment comply with the permitted noise level as well as undertaking works within the permitted hours as specified by the local authority to comply with the relevant provisions governing the construction sector pursuant to the Environmental Quality Act 1974.

(ii) Project planning

Our project planning mainly focuses on project scheduling and timeline, costing, sourcing and procurement aspects of the project. A project plan which sets out the timeline of the project will be prepared and will serve as the blueprint for the management and implementation of the project. This is to ensure that the project is completed based on the agreed timeline and budget. As a main contractor, we are responsible in procuring the required resources including procurement of materials, appointment of subcontractors, sourcing of labour as well as rental of machinery and equipment.

(iii) Construction

As a main contractor, our scope of work under the construction stages includes implementation and monitoring of the overall construction works including construction works carried out by subcontractors under our management and supervision. Generally, the construction phases are categorised as follows:

- **Earthworks and site preparation**

Earthworks refer to the process of preparing the ground to be suitable for the construction of buildings, structures and infrastructure. This mainly includes site clearance, excavation, backfilling as well as levelling and compacting the earth.

Site preparation mainly involves setting up temporary facilities to facilitate efficient and effective workflow at the construction site. This includes establishing staging areas for machinery, equipment, scaffoldings and formworks, setting up temporary storage areas for building materials and tools as well as other facilities such as site office, workers' accommodation and basic amenities at the project site. In some situations, this also involves construction of access road to the site.

We mainly carry out earthworks and site preparation works. We also engage subcontractors to carry out these works, depending on site conditions, under our management and supervision.

- **Building construction**

The construction of buildings is generally categorised into substructure construction and superstructure construction.

7. BUSINESS OVERVIEW (CONT'D)

Substructure construction works refer to the foundation which mainly consists of piling works. We will purchase the required materials and engage subcontractors to carry out substructure works under our management and supervision.

Superstructure construction works refer to the construction of physical buildings comprising the structures that are above ground level. This includes the following:

- structural works which involve constructing and erecting columns, beams, walls, floor, ceilings, stairs as well as the roof. We will purchase the required materials and the structural works will be carried out by our own workers as well as our subcontractors under our supervision;

Structural works



- architectural works including installation of doors, windows, grills, gates and fencing, as well as finishing works such as waterproofing, flooring, tiling, cladding, painting and coatings. We will purchase the materials and engage subcontractors to perform the works under our supervision. In some situations, we will outsource the works to subcontractors including the supply of materials;
- mechanical, electrical, communications and plumbing works within the building including installation of power supply and communication system, water supply and drainage, sewerage system as well as fire protection system. We engage subcontractors to perform some of these specialised works such as mechanical, electrical, communications and plumbing works under our management and supervision, while the drainage and sewerage works are carried out by our own workers;
- construction of ancillary facilities and amenities such as swimming pool, playground, gazebos, clubhouses and guard houses. We engage subcontractors to carry out the construction and installation of these facilities and amenities under our management and supervision;
- infrastructure works including construction of roads, pavements and walkways, sewerage facilities, installation of street lighting and external telecommunication facilities and power substations. We will purchase the required materials and engage subcontractors to carry out infrastructure works under our management and supervision; and
- landscaping works including softscape and hardscape within the project perimeter. We mainly engage subcontractors to carry out the landscaping works under our management and supervision.

7. BUSINESS OVERVIEW (CONT'D)

We utilise aluminium formwork system to perform cast in situ construction for the concrete structure. The temporary structures made of aluminium materials will be set up on-site and serve as a mould for concrete to be poured in. The formworks will be removed once the concrete is cured and developed the required strength. These are mainly used to form the building structures such as walls, columns, slabs and beams.

Construction using aluminium formwork system



We also utilise the conventional timber formwork for the cast in situ construction of the concrete structure, followed by brickworks and plastering for the remaining structural works.

All the on-site construction works are monitored and supervised by our project team comprising project managers, site managers and engineers, as well as site supervisors supported by our Environmental, Safety and Health team to ensure that the construction works are carried out in accordance to the design and specifications, meet the quality and safety standards, and are completed in a timely manner.

(iv) Completion and handover

Upon completion of the construction works, we will carry out inspection to identify any defects and these will be rectified by us or our subcontractors. We will then carry out final inspection and rectifications prior to the official handover to our customer. Final inspections are conducted together with our customer, engineers and architect to ensure that the construction works completed are in compliance with the design and specifications. The project is deemed completed once we obtain CPC. We are also responsible for the rectification of defects during the DLP which generally ranges from 12 to 36 months depending on the terms of the contract. We will then receive CMGD upon the expiry of the DLP.

7. BUSINESS OVERVIEW (CONT'D)

7.4.2.2 Types of building construction

We specialise in township construction where we are involved in the construction of several phases or parcels of residential and non-residential buildings within a development. Since the commencement of our business in 1990, we have been involved in building construction comprising the following types of buildings:

(i) Residential buildings

For the Financial Years/Period Under Review, revenue from the construction of residential buildings accounted for RM469.2 million (80.7%), RM387.7 million (79.2%), RM383.1 million (84.0%) and RM203.2 million (86.6%) of our total revenue respectively. Within the residential building segment, we focus on the construction of landed properties such as terrace houses, semi-detached houses, detached houses, cluster houses as well as townhouses.

(ii) Non-residential buildings

For the Financial Years/Period Under Review, revenue from the construction of non-residential buildings accounted for RM110.7 million (19.0%), RM100.9 million (20.6%), RM72.2 million (15.9%) and RM25.0 million (10.7%) of our total revenue respectively. Within the non-residential building segment, we have secured contracts for the construction of the following types of non-residential buildings:

- commercial buildings such as shop offices and shopping mall;
- industrial buildings such as factories and warehouses;
- purpose-built buildings such as clubhouse and show village; and
- institutional building such as school.

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7. BUSINESS OVERVIEW (CONT'D)

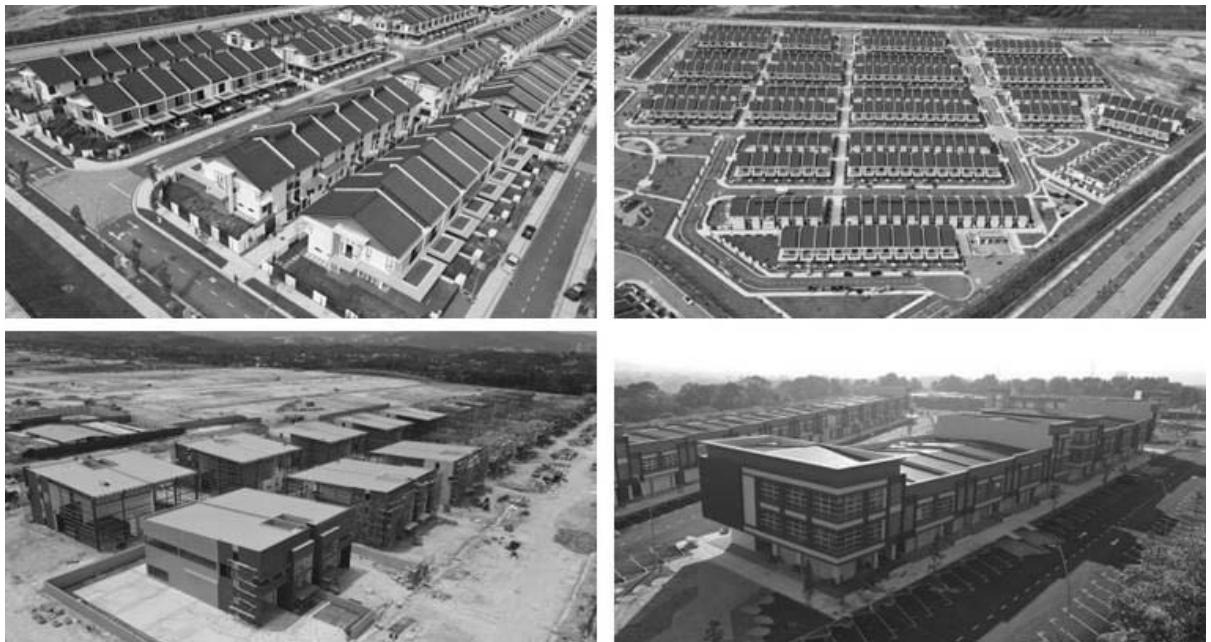
Some of our notable township construction projects that we have carried out during the Financial Years/Period Under Review are as follows:

Tropicana Aman Project



Top: Show houses (Tropicana Aman (Freesia Residences) Project); bottom left: School (SJK(C) Bukit Fraser); bottom right: 2-storey and 3-storey shop offices (Tropicana Aman (Triana) Project)

City of Elmina Project



Top: 2-storey terrace houses (City of Elmina (Elmina Valley 5A and 5B) Projects); bottom left: Semi-detached factories (Elmina Business Park - The Twin Factories); bottom right: 2-storey and 3-storey shop offices (Elmina East (Temu) Project)

7. BUSINESS OVERVIEW (CONT'D)

Serene Heights Project



Left: 2-storey terrace houses (Serene Heights (Eugenia 1 and 2) Projects); right: 2-storey terrace houses (Serene Height (Dahlia) Project)

Setia Eco Park Project



Left and right: 2-storey semi-detached houses (Setia Eco Park (Arundina - Phases 1A and 1B) Project)

Eco Majestic Project



Left: 2-storey terrace houses (Eco Majestic (Mellowood) Project); right: Single-storey shopping complex (Eco Majestic Mall Project)

7. BUSINESS OVERVIEW (CONT'D)

7.4.2.3 Our building construction projects

(a) Completed building construction projects

We have completed 71 construction projects with a total contract value of approximately RM1.9 billion for the Financial Years/Period Under Review up to the LPD as follows:

(i) Residential buildings

<u>Project</u>	<u>Customer</u>	<u>Description</u>	<u>Commencement date⁽¹⁾</u>	<u>Completion date⁽²⁾</u>	<u>Total contract value⁽³⁾ (RM million)</u>	<u>Expiry of DLP</u>	<u>Status of retention sum</u>
City of Elmina Project comprising:	Sime Darby Property (City of Elmina) Sdn Bhd	Construction of terrace houses in Elmina, Shah Alam, Selangor					
- <i>City of Elmina (Liana) Project</i>		- <i>72 units of 2-storey terrace houses</i>	<i>December 2017</i>	<i>November 2019</i>	<i>34.1</i>	<i>November 2021</i>	<i>Fully released</i>
- <i>City of Elmina (Elmina Valley 5A) Project</i>		- <i>168 units of 2-storey terrace houses</i>	<i>April 2019</i>	<i>October 2021</i>	<i>56.0</i>	<i>October 2023</i>	<i>Partially released (2.5% remaining)</i>
- <i>City of Elmina (Elmina Valley 5B) Project</i>		- <i>205 units of 2-storey terrace houses</i>	<i>April 2019</i>	<i>October 2021</i>	<i>67.4</i>	<i>October 2023</i>	<i>Partially released (2.5% remaining)</i>

7. BUSINESS OVERVIEW (CONT'D)

(a) Completed building construction projects (cont'd)

(i) Residential buildings (cont'd)

Project	Customer	Description	Commencement date ⁽¹⁾	Completion date ⁽²⁾	Total contract value ⁽³⁾ (RM million)	Expiry of DLP	Status of retention sum
Tropicana Aman Project comprising:	Tropicana Aman Sdn Bhd	Construction of terrace houses, semi-detached houses and detached houses in Tropicana Aman, Kuala Langat, Selangor					
- Tropicana Aman (Dalia Residences) Project		- 166 units of 2-storey semi-detached houses and 41 units of 2-storey detached houses	November 2017	March 2021	146.6	June 2023	Partially released (2.5% remaining)
- Tropicana Aman Show House (Elemen Residences) Project		- 2 units of 2-storey terrace show houses	July 2019	February 2020	1.9	February 2021	Fully released
- Tropicana Aman Show House (Freesia Residences) Project		- 4 units of 2-storey semi-detached show houses	February 2021	December 2021	3.8	December 2022	Partially released (2.5% remaining)

7. BUSINESS OVERVIEW (CONT'D)
(a) Completed building construction projects (cont'd)
(i) Residential buildings (cont'd)

Project	Customer	Description	Commencement date⁽¹⁾	Completion date⁽²⁾	Total contract value⁽³⁾ (RM million)	Expiry of DLP	Status of retention sum
Bandar Seri Coalfields Project comprising:	KL-Kepong Country Homes Sdn Bhd	Construction of terrace houses, semi-detached houses and detached houses in Bandar Seri Coalfields, Kuala Selangor, Selangor					
- <i>Bandar Seri Coalfields (Jardin Residences) Project</i>		- <i>109 units of 2-storey terrace houses</i>	<i>May 2017</i>	<i>April 2019</i>	<i>31.6</i>	<i>April 2021</i>	<i>Fully released</i>
- <i>Bandar Seri Coalfields (Hampton Residences) Project</i>		- <i>108 units of 2-storey terrace houses, 56 units of 2-storey semi-detached houses, 15 units of 1-storey detached houses and 12 units of 2-storey detached houses</i>	<i>March 2019</i>	<i>August 2021</i>	<i>90.0</i>	<i>August 2023</i>	<i>Partially released (2.5% remaining)</i>
Emerald West Project comprising:	GLM Emerald West (Rawang) Sdn Bhd	Construction of terrace houses in Emerald West, Rawang, Selangor					
- <i>Emerald West (Chloe Residence) Project</i>		- <i>142 units of 2-storey and 2½-storey terrace houses</i>	<i>February 2018</i>	<i>July 2020</i>	<i>44.7</i>	<i>October 2022</i>	<i>Partially released (2.5% remaining)⁽⁵⁾</i>
- <i>Emerald West (Garland Residence) Project</i>		- <i>299 units of 2-storey terrace houses</i>	<i>August 2019</i>	<i>September 2021</i>	<i>71.5</i>	<i>December 2023</i>	<i>Partially released (2.5% remaining)</i>

7. BUSINESS OVERVIEW (CONT'D)

(a) Completed building construction projects (cont'd)

(i) Residential buildings (cont'd)

Project	Customer	Description	Commencement date ⁽¹⁾	Completion date ⁽²⁾	Total contract value ⁽³⁾ (RM million)	Expiry of DLP	Status of retention sum
Eco Ardence (Aeres) Project	Eco Ardence Sdn Bhd	Construction of 212 units of 2-storey semi-detached houses and 12 units of 2-storey detached houses in Eco Ardence, Shah Alam, Selangor	May 2017	October 2019	110.7	October 2021	Partially released (1.3% remaining) ⁽⁵⁾
Serene Heights Project comprising:	Symphony Hills Sdn Bhd	Construction of terrace houses in Serene Heights, Semenyih, Selangor					
- Serene Heights (Eugenia 1) Project		- 84 units of 2-storey terrace houses	November 2018	December 2020	25.5	December 2022	Partially released (3.5% remaining)
- Serene Heights (Dahlia 2) Project		- 74 units of 2-storey terrace houses	June 2019	May 2021	22.9	May 2023	Partially released (2.5% remaining)
- Serene Heights (Eugenia 2) Project		- 88 units of 2-storey terrace houses	August 2019	December 2021	25.6	December 2023	Partially released (2.5% remaining)

7. BUSINESS OVERVIEW (CONT'D)

(a) Completed building construction projects (cont'd)

(i) Residential buildings (cont'd)

Project	Customer	Description	Commencement date ⁽¹⁾	Completion date ⁽²⁾	Total contract value ⁽³⁾ (RM million)	Expiry of DLP	Status of retention sum
- Serene Heights (Dahlia) Project		- 33 units of 2-storey terrace houses	March 2021	May 2021	2.7	May 2023	Partially released (2.5% remaining)
- Serene Heights (Frischia) Project		- 47 units of 2-storey terrace houses	March 2020	August 2022	17.1	February 2025	Pending release (entire 5.0%)
Eco Grandeur Project comprising:	Paragon Pinnacle Sdn Bhd	Construction of terrace houses and detached houses in Eco Grandeur, Kuala Selangor, Selangor					
- Eco Grandeur (Avenham Garden) Project		- 218 units of 2-storey terrace houses	June 2017	September 2019	45.5	October 2021	Partially released (1.2% remaining) ⁽⁵⁾
- Eco Grandeur (Norton Garden) Project		- 55 units of 2-storey detached houses	February 2019	December 2021	28.1	December 2023	Partially released (2.5% remaining)

7. BUSINESS OVERVIEW (CONT'D)
(a) Completed building construction projects (cont'd)
(i) Residential buildings (cont'd)

Project	Customer	Description	Commencement date⁽¹⁾	Completion date⁽²⁾	Total contract value⁽³⁾ (RM million)	Expiry of DLP	Status of retention sum
Eco Forest Project comprising:	Eco Majestic Development Sdn Bhd	Construction of terrace houses in Eco Forest, Semenyih, Selangor					
- <i>Eco Forest (Ebony Lane - Phase 2) Project</i>		- <i>94 units of 2-storey terrace houses</i>	<i>February 2018</i>	<i>October 2020</i>	<i>26.4</i>	<i>October 2022</i>	<i>Partially released (2.5% remaining)⁽⁵⁾</i>
- <i>Eco Forest (Ebony Lane - Phase 4) Project</i>		- <i>149 units of 2-storey terrace houses</i>	<i>September 2018</i>	<i>October 2020</i>	<i>41.7</i>	<i>October 2022</i>	<i>Partially released (2.5% remaining)⁽⁵⁾</i>
Alam Impian Project comprising:	QLB ⁽⁴⁾	Construction of terrace houses and semi-detached houses in Alam Impian, Shah Alam, Selangor					
- <i>Alam Impian (Phase A2-05) Project</i>		- <i>127 units of 2-storey terrace houses</i>	<i>February 2017</i>	<i>February 2019</i>	<i>32.7</i>	<i>February 2021</i>	<i>Fully released</i>
- <i>Alam Impian (Phase A3-05) Project</i>		- <i>49 units of 2-storey terrace houses</i>	<i>April 2017</i>	<i>February 2019</i>	<i>15.2</i>	<i>August 2021</i>	<i>Partially released (2.5% remaining)⁽⁵⁾</i>
- <i>Alam Impian (Phase A4-01) Project</i>		- <i>32 units of 2-storey semi-detached houses</i>	<i>December 2017</i>	<i>November 2019</i>	<i>20.4</i>	<i>May 2022</i>	<i>Partially released (2.5% remaining)⁽⁵⁾</i>

7. BUSINESS OVERVIEW (CONT'D)

(a) Completed building construction projects (cont'd)

(i) Residential buildings (cont'd)

Project	Customer	Description	Commencement date⁽¹⁾	Completion date⁽²⁾	Total contract value⁽³⁾ (RM million)	Expiry of DLP	Status of retention sum
Kota Seriemas (Mawar Indah) Project	QLB ⁽⁴⁾	Construction of 182 units of 2-storey terrace houses in Kota Seriemas, Negeri Sembilan	April 2017	February 2019	50.5	August 2021	Fully released
Bukit Bandaraya (Dillenia) Project	Worldwide Holdings Berhad	Construction of 102 units of 2-storey semi-detached houses and 5 units of 2-storey detached houses in Bukit Bandaraya, Shah Alam, Selangor	August 2019	April 2022	57.4	April 2024	Partially released (2.5% remaining)
Subang Bestari (Amber) Project	Worldwide Holdings Berhad	Construction of 41 units of detached houses in Subang Bestari, Shah Alam, Selangor	June 2015	July 2019	48.0	July 2021	Fully released

7. BUSINESS OVERVIEW (CONT'D)

(a) Completed building construction projects (cont'd)

(i) Residential buildings (cont'd)

Project	Customer	Description	Commencement date ⁽¹⁾	Completion date ⁽²⁾	Total contract value ⁽³⁾ (RM million)	Expiry of DLP	Status of retention sum
Setia Alam Project comprising:	Bandar Setia Alam Sdn Bhd	Construction of terrace houses in Setia Alam, Shah Alam, Selangor					
- Setia Alam (Castana) Project		- 104 units of 2-storey terrace houses	October 2018	July 2020	18.5	July 2022	Partially released (2.5% remaining) ⁽⁵⁾
- Setia Alam (Zeyheri) Project		- 101 units of 3-storey terrace houses	May 2019	August 2021	32.6	August 2024	Partially released (2.5% remaining)
Eco Majestic (Mellowood) Project	Eco Majestic Sdn Bhd	Construction of 176 units of 2-storey terrace houses in Eco Majestic, Semenyih, Selangor	April 2017	May 2019	50.2	May 2021	Fully released
Bukit Puchong (Andira Park) Project	Bukit Hitam Development Sdn Bhd	Construction of 66 units of 2-storey terrace houses and 74 units of 3-storey terrace houses in Bandar Bukit Puchong 2, Sepang, Selangor	August 2017	October 2019	36.8	December 2021	Partially released (2.5% remaining) ⁽⁵⁾
Setia Eco Glades (Jewels of Grasmere) Project	Setia Eco Glades Sdn Bhd	Construction of 117 units of 2-storey terrace houses in Setia Eco Glades, Cyberjaya, Selangor	November 2017	December 2019	35.8	December 2021	Partially released (2.5% remaining) ⁽⁵⁾

7. BUSINESS OVERVIEW (CONT'D)
(a) Completed building construction projects (cont'd)
(i) Residential buildings (cont'd)

Project	Customer	Description	Commencement date⁽¹⁾	Completion date⁽²⁾	Total contract value⁽³⁾ (RM million)	Expiry of DLP	Status of retention sum
Bandar Bukit Raja (Azira) Project	Sime Darby Property (USJ) Sdn Bhd	Construction of 111 units of 2-storey terrace houses in Bandar Bukit Raja, Klang, Selangor	January 2018	January 2020	32.8	January 2022	Fully released
Setia Eco Park (Hacienda) Project	Bandar Eco-Setia Sdn Bhd	Construction of 52 units of semi-detached houses in Setia Eco Park, Shah Alam, Selangor	July 2017	February 2019	31.5	February 2021	Fully released
Alam Perdana (Halya @ Daunan Worldwide - Phase 1) Project	Worldwide Property Management Sdn Bhd	Construction of 147 units of 2-storey terrace houses in Alam Perdana, Bandar Puncak Alam, Selangor	August 2018	August 2021	29.7	August 2023	Partially released (2.5% remaining)
Bandar Tasik Puteri Project comprising:	Rawang Lakes Sdn Bhd	Construction of terrace houses in Bandar Tasik Puteri, Rawang, Selangor					
- Bandar Tasik Puteri (Acacia Park) Project		- 115 units of 2-storey terrace houses	February 2019	February 2021	27.7	August 2023	Partially released (2.5% remaining)
- Bandar Tasik Puteri Show House Project		- 2 units of 2-storey terrace show houses	December 2019	March 2020	0.2	March 2022	Fully released

7. BUSINESS OVERVIEW (CONT'D)
(a) Completed building construction projects (cont'd)
(i) Residential buildings (cont'd)

Project	Customer	Description	Commencement date⁽¹⁾	Completion date⁽²⁾	Total contract value⁽³⁾ (RM million)	Expiry of DLP	Status of retention sum
Puncak Bestari 2 (Azalea) Project	Worldwide Holdings Berhad	Construction of 90 units of 2-storey terrace houses in Puncak Bestari 2, Bandar Puncak Alam, Selangor	October 2016	October 2020	24.6	October 2022	Partially released (2.5% remaining) ⁽⁵⁾
Bandar Enstek Project comprising:	QLB ⁽⁴⁾	Construction of terrace houses in Bandar Enstek, Negeri Sembilan					
- Bandar Enstek (Pristine) Project		- 43 units of 2-storey terrace houses	October 2017	March 2019	11.3	September 2021	Fully released
- Bandar Enstek (Pristine 2) Project		- 48 units of 2-storey terrace houses	September 2018	March 2020	11.5	September 2022	Partially released (2.5% remaining) ⁽⁵⁾
- Bandar Enstek (Pristine 3) Project		- 35 units of 2-storey terrace houses	November 2020	June 2022	8.5	December 2024	Partially released (2.5% remaining)
Bangi (Residensi Purun) Project	Worldwide Land Development Sdn Bhd	Construction of 69 units of 2-storey terrace houses in Sungai Purun, Semenyih, Selangor	May 2017	November 2021	19.3	November 2023	Partially released (2.5% remaining)
Bukit Jelutong (Tara) Project	Sime Darby Property Berhad	Construction of 14 units of semi-detached houses in Bukit Jelutong, Shah Alam, Selangor	November 2017	October 2019	14.7	October 2021	Fully released

7. BUSINESS OVERVIEW (CONT'D)
(a) Completed building construction projects (cont'd)
(i) Residential buildings (cont'd)

Project	Customer	Description	Commencement date⁽¹⁾	Completion date⁽²⁾	Total contract value⁽³⁾ (RM million)	Expiry of DLP	Status of retention sum
Taman Indah Puteri (The Jervis) Project	GBE Properties Sdn Bhd	Construction of 18 units of 2-storey semi-detached houses in Taman Indah Puteri, Sepang, Selangor	May 2017	December 2019	8.0	December 2021	Partially released (2.5% remaining) ⁽⁵⁾
Tamansari Show House Project	Pinggir Mentari Sdn Bhd	Construction of 2 units of 2-storey terrace show houses	July 2021	June 2022	1.2	June 2024	Pending release (entire 5%)
Dengkil (Taman Casa Mekar) Project	Worldwide Land Development Sdn Bhd	Construction of 61 units of 2-storey terrace houses in Dengkil, Sepang, Selangor	March 2019	May 2022	17.2	May 2024	Partially released (2.5% remaining)
Kota Bayuemas (Areca) Project	QLB ⁽⁴⁾	Construction of 84 units of 2-storey terrace houses in Kota Bayuemas, Klang, Selangor	July 2020	October 2022	17.1	October 2024	Pending release (entire 5%)
Setia Safiro (Rosario) Project	Setia Safiro Sdn Bhd	Construction of 166 units of terrace houses in Setia Safiro, Cyberjaya, Selangor	December 2019	November 2022	43.4	November 2024	Pending release (entire 5%)

7. BUSINESS OVERVIEW (CONT'D)

Notes:

- (1) Based on the date of commencement stated in the letter of award or notice of commencement by the architect.
- (2) Based on completion date specified in the CPC.
- (3) Refers to final contract value including variation orders.
- (4) Please refer to Section 10.1.1 of this Prospectus for further details of our related party transactions with QLB.
- (5) The remaining retention sum has yet to be released pending the issuance of final accounts by the quantity surveyor. Although the DLP for these projects have expired, longer time is taken to agree on the valuation of work done to ascertain the amount of the final accounts. Nonetheless, there is no dispute with our customers in the process of closing the final accounts of these projects.

(ii) Non-residential buildings

Project	Customer	Description	Commencement date ⁽¹⁾	Completion date ⁽²⁾	Total contract value ⁽³⁾ (RM million)	Expiry of DLP	Status of retention sum
Commercial							
Tropicana Aman Project comprising:	Tropicana Aman Sdn Bhd	Construction of shop offices in Tropicana Aman, Kuala Langat, Selangor					
- Tropicana Aman (Sinaria) Project		- 152 units of 2-storey shop offices	April 2017	January 2019	52.1	April 2020	Fully released
- Tropicana Aman (Triana) Project		- 136 units of 2-storey shop offices and 8 units of 3-storey shop offices	May 2019	February 2022	54.7	May 2023	Partially released (2.5% remaining)
Bandar Pagoh Promenade) Project	Universiti (Sarjana Property (Pagoh) Sdn Bhd	Construction of 65 units of 2-storey shop offices and 8 units of 3-storey shop offices in Bandar Universiti Pagoh, Johor	August 2018	May 2021	34.2	June 2024	Partially released (2.5% remaining)

7. BUSINESS OVERVIEW (CONT'D)
(a) Completed building construction projects (cont'd)
(ii) Non-residential buildings (cont'd)

Project	Customer	Description	Commencement date⁽¹⁾	Completion date⁽²⁾	Total contract value⁽³⁾ (RM million)	Expiry of DLP	Status of retention sum
Bandar Seri Putra (Putra Sentral) Project	Bangi Heights Development Sdn Bhd	Construction of 42 units of 3-storey shop offices in Bandar Seri Putra, Bangi, Selangor	August 2018	July 2021	25.9	October 2023	Partially released (2.5% remaining)
Eco Majestic Mall Project	Eco Majestic Sdn Bhd	Construction of a single-storey shopping complex and 8 shop units in Eco Majestic, Semenyih, Selangor	July 2019	February 2022	15.6	February 2024	Pending release (entire 5%)
Bandar Bukit Raja (3 Avenue) Project	Sime Darby Property (USJ) Sdn Bhd	Construction of 21 units of 2-storey link shop offices, 8 units of 2-storey semi-detached shop offices and a 2-storey detached shop office in Bandar Bukit Raja, Klang, Selangor	May 2018	October 2020	17.8	October 2022	Partially released (2.5% remaining)
Eco Forest (Lindenway) Project	Eco Majestic Development Sdn Bhd	Construction of 56 units of 2-storey shop units in Eco Forest	November 2018	February 2021	14.5	May 2023	Partially released (2.5% remaining)
Alam Impian (Nadi Niaga) Project	QLB ⁽⁴⁾	Construction of 12 units of 2-storey shop offices in Alam Impian, Shah Alam, Selangor	June 2017	June 2019	6.4	December 2021	Fully released

7. BUSINESS OVERVIEW (CONT'D)

(a) Completed building construction projects (cont'd)

(ii) Non-residential buildings (cont'd)

<u>Project</u>	<u>Customer</u>	<u>Description</u>	<u>Commencement date⁽¹⁾</u>	<u>Completion date⁽²⁾</u>	<u>Total contract value⁽³⁾ (RM million)</u>	<u>Expiry of DLP</u>	<u>Status of retention sum</u>
Industrial							
Elmina East (Temu) Project	Sime Darby Property (City of Elmina) Sdn Bhd	Construction of 70 units of 2-storey and 3-storey shop offices in Elmina, Shah Alam, Selangor	January 2020	September 2022	30.0	September 2024	Pending release (entire 5%)
Welloyd Industrial Park Project	Welloyd Properties Sdn Bhd	Construction of 32 units of single-storey semi-detached factories and 16 units of 2-storey terrace factories in Welloyd Industrial Park, Klang, Selangor	August 2017	October 2021	70.4	October 2023	Partially released (2.5% remaining)
Temasya Glenmarie (Alpine) Project	QLB ⁽⁴⁾	Construction of 12 units of semi-detached factories in Temasya Glenmarie, Shah Alam, Selangor	December 2017	October 2020	25.7	April 2023	Partially released (2.5% remaining)
Elmina Business Park (Low Cost Factory and Shop) Project	Sime Darby Property (City of Elmina) Sdn Bhd	Construction of 8 units of low cost terrace factories and 6 units of low cost shops in Elmina, Shah Alam, Selangor	April 2019	August 2021	3.2	August 2023	Partially released (2.5% remaining)

7. BUSINESS OVERVIEW (CONT'D)

(a) Completed building construction projects (cont'd)

(ii) Non-residential buildings (cont'd)

<u>Project</u>	<u>Customer</u>	<u>Description</u>	<u>Commencement date⁽¹⁾</u>	<u>Completion date⁽²⁾</u>	<u>Total contract value⁽³⁾ (RM million)</u>	<u>Expiry of DLP</u>	<u>Status of retention sum</u>
<u>Institutional</u>							
SJK(C) Bukit Fraser Project	Tropicana Aman Sdn Bhd	Construction of a 3-storey academic building, a 2-storey administrative building and a single-storey canteen in Tropicana Aman, Kuala Langat, Selangor	September 2019	March 2022	6.8	March 2023	Partially released (2.5% remaining)
<u>Purpose-built</u>							
Tropicana Aman Clubhouse Project	Tropicana Aman Sdn Bhd	Construction of a clubhouse with facilities comprising badminton hall, tennis court, swimming pool and gymnasium in Tropicana Aman, Kuala Langat, Selangor	September 2019	August 2021	16.3	August 2022	Partially released (2.5% remaining)
Tamansari Village Project	Show Pinggir Mentari Sdn Bhd	Construction of show village comprising management office and guard house in Tamansari, Rawang, Selangor	October 2020	January 2021	0.8	January 2023	Partially released (2.5% remaining)

7. BUSINESS OVERVIEW (CONT'D)

Notes:

- (1) Based on the date of commencement stated in the letter of award or notice of commencement by the architect.
- (2) Based on the completion date specified in the CPC.
- (3) Refers to final contract value including variation orders.
- (4) Please refer to Section 10.1.1 of this Prospectus for further details of our related party transactions with QLB.

(iii) Other related services

Project	Customer	Description	Commencement date ⁽¹⁾	Completion date ⁽²⁾	Total contract value ⁽³⁾ (RM million)	Expiry of DLP	Status of retention sum
Benteng Etika (Piling Project)	Benteng Etika ⁽⁴⁾	Piling works for the Benteng Etika Warehouse Project	November 2021	February 2022	0.3	February 2023	Partially release (2.5% remaining)
Bukit Bandaraya (Infrastructure) Project	Worldwide Holdings Berhad	Infrastructure works for Bukit Bandaraya (Dillenia) Project	June 2019	January 2022	8.2	July 2023	Partially release (2.5% remaining)
City of Elmina (Elmina Gardens - Hoarding works) Project	Sime Darby Property (City of Elmina) Sdn Bhd	Hoarding works in Elmina, Shah Alam, Selangor	April 2021	May 2021	0.1	November 2021	Fully released
Denai Alam (Saffron Hill) Project	Sime Darby Property (City of Elmina) Sdn Bhd	Rectification work in Denai Alam, Shah Alam, Selangor	April 2021	November 2021	0.1	May 2022	Pending release (entire 10.0%) ⁽⁵⁾

7. BUSINESS OVERVIEW (CONT'D)

(a) Completed building construction projects (cont'd)

(iii) Other related services (cont'd)

Project	Customer	Description	Commencement date ⁽¹⁾	Completion date ⁽²⁾	Total contract value ⁽³⁾ (RM million)	Expiry of DLP	Status of retention sum
Kiharta Development Facility (Infrastructure) Project	Kiharta Development ⁽⁴⁾	Earthworks and infrastructure works for a refurbishment facility in Klang, Selangor	October 2021	January 2022	1.9	January 2023	Partially release (2.5% remaining)
Kiharta Development Warehouse (Piling) Project	Kiharta Development ⁽⁴⁾	Piling works for the Kiharta Development Warehouse Project	October 2021	February 2022	2.5	February 2023	Pending release (entire 2.5%)
Methodist Church Project	Gereja Methodist Malaysia	Renovation works at Port Dickson Methodist Centre in Port Dickson, Negeri Sembilan	February 2019	March 2020	0.8	September 2020	Fully released
Serene Heights (Outstanding works) Project	Symphony Hills Sdn Bhd	Outstanding works for turfing lots and roadworks in Serene Heights	August 2020	September 2020	0.9	September 2022	Partially released (2.5% remaining)
Seminari Theologi Malaysia Project	Seminari Theologi Malaysia	Repair and upgrading works at Seminari Theologi Malaysia Campus in Negeri Sembilan	December 2019	March 2020	0.6	September 2020	Fully released

7. BUSINESS OVERVIEW (CONT'D)

Notes:

- (1) Based on the date of commencement stated in the letter of award or notice of commencement by the architect.
- (2) Based on the completion date specified in the CPC.
- (3) Refers to final contract value including variation orders.
- (4) Please refer to Section 10.1.1 of this Prospectus for further details of our related party transactions with Benteng Etika and Kiharta Development.
- (5) The remaining retention sum has yet to be released pending the issuance of final accounts by the quantity surveyor. Although the DLP for these projects have expired, longer time is taken to agree on the valuation of work done to ascertain the amount of the final accounts. Nonetheless, there is no dispute with our customers in the process of closing the final accounts of these projects.

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7. BUSINESS OVERVIEW (CONT'D)

(b) Ongoing building construction projects

As at the LPD, we have 35 ongoing construction projects with a total contract value of approximately RM1.5 billion. Out of this RM1.5 billion, RM853.6 million is unbilled as at the LPD and these projects are as follows:

(i) Residential buildings

Project	Customer	Description	Commencement date ⁽¹⁾	Expected completion date ⁽²⁾	Total contract value ⁽³⁾ (RM million)	Unbilled contract value as at the LPD (RM million)	% of completion as at the LPD
Tropicana Aman Project comprising:	Tropicana Aman Sdn Bhd	Construction of terrace houses, semi-detached houses and detached houses in Tropicana Aman, Kuala Langat, Selangor					
- Tropicana Aman (Elemen Residences) Project		- 231 units of 2-storey terrace houses	March 2020	June 2023	113.0	30.8	72.7%
- Tropicana Aman (Freesia Residences) Project		- 194 units of 2-storey semi-detached houses and 4 units of 2-storey detached houses	June 2021	August 2023	133.9	90.1	32.7%
City of Elmina Project comprising:	Sime Darby Property (City of Elmina) Sdn Bhd	Construction of terrace houses in Elmina, Shah Alam, Selangor					
- Elmina East (Ilham Residence) Project		- 290 units of 2-storey terrace houses	March 2020	October 2022 (pending EOT up to March 2023)	73.2	8.1	88.9%
- City of Elmina (Elmina Green Five) Project		- 208 units of 2-storey terrace houses	November 2021	September 2024	80.3	65.6	18.3%

7. BUSINESS OVERVIEW (CONT'D)

(b) Ongoing building construction projects (cont'd)

(i) Residential buildings (cont'd)

Project	Customer	Description	Commencement date ⁽¹⁾	Expected completion date ⁽²⁾	Total contract value ⁽³⁾ (RM million)	Unbilled contract value as at the LPD (RM million)	% of completion as at the LPD
- City of Elmina (Ilham Residence 2 - Phase 3A) Project		- 143 units of 2-storey terrace houses	February 2022	October 2023	46.4	36.7	20.9%
- City of Elmina (Ilham Residence 2 - Phase 3B) Project		- 134 units of 2-storey terrace houses	February 2022	October 2023	37.4	29.8	20.3%
Serene Heights Project comprising:	Symphony Hills Sdn Bhd	Construction of terrace houses, cluster houses and semi-detached houses in Serene Heights, Semenyih, Selangor					
- Serene Heights (Verna) Project		- 72 units of 2-storey terrace houses	December 2020	July 2022 (pending EOT up to January 2023)	17.9	2.3	87.2%
- Serene Heights (Verna Cluster and Twin Villas) Project		- 48 units of cluster houses and 24 units of semi-detached houses	May 2021	February 2023	24.7	11.4	53.8%
- Serene Heights (Verna Park Terrace) Project		- 76 units of 2-storey terrace houses	August 2021	April 2023	20.3	9.1	55.2%

7. BUSINESS OVERVIEW (CONT'D)

(b) Ongoing building construction projects (cont'd)

(i) Residential buildings (cont'd)

<u>Project</u>	<u>Customer</u>	<u>Description</u>	<u>Commencement date⁽¹⁾</u>	<u>Expected completion date⁽²⁾</u>	<u>Total contract value⁽³⁾ (RM million)</u>	<u>Unbilled contract value as at the LPD (RM million)</u>	<u>% of completion as at the LPD</u>
Setia Eco Park Project comprising:	S P Setia Eco-Projects Management Sdn Bhd	Construction of semi-detached houses in Setia Eco Park, Shah Alam, Selangor					
- Setia Eco Park (Arundina - Phase 1A) Project		- 118 units of 2-storey semi-detached houses	December 2019	November 2022 (pending EOT up to February 2023)	41.1	1.3	96.8%
- Setia Eco Park (Arundina - Phase 1B) Project		- 74 units of 2-storey semi-detached houses	November 2020	February 2023 (pending EOT up to May 2023)	35.9	10.5	70.8%
PNB Telok Datok Project comprising:	QLB ⁽⁴⁾	Construction of terrace houses, semi-detached houses and detached houses in Telok Datok, Kuala Langat, Selangor					
- PNB Telok Datok (Value Home - Phase 1A) Project		- 143 units of single-storey terrace houses, 140 units of single-storey semi-detached houses and 2 units of single-storey detached houses	December 2020	December 2022 (pending EOT up to June 2023)	33.6	10.8	67.9%

7. BUSINESS OVERVIEW (CONT'D)

(b) Ongoing building construction projects (cont'd)

(i) Residential buildings (cont'd)

Project	Customer	Description	Commencement date ⁽¹⁾	Expected completion date ⁽²⁾	Total contract value ⁽³⁾ (RM million)	Unbilled contract value as at the LPD (RM million)	% of completion as at the LPD
- PNB Telok Datok (Value Home - Phase 1B) Project		- 183 units of single-storey terrace houses, 172 units of single-storey semi-detached houses and 4 units of single-storey detached houses	September 2021	February 2023 (pending EOT up to August 2023)	40.0	20.2	49.5%
Taman Putra Prima (Diamond) Project	Plenitude Permai Sdn Bhd	Construction of 114 units of 2-storey terrace houses and 52 units of 3-storey terrace houses in Taman Putra Prima, Sepang, Selangor	November 2020	December 2022 (pending EOT up to March 2023)	60.3	13.9	76.9%
Tamansari Project comprising:	Pinggir Mentari Sdn Bhd	Construction of terrace houses in Tamansari, Rawang, Selangor					
- Tamansari (Dahlia) Project		- 173 units of 2-storey terrace houses	August 2020	December 2022 (pending EOT up to June 2023)	47.7	8.7	81.8%
- Tamansari (Jasmin) Project		- 173 units of 2-storey terrace houses	September 2022	September 2024	80.2	79.0	1.5%

7. BUSINESS OVERVIEW (CONT'D)

(b) Ongoing building construction projects (cont'd)

(i) Residential buildings (cont'd)

Project	Customer	Description	Commencement date ⁽¹⁾	Expected completion date ⁽²⁾	Total contract value ⁽³⁾ (RM million)	Unbilled contract value as at the LPD (RM million)	% of completion as at the LPD
Alam Perdana (Halya @ Daunan Worldwide - Phase 2) Project	Worldwide Property Management Sdn Bhd	Construction of 205 units of 2-storey terrace houses in Alam Perdana, Bandar Puncak Alam, Selangor	January 2022	July 2023	45.8	34.1	25.5%
Bukit Jelutong (Trilia) Project	Sime Darby Property (Bukit Jelutong) Sdn Bhd	Construction of 46 units of 3-storey semi-detached houses in Bukit Jelutong, Shah Alam, Selangor	November 2021	July 2023	41.3	31.4	24.0%
Kota Bayuemas (Carissa) Project	QLB ⁽⁴⁾	Construction of 82 units of 2-storey terrace houses in Kota Bayuemas, Klang, Selangor	March 2021	January 2023 (pending EOT up to March 2023)	15.2	2.6	82.9%
Bandar Bukit Raja (Rumah Selangorku) Project	Sime Darby Property (Bukit Raja) Sdn Bhd	Construction of 236 units of 2-storey townhouses in Bandar Bukit Raja, Klang, Selangor	April 2021	December 2022 (pending EOT up to March 2023)	30.5	8.5	72.1%
Saujana Perdana (Dahlia Sari) Project	Kelana Kualiti Sdn Bhd	Construction of 120 units of 2-storey terrace houses in Saujana Perdana, Kuala Selangor, Selangor	August 2021	February 2023	28.3	9.0	68.2%

7. BUSINESS OVERVIEW (CONT'D)
(b) Ongoing building construction projects (cont'd)
(i) Residential buildings (cont'd)

<u>Project</u>	<u>Customer</u>	<u>Description</u>	<u>Commencement date⁽¹⁾</u>	<u>Expected completion date⁽²⁾</u>	<u>Total contract value⁽³⁾ (RM million)</u>	<u>Unbilled contract value as at the LPD (RM million)</u>	<u>% of completion as at the LPD</u>
Eco Forest Project comprising:	Eco Majestic Development Sdn Bhd	Construction of terrace houses in Eco Forest, Semenyih, Selangor					
- <i>Eco Forest (Hazelton) Project</i>		- <i>Construction of 53 units of 2-storey terrace houses and 57 units of 2-storey cluster houses</i>	<i>August 2020</i>	<i>November 2022 (pending EOT up to February 2023)</i>	<i>27.1</i>	<i>4.8</i>	<i>82.3%</i>
- <i>Eco Forest (Birchpark) Project</i>		- <i>Construction of 145 units of 2-storey terrace houses</i>	<i>December 2022</i>	<i>August 2024</i>	<i>50.4</i>	<i>50.4</i>	<i>-</i>
Welloyd Setia Alam Project	Welloyd Properties Sdn Bhd	Construction of 43 units of 2-storey detached houses in Setia Alam, Selangor	June 2022	August 2024	42.5	39.2	7.8%
Eco Ardence Project	(Ember) Eco Ardence Sdn Bhd	Construction of 48 units of 2-storey cluster semi-detached houses and 24 units of 3-storey cluster semi-detached houses in Shah Alam, Selangor	October 2022	February 2024	30.2	30.2	-

7. BUSINESS OVERVIEW (CONT'D)

(b) Ongoing building construction projects (cont'd)

(i) Residential buildings (cont'd)

Project	Customer	Description	Commencement date ⁽¹⁾	Expected completion date ⁽²⁾	Total contract value ⁽³⁾ (RM million)	Unbilled contract value as at the LPD (RM million)	% of completion as at the LPD
Dengkil Project	(Primrose) Magical Sterling Sdn Bhd	Construction of 63 units of 2-storey terrace houses in Dengkil, Sepang, Selangor	September 2022	November 2023	26.0	24.8	4.6%
Bandar Enstek 4) Project	(Pristine THP Enstek Development Sdn Bhd)	Construction of 51 units of 2-storey terrace houses in Bandar Enstek, Negeri Sembilan	October 2022	April 2024	20.0	20.0	-

Notes:

- (1) Based on the date of commencement stated in the letter of award or notice of commencement by the architect.
- (2) Based on the date of completion stated in the letter of award or revised completion date based on EOT granted by our customers.
- (3) Refers to contract value which includes variation orders.
- (4) Please refer to Section 10.1.1 of this Prospectus for further details of our related party transactions with QLB.

Subsequent to the LPD, we were also awarded with a residential project by Sime Darby Property (City of Elmina) Sdn Bhd for the construction of 88 units of 2-storey semi-detached houses in Elmina, Shah Alam, Selangor for a total contract value of approximately RM59.3 million. The construction work for this project is expected to commence in December 2022 and be completed by June 2024.

7. BUSINESS OVERVIEW (CONT'D)

(b) Ongoing building construction projects (cont'd)

(ii) Non-residential buildings

Project	Customer	Description	Commencement date ⁽¹⁾	Expected completion date ⁽²⁾	Total contract value ⁽³⁾ (RM million)	Unbilled contract value as at the LPD (RM million)	% of completion as at the LPD
Commercial							
Pagoh Restaurant Project	Sime Darby Property (BUP Asset 1) Sdn Bhd	Construction of a single-storey drive-thru restaurant in Bandar Universiti Pagoh, Johor	January 2022	September 2022 (pending EOT up to March 2023)	2.8	0.3	89.3%
Bandar Seri Putra (Putra Sentral 2) Project	Bangi Heights Development Sdn Bhd	Construction of 32 units of 3-storey shop offices in Bandar Seri Putra, Bangi, Selangor	August 2022	April 2024	22.5	22.2	1.3%
City of Elmina Mall Project	Sime Darby Property (Elmina Lakeside Mall) Sdn Bhd	Construction of a commercial complex comprising 8 blocks of single-storey and double-storey shop units with a block of 2-storey sales gallery and offices in Bandar Elmina West, Shah Alam, Selangor	September 2022	March 2024	100.5	100.5	-

7. BUSINESS OVERVIEW (CONT'D)

(b) Ongoing building construction projects (cont'd)

(ii) Non-residential buildings (cont'd)

Project	Customer	Description	Commencement date ⁽¹⁾	Expected completion date ⁽²⁾	Total contract value ⁽³⁾ (RM million)	Unbilled contract value as at the LPD (RM million)	% of completion as at the LPD
Industrial							
Benteng Warehouse Project	Etika	Benteng Etika ⁽⁴⁾	December 2021	December 2022 (pending EOT up to April 2023)	8.5	1.2	85.9%
Kiharta Development Warehouse Project	Kiharta Development	Kiharta Development ⁽⁴⁾	April 2022	May 2023	15.0	8.2	45.3%
Elmina Business Park (The Twin Factories) Project	Sime Darby Property Berhad	Construction of 40 units of semi-detached factories in Elmina, Shah Alam, Selangor	January 2021	December 2022 (pending EOT up to March 2023)	45.5	13.8	69.7%
Delloyd Project	Industrial	Delloyd Holdings (M) Sdn Bhd	November 2022	March 2024	22.3	22.3	-

7. BUSINESS OVERVIEW (CONT'D)

Notes:

- (1) Based on the date of commencement stated in the letter of award or notice of commencement by the architect.
- (2) Based on the date of completion stated in the letter of award or revised completion date based on EOT granted by our customers.
- (3) Refers to contract value which includes variation orders.
- (4) Please refer to Section 10.1.1 of this Prospectus for further details of our related party transactions with Benteng Etika and Kiharta Development.

(iii) Other related services

Project	Customer	Description	Commencement date ⁽¹⁾	Expected completion date ⁽²⁾	Total contract value ⁽³⁾ (RM million)	Unbilled contract value as at the LPD (RM million)	% of completion as at the LPD
Kiharta Development Warehouse (Infrastructure) Project	Kiharta Development ⁽⁴⁾	Earthworks and infrastructure works for the Kiharta Development Warehouse Project	June 2021	November 2022 (pending EOT up to January 2023)	4.0	1.7	57.5%

Notes:

- (1) Based on the date of commencement stated in the letter of award or notice of commencement by the architect.
- (2) Based on the date of completion stated in the letter of award.
- (3) Refers to contract value which includes variation orders.
- (4) Please refer to Section 10.1.1 of this Prospectus for further details of our related party transactions with Kiharta Development.

7. BUSINESS OVERVIEW (CONT'D)

7.5 OPERATIONAL FACILITY

As at the LPD, we operate from the following rented shop offices:

Company	Main function	Built-up area	Location
KSB	Head office and other offices	Approximately 22,000 sq ft	No. 22GF, 24GF, 24A, 24B, 26A, 26B, 28, 28A, 28B, 30A, 30B, 32A, 32B, 34GF, 34A and 34B, Jalan Rengas, Taman Selatan, 41200 Klang, Selangor

7.6 KEY MACHINERY AND EQUIPMENT

Our main equipment for our Group's business operations are as follows:

Construction equipment	Description	Year purchased	Quantity as at the LPD	Audited NBV as at 30 June 2022 (RM'000)
Aluminium formwork systems	Temporary structures made of aluminium to serve as moulds for concrete to be poured in to cast permanent building structures	From 2017 up to the LPD	29,017 sq m	8,777
Cabins	Workers' accommodation	From 2018 up to the LPD	425 units	1,012
Total				9,789

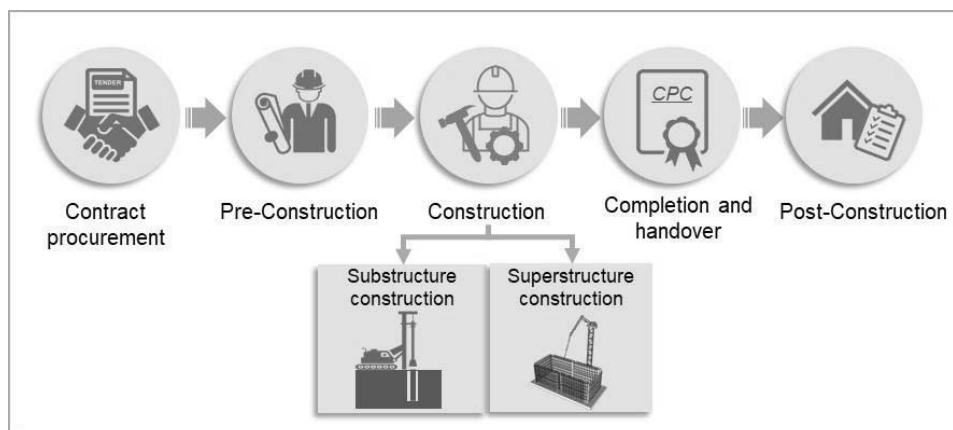
For information purposes, scaffoldings are not part of our main equipment and we do not own any other machinery. Other construction equipment that we rent from external parties include backhoe loaders, excavators, cranes, forklifts and tractors.

7.7 CAPACITY AND UTILISATION

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

7.8 PROCESS FLOW

The general process flow of our building construction projects is depicted in the diagram below:



7. BUSINESS OVERVIEW (CONT'D)

The implementation of our construction projects typically consists of five phases, namely contract procurement, pre-construction, construction, completion and handover, and post-construction.

7.8.1 Contract Procurement

Contract procurement is the initial phase of a construction project where the contract of the project is secured and the terms of the contract are negotiated and agreed upon. Our contracts are typically secured through tenders, and we participate in tenders mainly through invitations from prospective customers.

We will conduct a preliminary assessment on the contract terms, the creditworthiness of the prospective new customer as well as the feasibility of the project before participating in the tender or providing a quotation. Generally, some of the key terms stipulated in a construction contract include, among others, contract value, the scope of work, commencement and completion dates of work, DLP, payment term and terms on LAD.

If we decide to bid for the project, we will commence the preparation of tender documents, which involves site investigation, costing, budgeting, project scheduling, and resource planning including manpower and supply of materials. The commercial proposal with the final pricing will be submitted together with our technical proposal with supporting documents and tender bond. The tender review process typically takes approximately 1 to 4 months from our tender submission to the issuance of the letter of award by our customer.

7.8.2 Pre-construction

Upon acceptance of the letter of award, we will form a project team and commence our pre-construction works which include project planning, earthworks and site preparation. During this stage, we will register with the local authority and obtain all the necessary registration, licenses and permits before the commencement of construction works.

Our project planning mainly focuses on project scheduling and timeline, costing, sourcing and procurement aspects of the project. Our procurement aspects involve the procurement of materials, appointment of subcontractors, sourcing of labour as well as rental of machinery and equipment. The appointment of suppliers for the purchases of building materials and subcontractors will be based on criteria such as timeliness of delivery, reputation, reliability, quality and pricing. We typically negotiate and place orders for the purchase building materials and appoint subcontractors at different stages of construction.

We will carry out ourselves or engage subcontractors under our supervision to carry out earthworks and site preparation works including site clearance, excavation, backfilling, transportation of soil to and from the site, levelling and earth compaction, as well as any other necessary civil works to prepare the site for building construction works. We will also establish staging areas for machinery, equipment and materials as well as setting up temporary facilities and utilities such as site office, workers amenities, power and potable water.

7.8.3 Construction

This phase involves substructure construction including foundation works and piling works. Superstructure construction works refer to the construction of physical buildings comprising all structures that are above ground level including architectural works, mechanical, electrical communication and plumbing works within the building, construction of ancillary facilities and amenities, infrastructure works and landscaping works.

We mainly engage subcontractors to carry out specialised works including substructure and superstructure construction works such as piling, mechanical, electrical and plumbing works under our management and supervision, while certain superstructure construction works such as structural will be carried out by our own workers. In some cases, we also engage subcontractors that are nominated by the property developer or owner. We employ aluminium formwork system as well as conventional timber formwork for the construction of superstructures.

7. BUSINESS OVERVIEW (CONT'D)

All the on-site construction works are monitored by our project team to ensure compliance with the design and technical specifications, quality and safety standards, as well as timely completion of works.

7.8.4 Completion and handover

Upon completion of all construction works, we will carry out inspection to identify any defects and these will be rectified by us or our subcontractors. We will then carry out the final inspection and test together with our customer, engineers and architect prior to the official handover of the project to our customer. At the same time, we will also demobilise resources and construction materials from the site before the handover. The project is deemed to be completed upon receiving CPC which is issued by the project architect. Upon receipt of the CPC, we will submit our final claim which will include claims for partial release of the retention sum. This is then followed by making good of defects over the DLP.

7.8.5 Post-construction

Depending on the terms of the contract, we are liable for the rectification of any defects during the DLP which generally ranges from 12 to 36 months. Upon the expiry of the DLP, we will receive CMGD for the project where we will be able to claim the remaining retention sum.

7.9 RESEARCH AND DEVELOPMENT

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

7.10 TECHNOLOGY USED

Save for the software for quantity surveying which we use to estimate the quantity of materials required for our construction projects in order to facilitate the costing of the overall project as well as procurement of building materials, we do not employ any other special technology in our business operations.

7.11 SEASONALITY

We have not experienced any material seasonality in our business as the nature of our business operations is project-based and are not subject to seasonal fluctuations.

7.12 MARKETING STRATEGIES AND POSITIONING

We adopt the following marketing approach to address business opportunities in the construction industry:

- (i) we position and market ourselves as a G7 contractor and leverage on our strengths as an established operator with a long and proven track record of 32 years in the construction industry. This is supported by the extensive list of residential and non-residential construction projects that we have completed since 1990 which serves as our reference site;
- (ii) we also position ourselves as a contractor that provides quality services which are supported by our ISO 9001:2015 (quality management systems) accreditation as well as our QLASSIC and SHASSIC awards;
- (iii) our key strengths are in the construction of various parcels of construction within township developments where we serve some of the major property developers, including Sime Darby Property Berhad, Kuala Lumpur Kepong Berhad, Eco World Development Group Berhad, Guocoland (Malaysia) Berhad, UEM Sunrise Berhad, Worldwide Holdings Berhad, S P Setia Berhad and Tropicana Corporation Berhad; and

7. BUSINESS OVERVIEW (CONT'D)

- (iv) as a construction services provider, we will continue to market our services in the following manner:
- actively review tender notices to continue to bid for new construction projects;
 - actively participate in tenders to increase our market presence and profile among property developers and building owners;
 - maintain business relationships with existing customers as well as business associates including architects, engineers and quantity surveyors for any upcoming developments and market opportunities; and
 - continue with business development activities by establishing business relationships with prospective customers, headed by our Managing Director, Tan Ah Kee, and our COO, Gam Boon Tin, who are supported by our GMs, namely Chooi Kuen Wah and Kwo Hwa Sung.

7.13 TYPE AND SOURCES OF INPUT MATERIALS AND SERVICES

The following are the major types of input materials and services that we purchased for our business operations during the Financial Years/Period Under Review:

	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Subcontracted services								
- Building and structural works	84,291	18.5	75,579	19.2	82,611	22.8	43,704	22.5
- Architectural works	69,041	15.2	53,600	13.7	37,452	10.3	14,210	7.3
- Mechanical and electrical works	49,121	10.8	42,812	10.9	40,575	11.2	20,657	10.6
- Other subcontracted services ⁽¹⁾	24,826	5.4	20,972	5.3	15,934	4.4	9,509	4.9
	227,279	49.9	192,963	49.1	176,572	48.7	88,080	45.3
Materials								
- Concrete materials	55,126	12.1	59,443	15.1	41,185	11.4	22,620	11.6
- Steel materials	43,624	9.6	41,903	10.7	46,789	12.9	26,870	13.8
- Aggregates	28,553	6.3	19,792	5.1	22,812	6.3	11,976	6.2
- Sanitary wares and ironmongery	19,662	4.3	14,929	3.8	12,500	3.4	4,279	2.2
- Other materials ⁽²⁾	67,203	14.7	50,439	12.8	54,664	15.1	37,042	19.0
	214,168	47.0	186,506	47.5	177,950	49.1	102,787	52.8
Rental of machinery and equipment ⁽³⁾	14,188	3.1	13,245	3.4	7,972	2.2	3,680	1.9
Total	455,635	100.0	392,714	100.0	362,494	100.0	194,547	100.0

Notes:

- (1) Other subcontracted services include piling works, earthworks, infrastructure works, landscaping works as well as installation of facilities such as swimming pool, playground and basketball court.
- (2) Other materials include timber and plywood, tiles, scaffoldings, paints, formworks, doors, pipes as well as other hardware and consumables.
- (3) Machinery and equipment include backhoe loaders, excavators, cranes, forklifts and tractors.

7. BUSINESS OVERVIEW (CONT'D)

Subcontracted services

Subcontracted services accounted for RM227.3 million (49.9%), RM193.0 million (49.1%), RM176.6 million (48.7%) and RM88.1 million (45.3%) of our total purchases for the Financial Years/Period Under Review respectively.

We mainly engage local subcontractors to carry out the following works:

- building and structural works, mainly consisting of concreting works for the construction and erection of columns, beams walls, floors and roof;
- mechanical and electrical works, which include the supply and installation of mechanical and electrical systems, security and fire protection systems, air conditioning systems and plumbing systems;
- architectural works, including finishing works such as tiling, flooring, plastering, coating, painting as well as installation of doors; and
- other subcontracted works, which include piling works, earthworks, infrastructure works, landscaping works, as well as installation of related facilities such as swimming pool, playground and basketball court.

Materials

The next major component of our purchases are construction materials as we procure materials for our construction works or for our subcontractors to carry out works under our supervision. Purchases of construction materials accounted for RM214.2 million (47.0%), RM186.5 million (47.5%), RM178.0 million (49.1%) and RM102.8 million (52.8%) of our total purchases for the Financial Years/Period Under Review respectively.

Steel and concrete materials are the main construction materials used in our building construction. As these construction materials are commodities, the prices of these materials are subject to price fluctuations as a result of supply and demand conditions in the market and this will, to a certain extent, affect our margin.

The average purchase price of our steel materials increased by approximately 2.8% in FYE 2020 and 34.8% in FYE 2021, while the average purchase price of our concrete materials increased by approximately 1.2% for the FYE 2020 and decreased approximately 1.2% for the FYE 2021. In the event of any unfavourable fluctuations in the cost of these materials during the contract period, our overall project cost will increase. Please refer to Section 9.1.3 of this Prospectus for further details on the risks relating to fluctuations in prices of construction materials.

A small proportion of our purchases include the rental of machinery and equipment which accounted for approximately 3.1%, 3.4%, 2.2% and 1.9% of our total purchases for the Financial Years/Period Under Review respectively.

For the Financial Years/Period Under Review, we purchased all the construction materials from local suppliers.

7.14 INTERRUPTIONS TO OUR BUSINESS AND OPERATIONS

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

7. BUSINESS OVERVIEW (CONT'D)

7.14.1 Various MCO measures in 2020

The Government implemented several measures to reduce and control the spread of COVID-19 commencing from 18 March 2020. These measures include the imposition of the MCO which restricted the movement of people within Malaysia and internationally, and restrictions on business, economic, cultural and recreational activities. As a result, we have experienced interruptions to our business.

MCO 1.0

On 16 March 2020, the Government announced the MCO to curb the spread of COVID-19 in Malaysia. The MCO was implemented from 18 March 2020 and was extended into several phases up to 3 May 2020. Under the MCO 1.0, the measures imposed included, among others, the closure of all businesses (except those classified under “essential services” or business that have received written approval from the MITI to operate), restrictions on the movement of people within Malaysia and restrictions on international travel to and from Malaysia.

As a result, our business operations were temporarily suspended for 34 days from 18 March 2020 to 20 April 2020 where our management and administrative staff worked from home. We also notified our customers on the suspension of work at the project site due to restrictions during the MCO 1.0. We subsequently received approvals from the MITI between 20 April 2020 and 23 April 2020 for the resumption of our business operations including on-site operations. We gradually resumed partial operations at our project sites between 21 April 2020 and 24 April 2020 at 50% capacity.

Conditional MCO and Recovery MCO periods

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

Following the upliftment of the MCO and implementation of Conditional MCO and subsequently Recovery MCO, we increased our operations capacity from 50% to 100% from 4 May 2020 onwards, according to the guidelines and standard operating procedures from the Government.

7.14.2 Various MCO measures in 2021**MCO 2.0**

Towards the end of 2020, the number of COVID-19 infections increased and subsequently on 13 January 2021, MCO 2.0 was imposed on selected states including Melaka, Johor, Penang, Selangor, Sabah and the Federal Territories of Kuala Lumpur, Putrajaya and Labuan. Companies that have previously obtained MITI approval during MCO 1.0 were allowed to continue their operations while adhering to the standard operating procedures. During MCO 2.0, we received approvals from the MITI on 12 January 2021 which allowed us to operate at both our offices and site operations while adhering to standard operating procedures. The MCO 2.0 then transitioned to the Conditional MCO or Recovery MCO depending on the states.

MCO 3.0

The increasing trend of daily COVID-19 cases also resulted in the re-imposition of the MCO 3.0 in several states from April 2021 onwards, which subsequently led to a nationwide re-imposition of MCO 3.0 from May 2021 to June 2021. The measures imposed under the MCO 3.0 included among others, restrictions on the movement of people within Malaysia and restrictions on international travel to and from Malaysia, the closure of all businesses except those classified under “essential economic sector” or have received written approval from MITI to operate, and only 30% of employees in the top management were allowed to be in the office. During the MCO 3.0, we were allowed to continue to operate at our head office, other offices and site operations while adhering to standard operating procedures.

7. BUSINESS OVERVIEW (CONT'D)

Full MCO and NRP

On 28 May 2021, the Government announced the imposition of a nationwide Full MCO. Under the Full MCO period, all sectors were not allowed to operate during this period except for those in the essential economic and service sectors. Other control measures implemented included restrictions on the movement of people within Malaysia and internationally, and restrictions of business, economic, cultural and recreational activities.

Subsequently on 15 June 2021, the Government announced the NRP, a phased exit strategy from the COVID-19 crisis from June 2021 to December 2021. The NRP consists of 4 phases including NRP Phase 1 with the implementation of Full MCO which commenced from 1 June 2021, and subsequently transitioned to NRP Phase 2 for states with a lower number of new COVID-19 cases or higher vaccination rates which allows the reopening of some economic sectors in stages. This will be followed by the NRP Phase 3 and NRP Phase 4 where the economy was fully reopened. We received approval from MITI on 1 June 2021 which allowed us to operate during the NRP Phase 1 according to guidelines and standard operating procedures.

During the NRP period, we were also affected by the implementation of the Enhanced MCO in a large part of Selangor and several localities in Kuala Lumpur from 3 July 2021 to 16 July 2021. Control measures were stricter and tighter in Enhanced MCO areas. The list of economic activities deemed as essential services in Enhanced MCO areas was reduced. Our business operations at our head office, other offices and site operations were suspended for 14 days from 3 July 2021 to 16 July 2021 and all our management and administrative staff worked from home. Upon receiving approvals from MITI on 17 July 2021, we resumed on-site operations at 60% capacity.

On 10 September 2021, Selangor transitioned into NRP Phase 2, where construction sectors were allowed to resume operations while complying to latest standard operating procedures and strict operating capacity requirements imposed by the Government. We have been operating at 100% capacity at our head office and other offices since October 2021, when we achieved 100% vaccination rate. At the same time, all our site workers had been fully vaccinated and we have since then been operating at 100% capacity for all our project sites.

On 1 April 2022, Malaysia entered the 'Transition to Endemic' phase where all economic sectors are allowed to operate, and interstate and international travels are allowed, subject to adherence to the relevant standard operating procedures and guidelines.

7.14.3 Measures and steps taken in our business operations in response to the COVID-19 pandemic

Since the resumption of our business after the temporary suspensions during the MCO 1.0 and NRP Phase 1 periods, we have taken precautionary measures and implemented standard operating procedures for our business operations.

Since March 2020 up to the LPD, 209 employees based in our head office and construction sites and 547 subcontractors' workers at our project sites contracted COVID-19. As at the LPD, there were 2 active cases.

We were advised by the Ministry of Health to temporarily shut down our site operations for our Tropicana Aman (Triana) Project for 14 days (from 28 July 2021 to 10 August 2021) as there were COVID-19 cases at the said construction site which had impacted the construction progress.

As the employer, we bear the swab test and quarantine cost of our employees, as well as cost of sanitisation and disinfection at the affected project sites. Since March 2020 up to the LPD, we incurred approximately RM2.5 million to implement precautionary measures to comply with the standard operating procedures.

7. BUSINESS OVERVIEW (CONT'D)

7.14.4 Impact on our financial performance including cash flow, liquidity and financial positions**(i) FYE 2020**

Our business operations were temporarily suspended for 34 days from 18 March 2020 to 20 April 2020 during the first MCO, where our revenue declined by 35.9% from the preceding month to RM29.5 million in March 2020 (February 2020: RM46.0 million) and no revenue was recorded in April 2020. The decline was mainly attributed to the temporary suspension of our building construction projects from 18 March 2020 to 20 April 2020. Although we gradually resumed on-site operations on between 21 April 2020 and 24 April 2020, we were only operating at 50% capacity. In May 2020, we carried out operations at full capacity according to standard operating procedures, and recorded a revenue of RM30.5 million. Our revenue further improved to RM44.2 million in June 2020.

(ii) FYE 2021

During the FYE 2021, our business operations were temporarily suspended during the full MCO period which was imposed from 1 June 2021 as well as the enhanced MCO period between 3 July 2021 to 16 July 2021. We gradually resumed on-site operations between 1 June 2021 and 5 July 2021 upon obtaining approvals from the relevant authorities and operated according to the specified capacity. The temporary suspension and the reduced capacity operations during these periods had affected our business operations and were also reflected in the lower revenue of RM13.8 million in June 2021 and RM14.8 million in July 2021, as compared to RM43.5 million in May 2021. Subsequently, our revenue recovered by 78.6% to RM26.4 million in August 2021 and 47.9% to RM39.0 million in September 2021.

(iii) FPE 2022

We have been operating at 100% capacity at our head office and other offices as well as all our project sites since October 2021. There were no disruptions to our business activities during the FPE 2022 up to the LPD.

The above temporary suspensions of business operations had delayed our construction projects, and EOT for completion of projects, which ranges between 2 months and 6 months, were sought from customers for the FYE 2020 and FYE 2021 and subsequently approved by our customers, save for the EOT for some of our ongoing projects which are still pending as disclosed in Section 7.14.5 of this Prospectus. Nonetheless, these suspensions had not materially affected the progress of our construction projects. Moving forward, our working capital will be sufficient for our operating expenditure and will sustain our business.

We have not experienced any other claims for LAD or penalties on delays in project completion for the Financial Years/Period Under Review up to the LPD. As at the LPD, we have not received any clawback or reduction in banking facility limits granted to us by the financial institutions. We do not expect any difficulties in meeting our debt repayment obligations during the next 12 months. Please refer to Section 9.1.6 of this Prospectus for details of the claims for LAD which were not due to MCO.

7. BUSINESS OVERVIEW (CONT'D)

7.14.5 Impact on our business operations

Our business operations were temporarily suspended for 34 days from 18 March 2020 to 20 April 2020 during the MCO 1.0 period and 14 days between 3 July 2021 and 16 July 2021 during the Enhanced MCO period. As our projects were delayed due to the COVID-19 pandemic, this has resulted in the temporary suspension and slowdown of work during these respective periods. We have sought for EOT from our customers for the following ongoing projects as at the LPD:

Project	Customer	Expected completion date ⁽¹⁾	Extended completion date ⁽²⁾	% of completion as at the LPD	Total contract value ⁽³⁾ (RM million)	Unbilled contract value as at the LPD (RM million)
Setia Eco Park (Arundina - Phase 1A) Project	S P Setia Eco-Projects Management Sdn Bhd	June 2021	November 2022 (pending EOT up to February 2023)	96.8%	41.1	1.3
Elmina East (Ilham Residence) Project	Sime Darby Property (City of Elmina) Sdn Bhd	January 2022	October 2022 (pending EOT up to March 2023)	88.9%	73.2	8.1
Serene Heights (Verna) Project	Symphony Hills Sdn Bhd	April 2022	July 2022 (pending EOT up to January 2023)	87.2%	17.9	2.3
Serene Heights (Verna) Cluster and Twin Villas Project	Symphony Hills Sdn Bhd	September 2022	February 2023	53.8%	24.7	11.4
Serene Heights (Verna) Park Terrace Project	Symphony Hills Sdn Bhd	September 2022	April 2023	55.2%	20.3	9.1
Tamansari (Dahlia) Project	Pinggir Mentari Sdn Bhd	August 2022	December 2022 (pending EOT up to June 2023)	81.8%	47.7	8.7
Taman Putra (Diamond) Project	Plenitude Permai Sdn Bhd	July 2022	December 2022 (pending EOT up to March 2023)	76.9%	60.3	13.9

7. BUSINESS OVERVIEW (CONT'D)

Project	Customer	Expected completion date⁽¹⁾	Extended completion date⁽²⁾	% of completion as at the LPD	Total contract value⁽³⁾ (RM million)	Unbilled contract value as at the LPD (RM million)
Tropicana Aman (Freesia Residences) Project	Tropicana Aman Sdn Bhd	May 2023	August 2023	32.7%	133.9	90.1
Eco Forest (Hazelton) Project	Eco Majestic Development Sdn Bhd	April 2022	November 2022 (pending EOT up to February 2023)	82.3%	27.1	4.8
Kota Bayuemas (Carissa) Project	QLB	June 2022	January 2023 (pending EOT up to March 2023)	82.9%	15.2	2.6

Notes:

- (1) Based on the date of completion stated in the respective letters of award.
- (2) Based on the extended date of completion granted by our customers.
- (3) Refers to contract value which includes variation orders.

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7. BUSINESS OVERVIEW (CONT'D)

7.14.6 Impact on our supply chain

Our supply chain was, to a certain extent, affected during the MCO periods. We experienced some delays in the supply of construction materials as some of our suppliers were unable to operate during the said period. However, our on-site construction progress was not materially affected as we had sufficient input materials to continue our construction works.

As at the LPD, notwithstanding the prolonged COVID-19 pandemic, we have not encountered any material supply disruptions for any new orders of any input materials for our business operations.

7.14.7 Impact on our business and earning prospects

Our business was affected due to the impact of the COVID-19 pandemic which resulted in temporary suspensions of our business operations during the first MCO period in 2020 and the enhanced MCO period in 2021. In 2020, the Malaysian economy contracted by 5.5% and recovered by 3.1% in 2021, while the construction industry declined by 19.3% and 5.2% in 2020 and 2021 respectively.

We are of the view that the COVID-19 pandemic will not have a material adverse impact on our prospects in the long run. This takes into consideration the gradual recovery of the Malaysian economy supported by the various economic stimulus packages provided by the Government. The Malaysian economy is estimated to grow within a range of 6.5% to 7.0% in 2022 and is forecasted to grow within a range of 4.0% to 5.0% in 2023, while the construction industry is estimated to grow by 2.3% in 2022 and is projected to grow by 4.7% in 2023 (*Source: IMR Report*).

7.15 MATERIAL DEPENDENCY CONTRACTS

We do not have any contracts/agreements that our Group is materially dependent on.

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7. BUSINESS OVERVIEW (CONT'D)

7.16 INTELLECTUAL PROPERTY RIGHTS

As at the LPD, save for the trademark registrations below, we do not have any other intellectual property rights:

<u>Trademark</u>	<u>Issuing authority</u>	<u>Registered owner / Applicant</u>	<u>Trade mark number / Application number</u>	<u>Status / Application date / Gazetted date / Registration date / Expiry date</u>	<u>Class</u>
	Intellectual Property Corporation of Malaysia	KSB	TM2022001342	Status Registered Application date / Gazetted date 14 January 2022 / 11 August 2022 Registration date / Expiry date 19 October 2022 / 14 January 2032	37 ⁽¹⁾
KITACON	Intellectual Property Corporation of Malaysia	KSB	TM2022005027	Status Registered Application date / Gazetted date 25 February 2022 / 1 September 2022 Registration date / Expiry date 9 November 2022 / 25 February 2032	37 ⁽¹⁾

Note:

- (1) Building construction; building construction advisory services; building construction and repair; building construction consultancy services; building and repair of houses; building construction supervision; construction information; factory construction; construction engineering services; construction consultancy; construction project management services; construction supervision; construction and maintenance services relating to civil engineering; construction, maintenance, cleaning and repair services; providing online information relating to building construction; construction, repair and maintenance of buildings, and providing information relating thereto; construction and maintenance of building complexes, residential buildings, housing estates, commercial buildings, shopping centers, office buildings and parking structures.

7. BUSINESS OVERVIEW (CONT'D)

7.17 MAJOR APPROVALS, LICENCES AND PERMITS

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

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance																					
1.	KSB	Certificate of Registration pursuant to Part VI of the CIDB Act in respect of:	CIDB	<u>Registration No.</u> 1961018-SL009468	<u>Issue date</u> 1 September 2021	<u>General conditions</u> 1. This certificate is non-transferable.	Noted and complied																					
		<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Grade</th> <th style="text-align: center;">Category</th> <th style="text-align: center;">Specialisation</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">G7</td> <td style="text-align: center;">B (Building)</td> <td>B02: Industrialised building system: Steel framework system</td> </tr> <tr> <td></td> <td></td> <td>B04: Construction work on buildings</td> </tr> <tr> <td></td> <td></td> <td>B25: Private pipe connection to sewerage</td> </tr> <tr> <td></td> <td style="text-align: center;">CE (Civil engineering)</td> <td>CE19: Sewerage system</td> </tr> <tr> <td></td> <td></td> <td>CE21: General civil engineering construction</td> </tr> <tr> <td></td> <td style="text-align: center;">ME (Mechanical)</td> <td>M15: Miscellaneous mechanical equipment</td> </tr> </tbody> </table>	Grade	Category	Specialisation	G7	B (Building)	B02: Industrialised building system: Steel framework system			B04: Construction work on buildings			B25: Private pipe connection to sewerage		CE (Civil engineering)	CE19: Sewerage system			CE21: General civil engineering construction		ME (Mechanical)	M15: Miscellaneous mechanical equipment			<u>Validity period</u> 1 September 2021 to 16 October 2024	2. CIDB reserves the right to review the grade of registration from time to time. <u>Responsibilities and obligations</u> 1. KSB must comply with the provisions of the CIDB Act, the rules and regulations made thereunder and any terms, conditions or restrictions imposed by CIDB from time to time.	Noted
Grade	Category	Specialisation																										
G7	B (Building)	B02: Industrialised building system: Steel framework system																										
		B04: Construction work on buildings																										
		B25: Private pipe connection to sewerage																										
	CE (Civil engineering)	CE19: Sewerage system																										
		CE21: General civil engineering construction																										
	ME (Mechanical)	M15: Miscellaneous mechanical equipment																										
						2. KSB shall not participate in any tender or carry out any construction works after the expiry of this certificate until it has been renewed.	Noted and complied																					

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
						3. KSB shall not undertake to carry out any construction project exceeding the value of construction works stated for the grade it is registered under and shall not carry out any construction projects beyond its registered category.	Noted and complied
						4. KSB shall submit information regarding any new construction works or contracts within 14 days from the award or before the commencement of work, whichever is earlier.	Noted and complied
						5. KSB shall submit any information required by CIDB from time to time.	Noted and complied

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
						6. KSB shall display this certificate issued by CIDB or a copy duly certified as true copy by CIDB at the place of business.	Noted and complied
						7. KSB shall display its registration number on the signboard at each of its construction site.	Noted and complied
						8. KSB shall apply for renewal of registration at any time within 60 days before the expiry date specified in this certificate.	Noted and complied
						9. KSB shall comply with all the requirements and principles stated in CIDB's Code of Ethics for Contractors.	Noted and complied
						10. KSB must employ skilled construction workers and a site supervisor who is accredited and certified by CIDB.	Noted and complied

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
						<p>11. All workers at the construction site must have a valid construction personnel card.</p> <p><u>Disciplinary actions</u> The registration of the company shall be cancelled or suspended if:</p> <p>1. KSB fails to comply with the requirement of any other written law;</p> <p>2. KSB has been adjudicated bankrupt;</p> <p>3. KSB has been served a winding up petition;</p> <p>4. KSB contravenes or fails to comply with any provision of the CIDB Act;</p>	<p>Noted and complied</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p>

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
						5. KSB has obtained this certificate by making or causing to be made any false or fraudulent declaration, certification or representation either in writing or otherwise;	Noted
						6. KSB abandons any construction work undertaken without any reasonable cause;	Noted
						7. KSB is found guilty by the court or any other investigative body established under any written law for negligence in connection with any construction work undertaken; or	Noted
						8. KSB has breached any of the terms and conditions of its responsibilities and obligations as set out above.	Noted

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance								
2.	KSB	Grade "G7" Certificate of Government Procurement Works (<i>Sijil Perolehan Kerja Kerajaan</i>) for:	CIDB	<u>Registration No.</u> 1961018- SL009468	<u>Issue date</u> 3 September 2021	<u>General conditions</u> 1. This certificate is issued based on the information provided by KSB.	Noted								
		<table border="1"> <thead> <tr> <th>Grade</th> <th>Category</th> </tr> </thead> <tbody> <tr> <td>G7</td> <td>B (Building construction)</td> </tr> <tr> <td></td> <td>CE (General civil engineering construction)</td> </tr> <tr> <td></td> <td>ME (Mechanical and electrical)</td> </tr> </tbody> </table>	Grade	Category	G7	B (Building construction)		CE (General civil engineering construction)		ME (Mechanical and electrical)			<u>Validity period</u> 3 September 2021 to 16 October 2024	2. This certificate may not be used as a certification to start or undertake construction work. This certificate may only be used to participate in work procurement for the Government or Government agencies.	Noted and complied
Grade	Category														
G7	B (Building construction)														
	CE (General civil engineering construction)														
	ME (Mechanical and electrical)														

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
						3. This certificate will automatically be terminated if the Certificate of Registration issued by CIDB has expired or has been cancelled, withdrawn, suspended pursuant to Regulation 15 of the Registration of Contractors (Construction Industry) Regulations 1995.	Noted
						4. This certificate must be submitted together with the Certificate of Registration issued by CIDB to participate in work tender for the Government or Government agencies.	Noted
						5. This certificate must be renewed together with the Certificate of Registration issued by CIDB.	Noted

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
						3. Only officers of KSB who are named in this certificate are authorised to sign KSB's contract documents and to obtain the offer documents and to attend site visits for polling, quoting and tender work. KSB may not authorise other officers for the above purposes.	Noted and complied
						4. KSB must ensure that all terms and conditions to obtain this certificate are complied with at all times throughout the validity period of this certificate.	Noted and complied
						5. KSB must inform CIDB of any changes of information within 30 days of such changes.	Noted and complied

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
						6. KSB must comply with all the instructions and principles issued by the Government via treasury instructions and circulars issued by CIDB from time to time.	Noted and complied
						<u>Disciplinary actions</u>	
						1. KSB will be subject to the disciplinary action as set out in Regulation 15 of the Registration of Contractors (Construction Industry) Regulations 1995 for failure to comply with any of the responsibilities and obligations above.	Noted
						2. CIDB has the right to take disciplinary action and impose any appropriate punishment on the registered contractor.	Noted

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
						3. The company/holder of this certificate, who has been blacklisted or suspended, revoked or where this certificate has been withdrawn through disciplinary proceedings shall not participate in any tender or involve in the Government procurement work within the prescribed period.	Noted

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
						4. The company/holder of this certificate whose certificate has been revoked or withdrawn will be removed from the register of CIBD. Such company who wishes to obtain this certificate is required to comply with the terms of issuance of a new application. Blacklisted key management personnel are prohibited from obtaining this certificate for a period of 3 years.	Noted

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
						5. The company/holder of this certificate who has been blacklisted/suspended through disciplinary proceedings will not be removed from the CIDB checklist. Such company will only be allowed to participate in tender or Government procurement work after the expiry of the blacklist or suspension period.	Noted
						<u>Financial limits (Cost of work)</u> Holder of this certificate shall only participate in tender allowed under the registration grade it is registered under.	Noted
3.	KSB	IPA Permit Type B (Sewerage) to carry out works in Selangor	SPAN	<u>Certificate No.</u> VC008460 <u>Permit No.</u> SPAN/EKS/(PT)/8 00-2B/2/12/297	<u>Issue date</u> 9 April 2021 <u>Validity period</u> 7 April 2021 to 6 April 2024	<u>General conditions</u> 1. KSB shall only carry out the works, and in the state or states, specified in the permit.	Noted and complied

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
						2. KSB shall notify SPAN of any change in the particulars of KSB.	Noted and complied
						3. KSB shall provide information, in such format and at such intervals, as may be required by SPAN.	Noted
						4. The employees and servants of KSB shall be authorised to carry out the works authorised under the permit provided that KSB shall at all times be responsible for all acts or omissions of its employees and servants.	Noted and complied
						5. KSB shall at all times maintain the requisite Certificate of Registration issued by CIDB, where required.	Noted and complied

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
						6. KSB shall at all times have and maintain the qualification to hold a permit as may be specified by SPAN from time to time.	Noted and complied
						7. KSB shall at all times deal with consumers fairly and reasonably and where applicable, comply with the consumer standards.	Noted and complied
						8. KSB shall at all times safeguard the safety of the public and its employees and shall at all times comply with relevant occupational, health and safety procedures and regulations imposed by the relevant authority.	Noted and complied

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
						9. KSB, its employees and servants shall at all times comply with the applicable health requirements by the relevant health authorities.	Noted and complied
						10. KSB shall observe and comply with the obligations of the permit and the provisions of the Water Services Industry Act 2006 and any subsidiary legislation made or other instruments issued under the Water Services Industry Act 2006.	Noted and complied
						11. KSB shall comply with such other conditions as may be imposed by SPAN from time to time.	Noted and complied

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
						<u>Special conditions</u> 1. KSB shall ensure that they have qualified employees to run its operations at all times. 2. KSB shall ensure that the subcontracted works are awarded to contractors who are valid SPAN permit holders.	Noted and complied Noted and complied
4.	KSB	IPA Permit Type C3 (Sewerage) to carry out works in Peninsular Malaysia and Federal Territories of Putrajaya and Labuan	SPAN	<u>Certificate No.</u> VC008704 <u>Permit No.</u> SPAN/EKS/(PT)/8 00-2C/1/12/297	<u>Issue date</u> 19 April 2021 <u>Validity period</u> 30 May 2021 to 29 May 2024	<u>General conditions</u> 1. KSB shall only carry out the works, and in the state or states, specified in the permit. 2. KSB shall notify SPAN of any change in the particulars of KSB. 3. KSB shall provide information, in such format and at such intervals, as may be required by SPAN.	Noted and complied Noted and complied Noted

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
						4. The employees and servants of KSB shall be authorised to carry out the works authorised under the permit provided that KSB shall at all times be responsible for all acts or omissions of its employees and servants.	Noted and complied
						5. KSB shall at all times maintain the requisite Certificate of Registration issued by CIDB, where required.	Noted and complied
						6. KSB shall at all times have and maintain the qualification to hold a permit as may be specified by SPAN from time to time.	Noted and complied
						7. KSB shall at all times deal with consumers fairly and reasonably and where applicable, comply with the consumer standards.	Noted and complied

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
						<p>8. KSB shall at all times safeguard the safety of the public and its employees and shall at all times comply with relevant occupational, health and safety procedures and regulations imposed by the relevant authority.</p> <p>9. KSB, its employees and servants shall at all times comply with the applicable health requirements by the relevant health authorities.</p>	<p>Noted and complied</p> <p>Noted and complied</p>

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
						10. KSB shall observe and comply with the obligations of the permit and the provisions of the Water Services Industry Act 2006 and any subsidiary legislation made or other instruments issued under the Water Services Industry Act 2006.	Noted and complied
						11. KSB shall comply with such other conditions as may be imposed by SPAN from time to time.	Noted and complied
						<u>Special conditions</u>	
						1. KSB shall ensure that they have qualified employees to run its operations at all times.	Noted and complied
						2. KSB shall ensure that the subcontracted works are awarded to contractors who are valid SPAN permit holders.	Noted and complied

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
						3. KSB is reminded to ensure that they possess a valid CIDB Certificate at all times and shall submit a copy of the CIDB Certificate to SPAN after the existing CIDB Certificate expires.	Noted and complied
5.	KSB	Scheduled controlled articles permits under Regulation 9(2), Control of Supplies Regulations 1974 for purchasing and storing 2,000 litres of diesel at Lot PT 32445, Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor	Ministry of Domestic Trade and Consumer Affairs of Malaysia	<u>Serial No.</u> P B005266	<u>Issue date</u> - <u>Validity period</u> 10 September 2021 to 9 September 2023	1. KSB is subject to the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 2. KSB is allowed to purchase and store 2,000 litres of diesel oil supplied from licensed wholesaler. 3. Failure to comply with any of the conditions contained in this permit may be subject to action taken under the Control of Supplies Act 1961 and its subsidiary legislations thereunder.	Noted and complied Complied Noted

7. BUSINESS OVERVIEW (CONT'D)

<u>No.</u>	<u>Company</u>	<u>Description of certificate/licence/permit</u>	<u>Approving authority</u>	<u>Certificate No./ Registration No./ Licence No./ Permit No.</u>	<u>Issuance date/ Validity period</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
6.	KSB	Scheduled controlled articles permits under Regulation 9(2), Control of Supplies Regulations 1974 for purchasing and storing 2,000 litres of diesel at Lot 15112, 15113, 15116 and 15134, Persiaran Emas, Telok Datok, District of Kuala Langat, 42700 Banting, Selangor	Ministry of Domestic Trade and Consumer Affairs of Malaysia	<u>Serial No.</u> P B005293	<u>Issue date</u> - <u>Validity period</u> 1 February 2022 to 28 February 2023	<ol style="list-style-type: none"> 1. KSB is subject to the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 2. KSB is allowed to purchase and store 2,000 litres of diesel oil supplied from licensed wholesaler. 3. Failure to comply with any of the conditions contained in this permit may be subject to action taken under the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 	<p>Noted and complied</p> <p>Complied</p> <p>Noted</p>

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
7.	KSB	Scheduled controlled articles permits under Regulation 18, Control of Supplies Act (Amendment) 2021 for purchasing and storing 2,000 litres of diesel at Lot PT 32445, Setia Alam, Seksyen U13, Setia Alam, 40170 Shah Alam, Selangor	Ministry of Domestic Trade and Consumer Affairs of Malaysia	<u>Serial No.</u> P B004706	<u>Issue date</u> - <u>Validity period</u> 20 April 2022 to 19 April 2024	<ol style="list-style-type: none"> 1. KSB is subject to the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 2. KSB is allowed to purchase and store 2,000 litres of diesel oil supplied from licensed wholesaler. 3. Failure to comply with any of the conditions contained in this permit may be subject to action taken under the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 	<p>Noted and complied</p> <p>Complied</p> <p>Noted</p>

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
8.	KSB	Scheduled controlled articles permits under Regulation 18, Control of Supplies Act (Amendment) 2021 for purchasing and storing 2,000 litres of diesel at Lot PT 38001-38053 (Phase L3A), Seksyen U8, 40150 Shah Alam, Selangor	Ministry of Domestic Trade and Consumer Affairs of Malaysia	<u>Serial No.</u> P B004784	<u>Issue date</u> - <u>Validity period</u> 24 June 2022 to 23 June 2024	<ol style="list-style-type: none"> 1. KSB is subject to the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 2. KSB is allowed to purchase and store 2,000 litres of diesel oil supplied from licensed wholesaler. 3. Failure to comply with any of the conditions contained in this permit may be subject to action taken under the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 	<p>Noted and complied</p> <p>Complied</p> <p>Noted</p>

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
9.	KSB	Scheduled controlled articles permits under Regulation 18, Control of Supplies Act (Amendment) 2021 for purchasing and storing 2,000 litres of diesel at Lot 45110, Mukim of Tanjung Dua Belas, District of Kuala Langat, Selangor	Ministry of Domestic Trade and Consumer Affairs of Malaysia	<u>Serial No.</u> P B005848	<u>Issue date</u> - <u>Validity period</u> 15 June 2022 to 14 June 2024	<ol style="list-style-type: none"> 1. KSB is subject to the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 2. KSB is allowed to purchase and store 2,000 litres of diesel oil supplied from licensed wholesaler. 3. Failure to comply with any of the conditions contained in this permit may be subject to action taken under the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 	<p>Noted and complied</p> <p>Complied</p> <p>Noted</p>

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
10.	KSB	Scheduled controlled articles permits under Regulation 18, Control of Supplies Act (Amendment) 2021 for purchasing and storing 2,000 litres of diesel at Lot 73427, Mukim of Tanjung Dua Belas, District of Kuala Langat, Selangor	Ministry of Domestic Trade and Consumer Affairs of Malaysia	<u>Serial No.</u> P B005847	<u>Issue date</u> - <u>Validity period</u> 15 June 2022 to 14 June 2024	<ol style="list-style-type: none"> 1. KSB is subject to the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 2. KSB is allowed to purchase and store 2,000 litres of diesel oil supplied from licensed wholesaler. 3. Failure to comply with any of the conditions contained in this permit may be subject to action taken under the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 	<p>Noted and complied</p> <p>Complied</p> <p>Noted</p>

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
11.	KSB	Scheduled controlled articles permits under Regulation 18, Control of Supplies Act (Amendment) 2021 for purchasing and storing 2,000 litres of diesel at PT 9180 (Lot 6240), PT 9147 (Lot 6243), Phase 4C, Mukim of Ijok, District of Kuala Selangor, Selangor	Ministry of Domestic Trade and Consumer Affairs of Malaysia	<u>Serial No.</u> P B006548	<u>Issue date</u> - <u>Validity period</u> 20 September 2022 to 19 September 2023	<ol style="list-style-type: none"> 1. KSB is subject to the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 2. KSB is allowed to purchase and store 2,000 litres of diesel oil supplied from licensed wholesaler. 3. Failure to comply with any of the conditions contained in this permit may be subject to action taken under the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 	<p>Noted and complied</p> <p>Complied</p> <p>Noted</p>

7. BUSINESS OVERVIEW (CONT'D)

<u>No.</u>	<u>Company</u>	<u>Description of certificate/licence/permit</u>	<u>Approving authority</u>	<u>Certificate No./ Registration No./ Licence No./ Permit No.</u>	<u>Issuance date/ Validity period</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
12.	KSB	Scheduled controlled articles permits under Regulation 18, Control of Supplies Act (Amendment) 2021 for purchasing and storing 2,000 litres of diesel at Lot 4822, Phase 2, Daunan Worldwide, Alam Perdana, Mukim of Ijok, District of Kuala Selangor, Selangor	Ministry of Domestic Trade and Consumer Affairs of Malaysia	<u>Serial No.</u> P B006547	<u>Issue date</u> - <u>Validity period</u> 20 September 2022 to 19 September 2023	<ol style="list-style-type: none"> 1. KSB is subject to the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 2. KSB is allowed to purchase and store 2,000 litres of diesel oil supplied from licensed wholesaler. 3. Failure to comply with any of the conditions contained in this permit may be subject to action taken under the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 	<p>Noted and complied</p> <p>Complied</p> <p>Noted</p>

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
13.	KSB	Scheduled controlled articles permits under Regulation 18, Control of Supplies Act (Amendment) 2021 for purchasing and storing 600 litres of diesel at Lot 45390, Jalan Inang, Bandar Bukit Raja 1, 41050 Bandar Bukit Raja, Mukim of Kapar, Selangor	Ministry of Domestic Trade and Consumer Affairs of Malaysia	<u>Serial No.</u> P B004934	<u>Issue date</u> - <u>Validity period</u> 13 September 2022 to 12 September 2025	<ol style="list-style-type: none"> 1. KSB is subject to the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 2. KSB is allowed to purchase and store 600 litres of diesel oil supplied from licensed wholesaler. 3. Failure to comply with any of the conditions contained in this permit may be subject to action taken under the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 	<p>Noted and complied</p> <p>Complied</p> <p>Noted</p>

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
14.	KSB	Scheduled controlled articles permits under Regulation 18, Control of Supplies Act (Amendment) 2021 for purchasing and storing 2,000 litres of diesel at Lot 23, Elmina East, Phase F4 (Phase 1), Seksyen U16, 40160 Shah Alam, Selangor	Ministry of Domestic Trade and Consumer Affairs of Malaysia	<u>Serial No.</u> P B004935	<u>Issue date</u> - <u>Validity period</u> 13 September 2022 to 12 September 2025	<ol style="list-style-type: none"> 1. KSB is subject to the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 2. KSB is allowed to purchase and store 2,000 litres of diesel oil supplied from licensed wholesaler. 3. Failure to comply with any of the conditions contained in this permit may be subject to action taken under the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 	<p>Noted and complied</p> <p>Complied</p> <p>Noted</p>

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
15.	KSB	Scheduled controlled articles permits under Regulation 18, Control of Supplies Act (Amendment) 2021 for purchasing and storing 2,000 litres of diesel at Lot 16748 (PT 7718) Phase 2G, Seksyen U13, Setia Alam, 40170 Shah Alam, Selangor	Ministry of Domestic Trade and Consumer Affairs of Malaysia	<u>Serial No.</u> P B004937	<u>Issue date</u> - <u>Validity period</u> 13 September 2022 to 12 September 2025	<ol style="list-style-type: none"> 1. KSB is subject to the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 2. KSB is allowed to purchase and store 2,000 litres of diesel oil supplied from licensed wholesaler. 3. Failure to comply with any of the conditions contained in this permit may be subject to action taken under the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 	<p>Noted and complied</p> <p>Complied</p> <p>Noted</p>

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
16.	KSB	Scheduled controlled articles permits under Regulation 18, Control of Supplies Act (Amendment) 2021 for purchasing and storing 2,000 litres of diesel at Lot 89292, No. 21, Jalan Frekuensi U16/110, Elmina, Seksyen U16, 40160 Shah Alam, Selangor	Ministry of Domestic Trade and Consumer Affairs of Malaysia	<u>Serial No.</u> P B004938	<u>Issue date</u> - <u>Validity period</u> 13 September 2022 to 12 September 2025	<ol style="list-style-type: none"> 1. KSB is subject to the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 2. KSB is allowed to purchase and store 2,000 litres of diesel oil supplied from licensed wholesaler. 3. Failure to comply with any of the conditions contained in this permit may be subject to action taken under the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 	<p>Noted and complied</p> <p>Complied</p> <p>Noted</p>

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
17.	KSB	Scheduled controlled articles permits under Regulation 18, Control of Supplies Act (Amendment) 2021 for purchasing and storing 2,000 litres of diesel at Lot 89292, No. 21, Jalan Frekuensi U16/110, Elmina, Seksyen U16, 40160 Shah Alam, Selangor	Ministry of Domestic Trade and Consumer Affairs of Malaysia	<u>Serial No.</u> P B004939	<u>Issue date</u> - <u>Validity period</u> 13 September 2022 to 12 September 2025	<ol style="list-style-type: none"> 1. KSB is subject to the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 2. KSB is allowed to purchase and store 2,000 litres of diesel oil supplied from licensed wholesaler. 3. Failure to comply with any of the conditions contained in this permit may be subject to action taken under the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 	<p>Noted and complied</p> <p>Complied</p> <p>Noted</p>

7. BUSINESS OVERVIEW (CONT'D)

<u>No.</u>	<u>Company</u>	<u>Description of certificate/licence/permit</u>	<u>Approving authority</u>	<u>Certificate No./ Registration No./ Licence No./ Permit No.</u>	<u>Issuance date/ Validity period</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
18.	KSB	Scheduled controlled articles permits under Regulation 18, Control of Supplies Act (Amendment) 2021 for purchasing and storing 2,000 litres of diesel at Lot PT 49875 - PT 49914, PT 50201 and PT 50200, Taman Perdagangan Elmina, Mukim of Rawang, 48020 Selayang, Selangor	Ministry of Domestic Trade and Consumer Affairs of Malaysia	<u>Serial No.</u> P B004987	<u>Issue date</u> - <u>Validity period</u> 21 September 2022 to 20 September 2025	1. KSB is subject to the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 2. KSB is allowed to purchase and store 2,000 litres of diesel oil supplied from licensed wholesaler. 3. Failure to comply with any of the conditions contained in this permit may be subject to action taken under the Control of Supplies Act 1961 and its subsidiary legislations thereunder.	Noted and complied Complied Noted

7. BUSINESS OVERVIEW (CONT'D)

No.	Company	Description of certificate/licence/permit	Approving authority	Certificate No./ Registration No./ Licence No./ Permit No.	Issuance date/ Validity period	Major conditions imposed	Status of compliance
19.	KSB	Scheduled controlled articles permits under Regulation 18, Control of Supplies Act (Amendment) 2021 for purchasing and storing 2,000 litres of diesel at Lot 2576 and 2577, Jalan Seruling, Klang Selatan, Mukim of Klang, 41200 Klang, Selangor	Ministry of Domestic Trade and Consumer Affairs of Malaysia	<u>Serial No.</u> P B004988	<u>Issue date</u> - <u>Validity period</u> 21 September 2022 to 20 September 2025	1. KSB is subject to the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 2. KSB is allowed to purchase and store 2,000 litres of diesel oil supplied from licensed wholesaler. 3. Failure to comply with any of the conditions contained in this permit may be subject to action taken under the Control of Supplies Act 1961 and its subsidiary legislations thereunder.	Noted and complied Complied Noted

7. BUSINESS OVERVIEW (CONT'D)

<u>No.</u>	<u>Company</u>	<u>Description of certificate/licence/permit</u>	<u>Approving authority</u>	<u>Certificate No./ Registration No./ Licence No./ Permit No.</u>	<u>Issuance date/ Validity period</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
20.	KSB	Scheduled controlled articles permits under Regulation 18, Control of Supplies Act (Amendment) 2021 for purchasing and storing 2,000 litres of diesel at PT 55379 - PT 55461, Phase EG18, Seksyen U17, 40160 Shah Alam, Selangor	Ministry of Domestic Trade and Consumer Affairs of Malaysia	<u>Serial No.</u> P B004989	<u>Issue date</u> - <u>Validity period</u> 21 September 2022 to 20 September 2025	1. KSB is subject to the Control of Supplies Act 1961 and its subsidiary legislations thereunder. 2. KSB is allowed to purchase and store 2,000 litres of diesel oil supplied from licensed wholesaler. 3. Failure to comply with any of the conditions contained in this permit may be subject to action taken under the Control of Supplies Act 1961 and its subsidiary legislations thereunder.	Noted and complied Complied Noted

7. BUSINESS OVERVIEW (CONT'D)

7.18 MATERIAL PROPERTIES

7.18.1 Material properties owned by our Group

A summary of the material properties owned by our Group as at the LPD are as follows:

No.	Registered owner/ Beneficial owner	Title details/ Property address	Description/ Existing use/ Intended use	Category of land use/ Express condition / Tenure	Restriction in interest/ Material encumbrances	Land area ⁽¹⁾ / Gross built-up area ⁽²⁾	Date of Issuance of CCC/CF	Date of acquisition/ Approximate age of building	Audited NBV as at 30 June 2022 ⁽⁶⁾ (RM'000)
1.	Sime Darby Property (City of Elmina) Sdn Bhd/ KSB ⁽³⁾	<u>Master title details</u> Geran 340956, Lot 94355, Mukim Sungai Buloh, District of Petaling, State of Selangor <u>Property address</u> 43, Jalan Elmina Ilham 3, Elmina East, 40160 Shah Alam, Selangor	<u>Description</u> Double-storey terrace house <u>Existing use</u> Under construction <u>Intended use</u> Investment purpose	<u>Category of land use</u> Building <u>Express condition</u> Residential building <u>Tenure</u> Freehold	<u>Restriction in interest</u> Nil <u>Material encumbrances</u> Nil	<u>Land area</u> 1,516,635.0 sq ft* <u>Gross built-up area</u> 2,403.2 sq ft	Not applicable	<u>Date of acquisition</u> 13 March 2020 <u>Approximate age of building</u> Not applicable	387

7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner/ Beneficial owner	Title details/ Property address	Description/ Existing use/ Intended use	Category of land use/ Express condition / Tenure	Restriction in interest/ Material encumbrances	Land area ⁽¹⁾ / Gross built-up area ⁽²⁾	Date of Issuance of CCC/CF	Date of acquisition/ Approximate age of building	Audited NBV as at 30 June 2022 ⁽⁶⁾ (RM'000)
2.	Paragon Pinnacle Sdn Bhd/ KSB ⁽⁴⁾	<u>Title details</u> HS(D) 299928, PT 45051, Mukim Ijok, District of Kuala Selangor, State of Selangor <u>Property address</u> 13, Jalan Eco Perindustrian 1/5D, Eco Perindustrian 5, 42300 Bandar Puncak Alam, Selangor	<u>Description</u> Double-storey semi-detached factory <u>Existing and intended use</u> Investment purpose	<u>Category of land use</u> Industry <u>Express condition</u> Medium industry <u>Tenure</u> 81 years expiring on 13 January 2101 (remaining tenure of 79 years as at the LPD)	<u>Restriction in interest</u> This land cannot be transferred, leased or charged unless consent from state authority is obtained <u>Material encumbrances</u> Charged to Public Bank Berhad registered on 13 February 2017	<u>Land area</u> 10,871.6 sq ft <u>Gross built-up area</u> 7,480.5 sq ft	7 September 2022	<u>Date of acquisition</u> 30 November 2020 <u>Approximate age of building</u> Less than 1 year	2,356

7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner/ Beneficial owner	Title details/ Property address	Description/ Existing use/ Intended use	Category of land use/ Express condition / Tenure	Restriction in interest/ Material encumbrances	Land area⁽¹⁾/ Gross built- up area⁽²⁾	Date of Issuance of CCC/CF	Date of acquisition/ Approximate age of building	Audited NBV as at 30 June 2022⁽⁶⁾ (RM'000)
3.	Paragon Pinnacle Sdn Bhd/ KSB ⁽⁴⁾	<u>Title details</u> HS(D) 299927, PT 45050, Mukim Ijok, District of Kuala Selangor, State of Selangor <u>Property address</u> 15, Jalan Eco Perindustrian 1/5D, Eco Perindustrian 5, 42300 Bandar Puncak Alam, Selangor	<u>Description</u> Double-storey semi-detached factory <u>Existing and intended use</u> Investment purpose	<u>Category of land use</u> Industry <u>Express condition</u> Medium industry <u>Tenure</u> 81 years expiring on 13 January 2101 (remaining tenure of 79 years as at the LPD)	<u>Restriction in interest</u> This land cannot be transferred, leased or charged unless consent from state authority is obtained <u>Material encumbrances</u> Charged to Public Bank Berhad registered on 13 February 2017	<u>Land area</u> 10,871.6 sq ft <u>Gross built-up area</u> 7,480.5 sq ft	7 September 2022	<u>Date of acquisition</u> 30 November 2020 <u>Approximate age of building</u> Less than 1 year	2,356
4.	Tibanis Sdn Bhd/KSB ⁽⁵⁾	<u>Master title details</u> HS(D) 89285, PT 49643, Mukim Rawang, District of Gombak, State of Selangor <u>Property address</u> 5, Jalan Dahlia 2, Dahlia Taman Sari, 48000 Rawang, Selangor	<u>Description</u> 2-storey terrace house <u>Existing use</u> Under construction <u>Intended use</u> Investment purpose	<u>Category of land use</u> Building <u>Express condition</u> Residential <u>Tenure</u> Freehold	<u>Restriction in interest</u> Nil <u>Material encumbrances</u> Nil	<u>Land area</u> 580,013.3 sq ft [^] <u>Gross built-up area</u> 1,569.6 sq ft	Not applicable	<u>Date of acquisition</u> 21 May 2021 <u>Approximate age of building</u> Not applicable	267

7. BUSINESS OVERVIEW (CONT'D)

Notes:

- * Represents the land area of the master title as the individual title in respect of the property has yet to be issued. Based on the sale and purchase agreement dated 13 March 2020 entered into between Sime Darby Property (City of Elmina) Sdn Bhd (as developer) and KSB (as purchaser), the area for the parcel of land in which the double-storey terrace house to be constructed is measuring approximately 1,205.56 sq ft.
- ^ Represents the land area of the master title as the individual title in respect of the property has yet to be issued. Based on the sale and purchase agreement dated 21 May 2021 entered into between Pinggir Mentari Sdn Bhd (as developer), KSB (as purchaser) and Tibanis Sdn Bhd (as proprietor), the area for the parcel of land in which the 2-storey terrace house to be constructed is measuring approximately 1,302.43 sq ft.
- (1) Conversion of original measurement for land in sq m to sq ft at 1 sq m = 10.7639 sq ft or in hectare to sq ft at 1 hectare = 107,639 sq ft, where applicable.
- (2) Conversion of the original measurement for properties in square millimetres to sq ft at 1 sq ft = 92,903 square millimetres or in sq m to sq ft at 1 sq m = 10.7639 sq ft, where applicable.
- (3) By virtue of the sale and purchase agreement dated 13 March 2020 entered into between Sime Darby Property (City of Elmina) Sdn Bhd (as developer) and KSB (as purchaser), the property was acquired by KSB for a cash consideration of RM776,888. As at the LPD, the sale and purchase agreement is pending completion.
- (4) By virtue of the sale and purchase agreements dated 30 November 2020 entered into between Paragon Pinnacle Sdn Bhd (as vendor) and KSB (as purchaser), the properties were acquired by KSB for a cash consideration of RM3,282,000, respectively. As at the LPD, the sale and purchase agreements have not been completed pending payment of the balance purchase consideration.
- (5) By virtue of the sale and purchase agreement dated 21 May 2021 entered into between Pinggir Mentari Sdn Bhd (as developer), KSB (as purchaser) and Tibanis Sdn Bhd (as proprietor), the property was acquired by KSB for a cash consideration of RM762,000. As at the LPD, the sale and purchase agreement is pending completion.
- (6) Represent the progress payment paid as per the respective sale and purchase agreements.

7. BUSINESS OVERVIEW (CONT'D)

7.18.2 Material properties rented by our Group

A summary of the material properties rented by our Group as at the LPD are as follows:

No.	Landlord	Tenant	Property address	Description/ Existing use	Tenanted built-up area ⁽¹⁾	Tenure of the tenancy	Rental per annum	Date of Issuance of CCC/CF
1.	Southern Realty (Malaya) Sdn Bhd	KSB	22GF, Jalan Rengas, Taman Selatan, 41200 Klang, Selangor	<u>Description</u> Ground floor of a 3-storey shophouse <u>Existing use</u> Office	1,260 sq ft	23 months from 1 July 2021 to 31 May 2023 with an option to renew for 2 years	RM17,280 (based on a monthly rental of RM1,440)	8 July 1995
2.	Southern Realty (Malaya) Sdn Bhd	KSB	24GF, 24A and 24B Jalan Rengas, Taman Selatan, 41200 Klang, Selangor	<u>Description</u> Ground floor, 1 st floor and 2 nd floor of a 3-storey shop office <u>Existing use</u> Head office	4,060 sq ft	2 years from 1 June 2021 to 31 May 2023 with an option to renew for another 2 years	RM28,080 (based on a monthly rental of RM2,340)	19 May 2022
3.	Southern Realty (Malaya) Sdn Bhd	KSB	26A, 26B and 28A, Jalan Rengas, Taman Selatan, 41200 Klang, Selangor	<u>Description</u> 1 st floor and 2 nd floor of a 3-storey shop office <u>Existing use</u> Offices	4,200 sq ft	1 year from 1 June 2022 to 31 May 2023 with an option to renew for another 2 years	RM17,280 (based on a monthly rental of RM1,440)	19 May 2022
4.	Southern Realty (Malaya) Sdn Bhd	KSB	28GF, Jalan Rengas, Taman Selatan, 41200 Klang, Selangor	<u>Description</u> Ground floor of a 3-storey shop office <u>Existing use</u> Office	1,260 sq ft	2 years from 1 June 2021 to 31 May 2023 with an option to renew for 2 years	RM17,280 (based on a monthly rental of RM1,440)	19 May 2022

7. BUSINESS OVERVIEW (CONT'D)

No.	Landlord	Tenant	Property address	Description/ Existing use	Tenanted built-up area ⁽¹⁾	Tenure of the tenancy	Rental per annum	Date of Issuance of CCC/CF
5.	Southern Realty (Malaya) Sdn Bhd	KSB	28B, Jalan Rengas, Taman Selatan, 41200 Klang, Selangor	<u>Description</u> 2 nd floor of a 3-storey shop office <u>Existing use</u> Office	1,400 sq ft	2 years from 1 June 2021 to 31 May 2023 with an option to renew for 2 years	RM4,320 (based on a monthly rental of RM360)	19 May 2022
6.	Southern Realty (Malaya) Sdn Bhd	KSB	30A and 30B, Jalan Rengas, Taman Selatan, 41200 Klang, Selangor	<u>Description</u> 1 st floor and 2 nd floor of a 3-storey shop office <u>Existing use</u> Office	2,800 sq ft	2 years from 1 June 2021 to 31 May 2023 with an option to renew for 2 years	RM10,800 (based on a monthly rental of RM900)	19 May 2022
7.	Southern Realty (Malaya) Sdn Bhd	KSB	32A and 32B, Jalan Rengas, Taman Selatan, 41200 Klang, Selangor	<u>Description</u> 1 st floor and 2 nd floor of a 3-storey shop office <u>Existing use</u> Office	2,800 sq ft	2 years from 1 June 2021 to 31 May 2023 with an option to renew for 2 years	RM10,800 (based on a monthly rental of RM900)	19 May 2022
8.	Southern Realty (Malaya) Sdn Bhd	KSB	34GF, Jalan Rengas, Taman Selatan, 41200 Klang, Selangor	<u>Description</u> Ground floor of a 3-storey shop office <u>Existing use</u> Office	1,260 sq ft	13 months from 1 May 2022 to 31 May 2023 with an option to renew for 2 years	RM17,280 (based on a monthly rental of RM1,440)	19 May 2022
9.	Southern Realty (Malaya) Sdn Bhd	KSB	34A, Jalan Rengas, Taman Selatan, 41200 Klang, Selangor	<u>Description</u> 1 st floor of a 3-storey shop office <u>Existing use</u> Office	1,400 sq ft	13 months from 1 May 2022 to 31 May 2023 with an option to renew for 2 years	RM6,480 (based on a monthly rental of RM540)	19 May 2022

7. BUSINESS OVERVIEW (CONT'D)

<u>No.</u>	<u>Landlord</u>	<u>Tenant</u>	<u>Property address</u>	<u>Description/ Existing use</u>	<u>Tenanted built-up area⁽¹⁾</u>	<u>Tenure of the tenancy</u>	<u>Rental per annum</u>	<u>Date of Issuance of CCC/CF</u>
10.	Southern Realty (Malaya) Sdn Bhd	KSB	34B, Jalan Rengas, Taman Selatan, 41200 Klang, Selangor	<u>Description</u> 2 nd floor of a 3-storey shop office <u>Existing use</u> Office	1,400 sq ft	13 months from 1 May 2022 to 31 May 2023 with an option to renew for 2 years	RM4,320 (based on a monthly rental of RM360)	19 May 2022

Note:

(1) Conversion of the original measurement for properties in square millimeters to sq ft at 1 sq ft = 92,903 square millimeters.

As at the LPD, our Group is in compliance with all the relevant laws, regulations, rules or requirements which may materially affect our operations and the use of the above properties.

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7. BUSINESS OVERVIEW (CONT'D)**7.19 EMPLOYEES**

The number of employees of our Group as at 31 December 2021 and the LPD is as follows:

Categories	Number of employees					
	As at 31 December 2021			As at the LPD		
	Local	Foreign	Total	Local	Foreign	Total
Management	9	-	9	9	-	9
Site manager, supervisors and technical personnel	152	-	152	163	-	163
Foreign construction workers	-	365	365	-	260	260
Tender and contracts	31	-	31	30	-	30
Purchasing	6	-	6	6	-	6
Accounts	6	-	6	9	-	9
Human resource and administration	11	-	11	18	-	18
Quality, environmental, safety and health	24	-	24	45	-	45
Total	239	365	604	280	260	540

As at 31 December 2021 and the LPD, we have 16 (out of 239) and 18 (out of 280) local workers respectively who are contractual employees, while all of our foreign workers are contractual employees. None of our employees are members of any union. There has not been any major industrial dispute pertaining to our employees since we commenced operations. All our foreign construction workers working in Malaysia have valid working permits and we have not been and are not in breach of any immigration laws.

7.20 MAJOR CUSTOMERS

Our top 5 major customers by revenue contribution for the Financial Years/Period Under Review are as follows:

FYE 2019

Major customers	Type of construction services	Length of relationship as at 31 December 2019	Revenue contribution	
			RM'000	%
Eco World Development Group ⁽¹⁾	Residential and commercial buildings	5 years	115,165	19.8
Sime Darby Property Group ⁽²⁾	Residential, commercial and industrial buildings, and other related services	21 years	98,643	17.0
Tropicana Aman Sdn Bhd ⁽³⁾	Residential, commercial, institutional and purpose-built buildings	4 years	89,930	15.5
S P Setia Group ⁽⁴⁾	Residential buildings	19 years	48,903	8.4
QLB ⁽⁵⁾	Residential, commercial and industrial buildings	5 years	43,599	7.5
			396,240	68.2

7. BUSINESS OVERVIEW (CONT'D)**FYE 2020**

Major customers	Type of construction services	Length of relationship as at 31 December 2020	Revenue contribution	
			RM'000	%
Sime Darby Property Group ⁽²⁾	Residential, commercial and industrial buildings	22 years	105,598	21.6
Tropicana Aman Sdn Bhd ⁽³⁾	Residential, commercial, institutional and purpose-built buildings	5 years	62,138	12.7
Worldwide Group ⁽⁶⁾	Residential buildings	11 years	48,773	10.0
S P Setia Group ⁽⁴⁾	Residential buildings	20 years	47,458	9.7
GLM Emerald West (Rawang) Sdn Bhd ⁽⁷⁾	Residential buildings	3 years	45,542	9.3
			309,509	63.3

FYE 2021

Major customers	Type of construction services	Length of relationship as at 31 December 2021	Revenue contribution	
			RM'000	%
Sime Darby Property Group ⁽²⁾	Residential, commercial and industrial buildings, and other related services	23 years	104,709	23.0
Tropicana Aman Sdn Bhd ⁽³⁾	Residential, commercial, institutional and purpose-built buildings	6 years	86,540	19.0
S P Setia Group ⁽⁴⁾	Residential buildings	21 years	51,869	11.4
Worldwide Group ⁽⁶⁾	Residential buildings	12 years	38,568	8.5
QLB ⁽⁵⁾	Residential buildings	7 years	35,282	7.7
			316,968	69.6

FPE 2022

Major customers	Type of construction services	Length of relationship as at 30 June 2022	Revenue contribution	
			RM'000	%
Sime Darby Property Group ⁽²⁾	Residential, commercial and industrial buildings	24 years	59,270	25.3
Tropicana Aman Sdn Bhd ⁽³⁾	Residential, institutional and purpose-built buildings	7 years	34,787	14.8
QLB ⁽⁵⁾	Residential buildings	7 years	26,803	11.4
S P Setia Group ⁽⁴⁾	Residential buildings	22 years	23,908	10.2
Symphony Hills Sdn Bhd ⁽⁸⁾	Residential buildings	7 years	20,627	8.8
			165,395	70.5

7. BUSINESS OVERVIEW (CONT'D)**Notes:**

- (1) Comprises revenue from companies under Eco World Development Group, namely Eco Majestic Development Sdn Bhd, Eco Ardence Sdn Bhd, Paragon Pinnacle Sdn Bhd and Eco Majestic Sdn Bhd. Eco World Development Group Berhad is listed on the Main Market of Bursa Securities.
- (2) Comprises revenue from companies under Sime Darby Property Group, namely Sime Darby (City of Elmina) Sdn Bhd, Sime Darby Property (Bukit Raja) Sdn Bhd, Sime Darby Property (Pagoh) Sdn Bhd, Sime Darby Property (USJ) Sdn Bhd and Sime Darby Property (Ainsdale) Sdn Bhd. Sime Darby Property Berhad is listed on the Main Market of Bursa Securities.

Our business relationship with Sime Darby Property Group started since 1998 when we secured our first contract from a subsidiary of Kumpulan Guthrie Berhad. Kumpulan Guthrie Berhad subsequently merged with Sime Darby Berhad and Golden Hope Plantations Berhad in 2007.

- (3) A wholly-owned subsidiary of Tropicana Corporation Berhad, a company listed on the Main Market of Bursa Securities.
- (4) Comprises revenue from companies under S P Setia Group, namely S P Setia Eco-Projects Management Sdn Bhd, Setia Safiro Sdn Bhd, Bandar Setia Alam Sdn Bhd, Setia Eco Glades Sdn Bhd and Bandar Eco-Setia Sdn Bhd. S P Setia Berhad is listed on the Main Market of Bursa Securities.

Our business relationship with S P Setia Group started since 2000 when we secured our first contract from a subsidiary of I & P Group Sdn Berhad. I & P Group Sdn Berhad was subsequently acquired by S P Setia Berhad in 2017.

- (5) During the FYE 2019 to FYE 2021, QLB was a 49.0%-owned associate of KSB. On 6 May 2022, KSB entered into a share sale agreement with Pembinaan Lembah Reka Sdn Bhd and Lim Peng Hong for the disposal of 49.0% and 51.0% equity interest in QLB by KSB and Pembinaan Lembah Reka Sdn Bhd respectively, to Lim Peng Hong. The share sale agreement was completed on 14 June 2022 and QLB ceased to be an associate of KSB thereafter.

During the Financial Years/Period Under Review, QLB subcontracted all of its projects awarded by its customers to KSB. These customers included I & P Group, THP Enstek Development Sdn Bhd and PNB Development Group.

- (6) Comprises revenue from companies under the Worldwide Group, namely Worldwide Holdings Berhad, Worldwide Land Development Sdn Bhd and Worldwide Property Management Sdn Bhd.
- (7) A joint venture entity of GuocoLand (Malaysia) Berhad, a company listed on the Main Market of Bursa Securities.
- (8) A wholly-owned subsidiary of UEM Sunrise Berhad, a company listed on the Main Market of Bursa Securities.

We were dependent on certain group of customers including Sime Darby Property Group, Tropicana Aman Sdn Bhd and S P Setia Group in view that the revenue contribution from each of these customers exceeded 10% of our total revenue for any of the years during the Financial Years/Period Under Review. We specialise in township construction and continue to bid for contracts for various parcels across different phases within the same township development as well as the same group of customers. As a result, revenue continues to be generated from the said customers until all the awarded contracts under the township development are completed. For the avoidance of doubt, we will continue to be dependent on 3 of our major customers, namely Sime Darby Property Group, Tropicana Aman Sdn Bhd and S P Setia Group as we will continue to bid for contracts for various parcels within the same township development by these customers.

7. BUSINESS OVERVIEW (CONT'D)

We are not dependent on our remaining major customers (i.e. Eco World Development Group, Worldwide Group, GLM Emerald West (Rawang) Sdn Bhd and Symphony Hills Sdn Bhd) as they contributed less than 10% of our revenue for the Financial Years/Period Under Review or their revenue contribution had been declining over the Financial Years/Period Under Review. Notwithstanding that QLB contributed 11.4% of our revenue during the FPE 2022, we do not anticipate to continue providing construction services to QLB upon completion of the Disposal of QLB in June 2022 and handover of existing projects to QLB upon completion by February 2023 or any other date to be mutually agreed between QLB and KSB.

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7. BUSINESS OVERVIEW (CONT'D)

The breakdown of the revenue contribution from Tropicana Aman Sdn Bhd and companies within Sime Darby Property Group and S P Setia Group during the Financial Years/Period Under Review are set out below:

	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	Revenue contribution (RM'000)	(%)	Revenue contribution (RM'000)	(%)	Revenue contribution (RM'000)	(%)	Revenue contribution (RM'000)	(%)
Sime Darby Property Group								
- Sime Darby Property (City of Elmina) Sdn Bhd	49,237	8.5	87,661	17.9	70,521	15.5	35,048	14.9
- Sime Darby Property (Pagoh) Sdn Bhd	14,536	2.5	13,202	2.7	7,483	1.7	-	-
- Sime Darby Property (USJ) Sdn Bhd	27,535	4.7	4,735	1.0	-	-	(113) ⁽¹⁾	*
- Sime Darby Property Berhad	7,238	1.3	-	-	17,520	3.8	10,481	4.5
- Sime Darby Property (Bukit Raja) Sdn Bhd	-	-	-	-	9,185	2.0	7,416	3.2
- Sime Darby Property (Ainsdale) Sdn Bhd	97	*	-	-	-	-	-	-
- Sime Darby (Bukit Jelutong) Sdn Bhd	-	-	-	-	-	-	4,973	2.1
- Sime Darby Property (BUP Asset I) Sdn Bhd	-	-	-	-	-	-	1,465	0.6
	<u>98,643</u>	<u>17.0</u>	<u>105,598</u>	<u>21.6</u>	<u>104,709</u>	<u>23.0</u>	<u>59,270</u>	<u>25.3</u>
Tropicana Aman Sdn Bhd	89,930	15.5	62,138	12.7	86,540	19.0	34,787	14.8
S P Setia Group								
- Bandar Setia Alam Sdn Bhd	27,248	4.7	16,255	3.3	5,544	1.2	-	-
- S P Setia Eco-Projects Management Sdn Bhd	-	-	12,259	2.5	28,247	6.2	19,033	8.1
- Setia Safiro Sdn Bhd	-	-	18,669	3.8	18,079	4.0	4,875	2.1
- Setia Eco Glades Sdn Bhd	19,362	3.3	275	0.1	-	-	-	-
- Bandar Eco-Setia Sdn Bhd	2,293	0.4	-	-	-	-	-	-
	<u>48,903</u>	<u>8.4</u>	<u>47,458</u>	<u>9.7</u>	<u>51,869</u>	<u>11.4</u>	<u>23,908</u>	<u>10.2</u>
Total	<u>237,476</u>	<u>40.9</u>	<u>215,194</u>	<u>44.0</u>	<u>243,118</u>	<u>53.4</u>	<u>117,964</u>	<u>50.3</u>

Notes:

* Negligible.

(1) Negative revenue due to the slight reduction in the contract sum upon re-measurement of the estimated quantities of work done by us during the process of closing the final account of this project with our customer.

7. BUSINESS OVERVIEW (CONT'D)

Our dependency on certain group of customers was mainly due to our continuous involvement in the construction projects across different phases of the respective customers' township developments. For the FPE 2022, revenue from Sime Darby Group, Tropicana Aman Sdn Bhd and S P Setia Group were derived from a total of 12 projects, 4 projects and 3 projects respectively. Please refer to Section 7.4.2.3 of this Prospectus for further details of our completed and ongoing construction projects with Sime Darby Group, Tropicana Aman Sdn Bhd and S P Setia Group.

Due to these customers' substantial contribution to our revenue, losing them as customers may adversely affect our financial performance. In this respect, we seek to mitigate such risk by:

- (i) maintaining a close working relationship with our existing customers and ensuring our service quality meets the customers' requirements. These customers have been our customers for more than 6 years, and through our established business relationship with them, have continuously invited us to tender for new projects; and
- (ii) taking steps to look for new contract opportunities and expand our customer base. Our Managing Director, with support from our GMs, actively seeks new projects by engaging with past and existing customers, consultants and prospective customers to identify contract opportunities.

Our established track record of 32 years in the construction industry, as well as our track record in delivering quality construction works as evidenced by the awards and recognitions from CIDB for QCLASSIC and SHASSIC for our completed projects during the Financial Years/Period Under Review, will put us in good stead to secure future projects via invited tenders by existing and prospective customers, and by referrals from consultants and past customers.

Save as disclosed in Section 11.1.1 of this Prospectus, as at the LPD, none of our Directors, Promoter and/or Substantial Shareholders has any interest, direct or indirect, in any of our major customers.

7.21 MAJOR SUPPLIERS

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

FYE 2019

<u>Major suppliers</u>	<u>Products or services</u>	<u>Length of relationship as at 31 December 2019</u>	<u>Value of purchases</u>	
			<u>RM'000</u>	<u>%</u>
Eng Meng Metal Sdn Bhd	Supply of building materials	7 years	29,164	6.4
GCS Transport (M) Sdn Bhd	Supply of quarry products	7 years	17,745	3.9
Nyok Fatt Brothers Sdn Bhd	Subcontractor for building and structural works, and rental of construction equipment	11 years	17,193	3.8
Goh Ah Lek Plastering Sdn Bhd	Subcontractor for architectural works	8 years	15,118	3.3
TLH Solution (M) Sdn Bhd	Subcontractor for architectural works	4 years	10,013	2.2
			<u>89,233</u>	<u>19.6</u>

7. BUSINESS OVERVIEW (CONT'D)**FYE 2020**

Major suppliers	Products or services	Length of relationship as at 31 December 2020	Value of purchases	
			RM'000	%
Eng Meng Metal Sdn Bhd	Supply of building materials	8 years	32,747	8.3
Goh Ah Lek Plastering Sdn Bhd	Subcontractor for architectural works	9 years	17,498	4.5
Nyok Fatt Brothers Sdn Bhd	Subcontractor for building and structural works, and rental of construction equipment	12 years	14,979	3.8
GCS Transport (M) Sdn Bhd	Supply of quarry products	8 years	14,466	3.7
Evermix Concrete Sdn Bhd	Supply of concrete materials	12 years	7,217	1.8
			86,907	22.1

FYE 2021

Major suppliers	Products or services	Length of relationship as at 31 December 2021	Value of purchases	
			RM'000	%
Eng Meng Metal Sdn Bhd	Supply of building materials	9 years	40,087	11.1
Goh Ah Lek Plastering Sdn Bhd	Subcontractor for architectural works	10 years	13,394	3.7
GCS Transport (M) Sdn Bhd	Supply of quarry products	9 years	11,715	3.2
Nyok Fatt Brothers Sdn Bhd	Subcontractor for building and structural works, and rental of construction equipment	13 years	10,276	2.8
Evermix Concrete Sdn Bhd	Supply of concrete materials	13 years	8,868	2.4
			84,340	23.2

FPE 2022

Major suppliers	Products or services	Length of relationship as at 30 June 2022	Value of purchases	
			RM'000	%
Eng Meng Metal Sdn Bhd	Supply of building materials	10 years	22,093	11.4
Evermix Concrete Sdn Bhd	Supply of concrete materials	13 years	6,950	3.6
GCS Transport (M) Sdn Bhd	Supply of quarry products	10 years	5,956	3.1
Soon Well Builders Sdn Bhd	Subcontractor for building and structural works	13 years	5,790	3.0
MFE Formwork Technology Sdn Bhd	Aluminium formwork system	6 years	5,595	2.9
			46,384	24.0

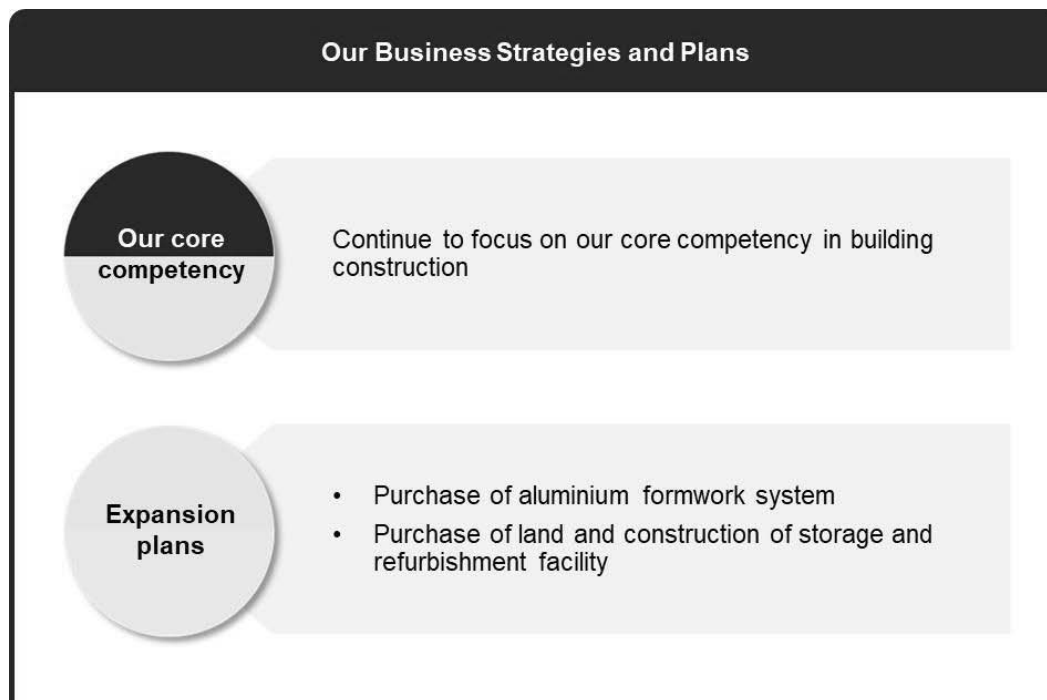
7. BUSINESS OVERVIEW (CONT'D)

During the Financial Years/Period Under Review, we were not dependent on any individual supplier for our business operations by virtue of their contributions to our value of purchases for the materials and services. In addition, the products or services as mentioned above are easily sourced from other suppliers and subcontractors.

As at the LPD, none of our Directors, Promoter and/or Substantial Shareholders has any interest, direct or indirect, in any of our major suppliers.

7.22 STRATEGIES AND PLANS

Our strategies and plans are summarised in the following diagram:



7.22.1 Continue to focus on our core competency in building construction

We will continue to focus on our core competency in building construction to sustain and grow our business based on our established track record of 32 years and the quality of our construction works. In this respect, we will be continuing to submit bids for projects with a view to building up our order book and leveraging on our strengths in building construction. We will continue to focus on our principal market in Malaysia, in particular Selangor, Negeri Sembilan and Johor. However, depending on our capacity and the projects that are to be awarded by our customers, we may venture into other states within Malaysia should such opportunity arise.

As at the LPD, we have 35 ongoing projects with a total order book of approximately RM853.6 million based on unbilled contract value. These ongoing projects are scheduled to be completed by 2024. Please refer to Section 12.5 of this Prospectus for further details of our order book.

7. BUSINESS OVERVIEW (CONT'D)

7.22.2 Purchase of aluminium formwork system

For the Financial Years/Period Under Review, we mainly use aluminium formwork system for our building construction. As at the LPD, we have a total of 29,017 sq m of aluminium formwork systems. As at the LPD, these aluminium formwork systems are deployed in 19 out of 35 of our ongoing building construction projects.

Aluminium formwork system refers to the temporary structures made of aluminium materials which will be set up on-site and serve as a mould for concrete to be poured in. The formworks will be removed once the concrete is cured and developed the required strength. These are mainly used to form the building structures such as walls, columns, slabs, beams, staircases, floors, balconies and window hoods.

We started using aluminium formwork system for our construction projects since 2017 as we continuously explore and adopt construction techniques and systems to improve productivity and deliver projects within the time, cost and quality standards as required by our customers. In this respect, we have earmarked RM18.0 million of the gross proceeds from the Public Issue to purchase an estimated 25,000 sq m of aluminium formwork systems progressively over a period of 36 months to support our expansion of the scale of construction work using aluminium formwork systems as well as replace our existing formwork systems which were damaged due to wear and tear. These aluminium formwork systems will be sourced via local suppliers and the estimated purchase cost are subject to changes.

In the event the allocated proceeds are insufficient for the purchase of aluminium formworks, any shortfall will be funded via internally generated funds and/or bank borrowings.

Please refer to Section 4.4.1 of this Prospectus for further details of the advantages of using aluminium formwork system and the use of proceeds.

7.22.3 Purchase of land and construction of storage and refurbishment facility

We have earmarked RM20.0 million of the gross proceeds from the Public Issue to acquire a piece of land with an approximate area of 3 acres and construct a storage and refurbishment facility with an approximate built-up area of 65,000 sq ft. This facility will be used as a centralised storage and refurbishment facility to house all our aluminium formwork systems, scaffoldings and cabins that are not in use at our construction sites.

As at the LPD, we store our aluminium formworks that are not in use at a rented storage facility located in Port Klang, Selangor. Meanwhile, the repair and refurbishment works of our aluminium formwork systems are outsourced to external party.

The rental cost of the storage facilities for our aluminium formwork systems amounted to a total of approximately RM0.2 million for the Financial Years/Period Under Review. Meanwhile the cost incurred for the repair and refurbishment of aluminium formwork systems and scaffoldings amounted to RM6.6 million, RM3.3 million, RM3.5 million and RM2.2 million for the Financial Years/Period Under Review respectively. The objective of having our own storage and refurbishment facility is to cater for the additional aluminium formwork systems that we intend to purchase to support our expansion in construction works using these systems. In addition, the storage and refurbishment facility would provide additional space to house our other construction equipment including scaffoldings and cabins as well as allow us to carry out in-house repair and refurbishment works. As at the LPD, we store our scaffoldings and cabins at the project sites. We also intend to conduct training for our workers on the use of aluminium formwork systems.

7. BUSINESS OVERVIEW (CONT'D)

The tentative timeline for the purchase of land and the construction of the storage and refurbishment facility are as follows:

Tentative timeline	Description
By the 1 st half of 2024	<ul style="list-style-type: none"> • Completion of land acquisition • Submission of building plan for approval
By the 2 nd half of 2024	<ul style="list-style-type: none"> • Approval of building plan • Commencement of construction of storage and refurbishment facility
By the 1 st half of 2025	<ul style="list-style-type: none"> • Completion of construction • Submission of application for CCC
By the 2 nd half of 2025	<ul style="list-style-type: none"> • Approval and issuance of CCC • Commencement of use of the storage and refurbishment facility

The total estimated cost for the purchase of land and construction of the storage and refurbishment facility are as follows:

	Estimated cost (RM'000)
Acquisition of land	15,000
Construction of storage and refurbishment facility	5,000
Total	20,000

In the event the allocated proceeds are insufficient for the purchase of land and construction of a storage and refurbishment facility, any shortfall will be funded via internally generated funds and/or bank borrowings.

Please refer to Section 4.4.2 of this Prospectus for further details of the use of proceeds.

7.23 REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES

Our Group's business operations are subject to, among others, the following laws and regulations:

- (i) CIDB Act governing the registration of construction personnel as well as skills and competency certification;
- (ii) Factories and Machinery Act 1967 governing matters relating to the registration and inspection of machinery as well as safety, health and welfare of person;
- (iii) Occupational Safety and Health Act 1994 regulating the safety, health and welfare of persons at work, protecting others against the risks to safety or health in connection with the activities of persons at work;
- (iv) Street, Drainage and Building Act 1974 and the by-laws enacted by the relevant state government governing the matters relating to street, drainage and building in local authority areas in Peninsular Malaysia;
- (v) Local Government Act 1976 and the by-laws of the respective local councils and authorities setting out the requirements to obtain business and signage licences;
- (vi) Environmental Quality Act 1974 which regulates the prevention, abatement, control of pollution and enhancement of the environment;
- (vii) National Land Code 1965 governing the administration of land matters in Peninsular Malaysia;

7. BUSINESS OVERVIEW (CONT'D)

- (viii) Employment Act 1955 governing employment laws in Peninsular Malaysia;
- (ix) Income Tax Act 1967 and the prevailing taxation policies in Malaysia;
- (x) ESMH governing all employment sectors providing housing and accommodation for workers; and
- (xi) Destruction of Disease-Bearing Insects Act 1975 provide for the destruction and control of disease-bearing insects.

Save as disclosed in Section 7.25.1 of this Prospectus, we are in compliance with all the relevant laws, regulations, rules or requirements governing the conduct of our business and environmental issues which may materially affect our business or operations.

7.24 ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES

We are committed to act responsibly in our business operations, to create an environmentally responsible operation, a conducive workplace for employees, and a high standard of corporate governance towards our stakeholders. Similarly, our Board is mindful of the importance of building a sustainable business and will take into consideration the environmental, social and governance impact when developing our corporate strategies.

(i) Environmental

We believe in preserving and caring for the environment and we are committed to conduct our business in ways that will minimise the impact caused by our operations on the environment. Our environmental management system was accredited with ISO 14001:2015 (environmental management systems) certification since 2008, which demonstrates our ability in managing our environmental responsibilities. This includes the conduct of extensive environmental monitoring to ensure that the sustainability of the environment is well preserved despite the nature of our activities at construction sites.

A key component of environmental sustainability is effective and efficient resource management. In this respect, we are committed to reduce the waste generated at our construction sites by increasing the usage of aluminium formwork systems in our projects and reducing our reliance on conventional timber formwork. Besides minimising wastage from the timber debris at our construction sites, our usage of aluminium formwork systems has also benefited us in terms of reduction of site labour, quality improvement, cleaner environment and safer workplace.

In addition, we also monitor the proper disposal of scheduled waste, such as contaminated soil and used lubricant oil, at our construction sites that possess hazardous elements which may adversely affect public health and the surrounding environment. We arrange for these scheduled wastes to be collected by licensed contractors and be sent to approved facilities for disposal. We also conduct scheduled waste training for our construction workers regularly, focusing on the safety precautionary measures when handling scheduled waste.

We also put in place measures to control air, water and noise pollution in order to minimise adverse impact of our construction works on the environment as well as neighbouring properties and occupants. We constantly ensure that air humidity, temperature and water discharged from our construction sites are within the recommended air quality guidelines and complies with the Environmental Quality (Industrial Effluents) Regulations 2009 issued by the Department of Environment. We will also constantly ensure that our usage of machinery and equipment at our construction sites comply with the permitted noise level as well as undertaking works within the permitted hours as specified by the local authority to comply with the relevant provisions governing the construction sector pursuant to the Environmental Quality Act 1974.

7. BUSINESS OVERVIEW (CONT'D)

(ii) Social

We place strong emphasis on maintaining a safe and healthy workplace for our employees. We have formalised control measures and procedures for safety and health functions which include, among others, formalising compliance checklists as well as educating and conducting briefing for our employees on workplace hazards and emergency response plan. The track record of our workplace safety provides our customers with assurance that their projects will not be materially disrupted by workplace accidents.

Since 2008, we have been accredited with ISO 45001:2018 (occupational health and safety management systems) certification under the scope of provision of construction services for building and engineering works. For the past 5 years from 2018 up to the LPD, we received a minimum of 4-star rating and above for 29 out of 40 projects which had undergone the health and safety assessment under SHASSIC by CIDB. As at the LPD, we have 45 health, safety and environmental personnel who are responsible for minimising occupational hazards, maintaining safety compliance of project sites as well as preventing damage to the surrounding environment. For the Financial Years/Period Under Review up to the LPD, we have not experienced any other accident at our construction sites, save for the fatal accident at one of our construction site as set out in Section 7.25.6 of this Prospectus.

We also place strong emphasis on the wellbeing and development of our employees. The accommodations provided to our foreign construction workers are in compliance with the minimum requirements as set out under the relevant regulations and have been issued with Certificates for Accommodation by the Department of Labour of Peninsular Malaysia, save for the construction sites where the applications for Certificates for Accommodation are in various stages of approval as set out in Section 7.25.1 of this Prospectus.

We also allocate training budget and plan training courses for our employees' development based on their training needs. These programmes include, among others, construction techniques, health and safety, environmental awareness, leadership skills and self-development trainings. We also support and practise workplace equal opportunity, fair treatment, and gender and cultural diversity for our employees. We have a systematic appraisal system where employees are assessed based on their respective skillset and capabilities.

We are committed to act responsibly in our business operations, not only in our dealings with our stakeholders but also giving back to our community as we believe that we are responsible to improve quality of life and generate positive social impacts to the community. As a responsible corporate citizen, we have also made donations to charitable organisations and education foundation amounting to approximately RM0.1 million for the Financial Years/Period Under Review up to the LPD.

(iii) Governance

We are committed to achieve and uphold the highest standards of corporate governance and ethical conduct in accordance with the principles and practices of corporate governance as set out in the MCCG as we believe that a high standard of corporate governance is a fundamental part of our Group in discharging our responsibilities to protect and enhance our shareholders' value and financial performance, with high corporate accountability, transparency and integrity.

7. BUSINESS OVERVIEW (CONT'D)

Our Board is committed to the high standards of professionalism, honesty, accountability, integrity and ethical behaviour in the conduct of our business and operations. We have put in place practices and guidance in accordance with the 3 principles stipulated in the MCCG which cover:

- board leadership and effectiveness;
- effective audit and risk management; and
- integrity in corporate reporting and establishing meaningful relationship with our stakeholders.

As at the LPD, half of the members of our Board comprise independent directors and at least 30% of our Board comprise women directors.

Further, in order to ensure an effective Board to instil good corporate governance practices in our Group, we have established the Nomination Committee which comprises entirely Independent Non-Executive Directors with duties and obligations of, among others, to evaluate and review the performance of our Board and senior management in addressing our material sustainability risks and opportunities. We have established and adopted the Anti-Bribery and Anti-Corruption Policy and Guidelines in compliance with the Malaysian Anti-Corruption Commission Act 2009 as we are committed to a zero-tolerance approach in our efforts to prevent corrupt and bribery practices within our Group as well as any third parties associated with us. We have also put in place the Whistleblowing Policy and Procedures to promote and maintain compliance with the Whistleblower Protection Act 2010.

7.25 ADDITIONAL DISCLOSURES/OTHER MATTERS

7.25.1 Certificate for Accommodation

Pursuant to Section 24D(1) of the ESMH, no accommodation shall be provided to an employee unless certified with a Certificate for Accommodation. We provide such accommodation to our foreign workers at our project sites and we are required to obtain Certificate for Accommodation for these sites. Pursuant to Section 24D(3) of the ESMH, an employer who contravenes Section 24D(1) of the ESMH commits an offence and shall, on conviction, be liable to a fine not exceeding RM50,000.

The process to obtain the Certificate for Accommodation is estimated to take up to 7 months from the date of site possession. Upon site possession, we will prepare the relevant drawings and submission of application for temporary building permit to the local authority. Upon the receipt of approval by the local authority, we will commence the erection of workers' accommodation and will then submit applications to the Department of Labour of Peninsular Malaysia for the Certificate for Accommodation and physical inspection of the workers' accommodation.

The officers of the Department of Labour of Peninsular Malaysia will then conduct inspection and provide instructions for improvements to be made, if required, which is subject to further inspection. Approval from the Department of Labour of Peninsular Malaysia will be obtained after further inspection of the rectification to the workers' accommodation. The timeline for the approval process for the Certificate for Accommodation is summarised below:

Process	Estimated duration
(i) preparation of relevant drawings and submission of application for temporary building permit to the local authority	2 to 3 months
(ii) erection of workers' accommodation after receipt of approval by the local authority	1 month

7. BUSINESS OVERVIEW (CONT'D)

Process	Estimated duration
(iii) submission of application for the Certificate for Accommodation and physical inspection of the workers' accommodation to the Department of Labour of Peninsular Malaysia	½ month
(iv) inspection by officers from the Department of Labour of Peninsular Malaysia and instruction (if any) for improvement to be made, which is subject to further inspection	1 month
(v) receipt of approval from the Department of Labour of Peninsular Malaysia after further inspection of the rectification to the workers' accommodation	1 to 2 months

As at the LPD, we have not obtained Certificates for Accommodation for 2 out of 31 construction sites at which we provide accommodation to our foreign workers. We have submitted applications for the Certificate for Accommodation for all of our 2 construction sites, and the said applications are in various stages of approval and are expected to be issued progressively to us.

We have set up a dedicated team within the Project Department to monitor the progress of this matter and follow up with the Department of Labour of Peninsular Malaysia from time to time to expedite the issuance of the Certificates for Accommodation. As at the LPD, our Group has not been imposed with any penalties, fines or stop work orders.

Our Board is of the opinion that there will not be any major issue in obtaining the Certificates for Accommodation and this will not give rise to any material impact to the business and operations of our Group considering our efforts in following up closely with the Department of Labour of Peninsular Malaysia on this matter and attending to the improvement plans proposed by the Department of Labour of Peninsular Malaysia.

7.25.2 Non-compliance with Section 33A(6) of the CIDB Act

Pursuant to Section 33A(6) of the CIDB Act, any person who engages a construction site supervisor or skilled construction worker who is not accredited and certified by CIDB to carry out any construction work shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM5,000.

For the Financial Years/Period Under Review up to the LPD, KSB was compounded by the CIDB for failure to ensure that our construction personnel performing supervisory duties at the construction site or perform the work of a skilled worker are accredited and certified by the CIDB in accordance with Section 33A(1) of the CIDB Act, as follows:

Date	Project	Personnel not accredited / certified	Amount compounded
12 September 2019	Bukit Jelutong (Tara) Project	Skilled worker	RM14,000
21 January 2020	Bandar Bukit Raja (3 Avenue) Project	Skilled worker	RM3,000
21 January 2020	Bandar Bukit Raja (Azira) Project	Skilled worker	RM14,000
3 December 2020	Bandar Universiti Pagoh (Sarjana Promenade) Project	Skilled worker and site supervisor	RM8,000
10 February 2021	Tropicana Aman (Triana) Project	Skilled worker	RM2,000

The above non-compliances were due to lapses in our Group's internal control. As at the LPD, the above fines had been fully settled by KSB and there are no outstanding fines imposed on KSB. The above fines did not affect the subsequent renewal of our Certificate of Registration or Certificate of Government Procurement Works with CIDB.

7. BUSINESS OVERVIEW (CONT'D)

As at the LPD, KSB has 80 skilled workers that are certified with Skill Competency Certificate for its construction sites that require skilled/specialised works. Workers without or who have failed the skilled competency assessment are not qualified to undertake such skilled/specialised construction works and hence, such workers will only be undertaking general construction works at its construction sites. Nevertheless, we have sufficient skilled workers to ensure that there would not be any material disruptions to our operations.

Further, we have compiled the Skill Competency Certificate from all the subcontractors for the construction sites that require skilled/ specialised workers to ensure that all its subcontractors are in compliance with this requirement. Apart from the fines imposed by the authorities, we have not been imposed with any stop work order which resulted in the suspension of our construction sites.

As a result of these CIDB compounds, we have implemented the following measures:

- (i) established monitoring framework, register as well as policies and procedures to monitor and manage the hiring of foreign workers and licensing obligations;
- (ii) perform checks on the validity of work permits and CIDB Green Cards at construction site entrance; and
- (iii) ensure that subcontractors are responsible for the renewal of the relevant permits for its foreign workers.

7.25.3 Breaches of the Destruction of Disease-Bearing Insects Act 1975

We were charged and imposed fines involving breaches of the Destruction of Disease-Bearing Insects Act 1975 for allowing the breeding of aedes mosquito larvae on our construction site during the Financial Years/Period Under Review up to the LPD, details of which are as follows:

<u>Date</u>	<u>Project</u>	<u>Amount fined</u>	<u>Authority</u>
15 August 2019	Tropicana Aman (Dalia Residences) Project	RM2,500	Telok Datok Magistrates Court
16 January 2020	Tropicana Aman (Dalia Residences) Project	RM7,000	Telok Datok Magistrates Court
26 April 2021	Bandar Tasik Puteri (Acacia Park) Project	RM3,000	Selayang Magistrates Court
23 November 2021	Bandar Tasik Puteri (Acacia Park) Project	RM10,000	Selayang Magistrates Court

As disclosed in Section 5.6 of this Prospectus, our Directors, namely Tan Ah Kee and Teow Choo Hing were charged in 2018 together with KSB for failure to prevent the breeding of aedes mosquito larvae on 2 construction sites. Tan Ah Kee and Teow Choo Hing were both found guilty and were each imposed fines of RM5,000 and RM4,000 by the Court respectively, while KSB was charged and fined for a total amount of RM9,000 in respect of such failure for the 2 construction sites in 2018, namely the City of Elmina (Elmina Valley 3B) Project and Setia Alam (Eximia) Project. KSB was imposed with 9 fines between 2017 and 2018 for the same breaches at 7 of the construction sites between 2017 and 2018 which amounted to a total of RM44,000.

The occurrence of such incidents was partly due to lapses in our Group's monitoring and infrequent fogging, as well as several factors which were beyond our control such as, among others, size of the construction sites and adverse weather condition such as heavy rain. As at the LPD, all the fines above had been fully settled and there is no other action taken against us by the courts.

7. BUSINESS OVERVIEW (CONT'D)

Pursuant to Section 23 of the Destruction of Disease-Bearing Insects Act 1975, any person, if found guilty of an offence, shall be liable on conviction:

- (i) in respect of a first offence, a fine not exceeding RM10,000 or to imprisonment for a term not exceeding 2 years or to both;
- (ii) in respect of a second or subsequent offence, a fine not exceeding RM50,000 or to imprisonment for a term not exceeding 5 years or to both; and
- (iii) in respect of a continuing offence, a further fine not exceeding RM500 every day that the offence is continued.

Apart from the fines imposed by the authorities, we have not been imposed with any stop work order which resulted in the suspension of our construction sites between 2017 and up to the LPD. Since the occurrence of these events, we have strengthened our internal control policies in preventing the breeding of aedes mosquito larvae at our construction sites by implementing the following measures:

- (i) conducting weekly fogging and larviciding at our construction sites regularly;
- (ii) conducting health, safety and environmental inspection at our construction sites twice a week; and
- (iii) ensuring that there are no other water stagnant/ponding areas at its construction sites.

7.25.4 Disciplinary action taken by CIDB against KSB

During the FYE 2019 and FYE 2021, we were under disciplinary action by CIDB for the following incidents:

(i) CIDB Green Cards

Pursuant to Section 33 of the CIDB Act, all construction personnel are required to be registered with CIDB before they are allowed to perform construction works on site. CIDB will issue a CIDB Green Card as evidence that the card owner has registered with CIDB. Prior to the issuance of CIDB Green Card, it is a prerequisite for construction workers to attend skills training with CIDB.

CIDB issued a notice dated 11 March 2021 to KSB to furnish the list of its construction workers with valid CIDB Green Cards. The documents requested by CIDB was furnished on 29 March 2021. Despite efforts made by KSB to secure Safety Induction Construction Workers Course training slots with CIDB, KSB was unable to arrange for physical training with CIDB for its construction workers between May 2021 and June 2021, as there was no physical training conducted by CIDB due to the implementation of the MCO.

As a result, CIDB issued a disciplinary action against KSB on 15 September 2021 for failure to ensure that 155 of its construction workers possess valid CIDB Green Cards due to the lack of physical training conducted by the CIDB during the implementation of the MCO. Between December 2021 to February 2022, 7 Safety Induction Construction Workers Course trainings were provided to KSB's 155 construction workers. On 8 March 2022, CIDB granted a conditional withdrawal of the disciplinary action against KSB in order for KSB to attend to the renewal of CIDB Green Cards for its construction workers. On 22 April 2022, the disciplinary action against KSB was withdrawn upon obtaining the relevant CIDB Green Cards for its construction workers.

7. BUSINESS OVERVIEW (CONT'D)

(ii) Payment of levy to CIDB for contracts awarded

Pursuant to Section 34 of the CIDB Act and Lembaga Pembangunan Industri Pembinaan Malaysia (Imposition of Levy) Order 2016, we are required to declare and submit to CIDB any construction contracts which were awarded to us with contract sum of RM500,000 and above and we shall pay a levy at the rate of 0.125% of the contract sum.

CIDB took disciplinary action against us on 22 April 2019 and 30 December 2020 for failure to pay the levy imposed on 2 projects in a timely manner. The delay in payments was due to lapses in our Group's internal control.

As at the LPD, all disciplinary actions taken by CIDB against us had been withdrawn.

As a result of the above, we have since implemented the following measures to prevent occurrence of similar incidents:

- (i) standard operating procedures to define the roles and responsibilities between the Contract Department and Finance Department to monitor the timeline for levy payment;
- (ii) ensuring remittance of levy payment within 14 days and not later than 30 days or such period prescribed by CIDB; and
- (iii) performing validity checks on construction workers for valid work permits and CIDB Green Cards at the entrance of construction sites to ensure that construction workers without a valid work permits and CIDB Green Cards are not allowed to enter the construction sites.

7.25.5 Charges brought against KSB at the court

(i) Project at Serene Heights

In December 2020, officers of the Department of Labour of Peninsular Malaysia (Bangi Labour Office) conducted an inspection at KSB's construction site at Serene Heights at Semenyih, Selangor. Pursuant to the said inspection, the officers issued a summon for KSB to appear before the court at Bangi Labour Office pursuant to Section 27(3) of the EMSH, which confers power on the officers to request KSB to provide information.

On 21 December 2020, Tan Ah Kee, together with the Human Resource Manager of KSB attended before the court. As a result of the court hearing, KSB was compounded with an amount of RM12,000 for breach of the Employment Act 1995 for failure to issue employment contract to its foreign construction workers. The compound has been settled by KSB on 29 December 2020 and there are no subsequent actions taken against KSB.

(ii) Project at Setia Safiro

In December 2020, officers of the Department of Labour of Peninsular Malaysia (Bangi Labour Office) conducted an inspection at KSB's construction site at Setia Safiro at Cyberjaya, Selangor. Pursuant to the said inspection, the officers issued a summon for KSB to appear before the court at Bangi Labour Office pursuant to Section 79 of the Employment Act 1955, which confers power on the officers to request KSB to provide information.

On 28 December 2020, the Human Resource Manager of KSB attended before the court. As a result of the court hearing, KSB was compounded with an amount of RM18,000 for breach of the Employment Act 1995 for failure to issue employment contract and salary slip to the foreign workers involved. The compound has been settled by KSB on 8 January 2021 and there are no subsequent actions taken against KSB.

7. BUSINESS OVERVIEW (CONT'D)

The above non-compliances were due to lapses in our Group's internal control. Pursuant to the above, KSB has implemented the following measures to prevent occurrence of similar incidents:

- (i) established a foreign worker management policy and procedures;
- (ii) created employees' personnel file for each foreign construction worker which contains copies of the acknowledged contract of employment, passport, valid working visa and CIDB Green Card;
- (iii) ensure that foreign workers' wages are paid on time and in accordance with the Employment Act 1995; and
- (iv) cease the back-charging of levy payment to foreign workers.

7.25.6 Fatal accident at site

On 14 June 2020, there was a fatal accident involving a foreign construction worker at one of our construction site in Shah Alam, Selangor which resulted from unauthorised usage of electricity at our Group's store cabin. This incident was immediately reported to our Group's Safety and Health Officer and notified to DOSH on the same day.

Pursuant to the investigation conducted by DOSH, the said incident was classified under non-occupational death as the fatal accident was caused by the own negligence of the foreign construction worker despite control measures have been implemented by our Group. There were no fines and penalties, or further investigations conducted by the authorities on this incident.

Although we had control measures in place at our construction sites at the time when the accident occurred, we have nevertheless implemented additional safety measures to further strengthen the control measures.

7.25.7 Tax penalty

On 11 February 2021, KSB received a letter from the Inland Revenue Board of Malaysia ("IRB") (Shah Alam Tax Investigation Branch) for the commencement of tax investigation on tax submissions for the years of assessment from 2017 to 2019.

Following the completion of the investigation by IRB, KSB was informed vide IRB's letter dated 8 August 2022 that there was tax undercharged or not charged for the years of assessment 2017 to 2021 amounting to approximately RM0.3 million. Due to the protracted review period by the IRB of more than a year, the IRB has extended the years of assessment to include years 2020 and 2021. Consequently, a penalty of approximately RM0.1 million was imposed by the IRB under Section 113(2) of the Income Tax Act 1967.

On 26 July 2022, KSB entered into a composite agreement with the Director General of IRB in accordance with Section 96A(1) of the Income Tax Act 1967 whereby KSB agreed to settle the total amount of tax and penalty of approximately RM0.4 million before 30 July 2022. KSB had written to the IRB on 29 July 2022 requesting for the above sum to be fully set-off against its tax credit for the years of assessment 2019 and 2020 of approximately RM5.6 million and it was fully settled on 11 August 2022.

The tax undercharged or not charged was due to certain expenses such as staff welfare, bank charges, stamping fees and interest income, which were not eligible for deduction for income tax purposes. Going forward, we will seek guidance from our tax agent to ensure that all deductions claimed are in line with tax legislation.

7. BUSINESS OVERVIEW (CONT'D)

7.26 COMPETITION LAW

The Competition Act 2010 is enacted to promote economic development by promoting and protecting the process of competition and protecting the interests of consumers to encourage efficiency, innovation and entrepreneurship, which promotes competitive prices, improvement in the quality of products and services and wider choices for consumers.

As such, the Competition Act 2010 prohibits anti-competitive agreements (horizontal or vertical agreements) that have the object or effect of significantly preventing, restricting, or distorting competition in any market for goods or services in Malaysia. Further, the Competition Act 2010 also prohibits any conduct by enterprises that amount to an abuse of dominant position in any market for goods or services in Malaysia. A dominant position means a situation in which one or more enterprises possess such significant power in a market share to adjust prices or outputs or trading terms, without effective constraint from competitors or potential competitors. In general, an enterprise with a market share of above 60% may be dominant.

For the Financial Years/Period Under Review and up to the LPD, we are not aware of nor have we been subject to any investigation by Malaysia Competition Commission or allegations/complaints or are involved in any legal proceedings relating to a breach of the Competition Act 2010.

Furthermore, we are not in a dominant market position to prevent, restrict or distort competition, or influence prices based on the following:

- (i) our Group operates in a sizeable industry where the market size of the residential construction sector in Malaysia in 2021 was RM26.8 billion while the market size of the non-residential sector was RM31.4 billion. Our market share was estimated at 1% for residential construction and less than 1% for non-residential construction (*Source: IMR Report*);
- (ii) there is a large number of operators in the construction industry where our Group operates. As of 2 December 2022, there were 8,870 Grade G7 contractors that are registered with CIDB, of which 3,073 contractors were based in Selangor (*Source: IMR Report*); and
- (iii) we have to participate in tenders and compete with other peers to secure our projects.

8. INDUSTRY OVERVIEW

2 December 2022

The Board of Directors
Kumpulan Kitacon Berhad
No. 24, Jalan Rengas
Taman Selatan
41200 Klang
Selangor

Vital Factor Consulting Sdn Bhd
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Website: www.vitalfactor.com

Dear Sirs and Madam

Independent Assessment of the Construction Industry in Malaysia

We are an independent business consulting and market research company in Malaysia. We commenced our business in 1993 and, among others, our services include the development of business plans incorporating financial assessments, information memorandums, commercial due diligence, feasibility and financial viability studies, and market and industry studies. We have been involved in corporate exercises since 1996, including initial public offerings and reverse takeovers for public listed companies on Bursa Malaysia Securities Berhad (Bursa Securities), acting as the independent business and market research consultants.

We have been engaged to provide an independent industry assessment on the above for inclusion into the prospectus of Kumpulan Kitacon Berhad concerning its proposed listing on the Main Market of Bursa Securities. We have prepared this report independently and objectively and had taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, availability of up-to-date information, secondary information and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibility for the decisions or actions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the securities of any company.

Our report may include assessments, opinions and forward-looking statements, which are subject to uncertainties and contingencies. Note that such statements are made based on, among others, secondary information and primary market research, and after careful analysis of data and information, the industry is subject to various known and unforeseen forces, actions and inactions that may render some of these statements to differ materially from actual events and future results.

Yours sincerely

Wooi Tan
Managing Director

Wooi Tan has a degree in Bachelor of Science from The University of New South Wales, Australia and a degree in Master of Business Administration from The New South Wales Institute of Technology (now known as University of Technology, Sydney), Australia. He is a Fellow of the Australian Marketing Institute and Institute of Managers and Leaders. He has more than 20 years of experience in business consulting and market research, as well as assisting companies in their initial public offerings and listing on Bursa Securities.

8. INDUSTRY OVERVIEW (CONT'D)



Date of Report: 2 December 2022

INDEPENDENT ASSESSMENT OF THE CONSTRUCTION INDUSTRY IN MALAYSIA

1. INTRODUCTION

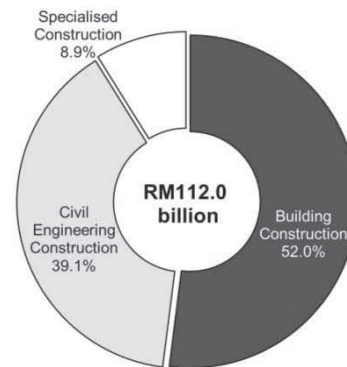
- Kumpulan Kitacon Berhad, together with its subsidiary, Kitacon Sdn Bhd, (herein referred to as Kitacon Group) is mainly involved in the construction of residential and non-residential buildings mainly in Selangor, which will form the focus of this report. The majority of Kitacon Group's revenue for the FYE 2021 was from the construction of residential buildings, while a small proportion was from the construction of non-residential buildings. Kitacon Group's construction of residential buildings mainly consists of landed properties such as terrace, semi-detached and detached houses, cluster houses as well as townhouses, while non-residential buildings mainly consist of commercial, industrial, purpose-built and institutional buildings.

2. OVERVIEW OF THE CONSTRUCTION INDUSTRY

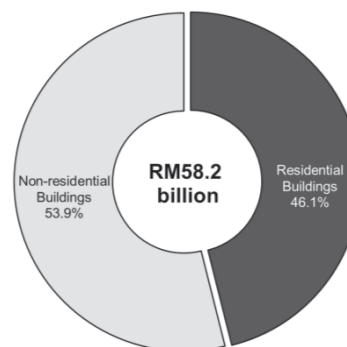
2.1 Structure of the Construction Industry

- Generally, the construction industry in Malaysia can be segmented into the following sectors:
 - **Building construction** comprises the construction of residential and non-residential buildings including new works, repairs, additions, alterations and erection of pre-fabricated buildings and structures.
 - **Civil engineering construction** refers to the construction of infrastructure for public use including roads, railways, bridges, seaports, airports and utility projects such as power plants, pipelines, power lines, communications lines, reservoirs and sewerage systems.
 - **Specialised construction** encompasses the construction of parts of buildings and civil engineering works without the responsibility of the entire project. It is usually specialised in one aspect common to different structures which require specialised skills or equipment. Some of the examples of specialised construction activities include demolition, piling and foundation works, concrete works, bricklaying, scaffolding, installation of utilities, and building completion such as plastering, glazing, wall and floor tiling, painting and carpentry.
- Kitacon Group mainly operates in the building construction segment focusing on residential buildings.

Construction Industry - 2021



Building Construction - 2021



(Source: Department of Statistics, Malaysia (DOSM))

2.2 Building Construction Segmentation

- The building construction sector is segmented as follows:
 - **Residential buildings**, which are used for dwelling purposes and include landed properties such as terrace, semi-detached and detached houses, cluster houses and townhouses, as well as low-rise and high-rise residential properties.
 - **Non-residential buildings**, which mainly comprise commercial, industrial, leisure and institutional buildings such as government, educational and healthcare facilities.

8. INDUSTRY OVERVIEW (CONT'D)

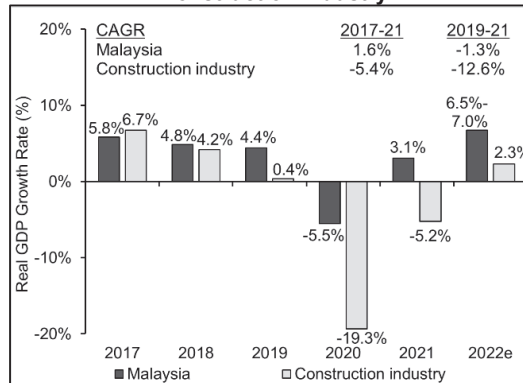


3. PERFORMANCE OF THE CONSTRUCTION INDUSTRY

3.1 Malaysia's Economy and the Construction Industry

- Real GDP measures the gross value added to the output of goods and services indicating its overall size in monetary terms without the effects of inflation or deflation. In 2020, the real GDP of the construction industry and Malaysia's economy declined by 19.3% and 5.5% respectively as a result of containment measures following the COVID-19 pandemic.

Real GDP Growth of Malaysia's Economy and Construction Industry



(Source: DOSM and Ministry of Finance (MoF))

- In 2021, Malaysia's economy recovered to grow by 3.1% despite the reimposition of containment measures as more essential economic sectors were allowed to operate (Source: Bank Negara Malaysia (BNM)). For the first 9 months of 2022, the Malaysian economy grew by 9.3% in terms of real GDP compared to the corresponding period in 2021, mainly supported by growth in the domestic economy, steady expansion in the external sector and continued improvement of the labour market conditions. The real GDP of Malaysia's economy is estimated to grow between 6.5% and 7.0% in 2022 with a forecast real GDP growth between 4.0% and 5.0% in 2023. (Source: MoF)
- Meanwhile, in 2021, the construction industry declined by 5.2% as the industry faced limitations on operating capacity due to movement restrictions and foreign labour shortages which were exacerbated by the closure of international borders arising from the COVID-19 pandemic (Source: BNM). For the first 9 months of 2022, the real GDP of the construction industry grew by 3.3% compared to the corresponding period in 2021 (Source: DOSM). The real GDP of the construction industry is estimated to grow by 2.3% in 2022, supported by the expected recovery in the second half of the year attributed to positive growth in all subsectors. In 2023, the real GDP of the construction industry is projected to grow by 4.7%. (Source: MoF)

3.2 Construction Work

- The value of construction work completed indicates the overall performance of the construction industry including the residential and non-residential segments.

Value of Building Construction Work Completed by Sectors

	2017	2018	2019	2020	2021	Change (2020-21)	CAGR (2017-21)	CAGR (2019-21)
	RM million							
Malaysia ⁽¹⁾	138,452	145,547	146,372	117,918	111,982	-5.0%	-5.2%	-12.5%
Residential	39,317	36,592	35,752	29,609	26,845	-9.3%	-9.1%	-13.3%
Non-residential	41,552	41,201	37,558	31,127	31,391	0.8%	-6.8%	-8.6%
Selangor ⁽¹⁾	31,511	31,965	36,753	31,098	27,827	-10.5%	-3.1%	-13.0%
Residential	11,548	10,028	9,388	8,484	8,468	-0.2%	-7.5%	-5.0%
Non-residential	9,962	8,481	9,047	7,879	7,182	-8.9%	-7.9%	-10.9%

CAGR = Compounded annual growth rate; ⁽¹⁾ Total comprising the sum of residential and non-residential, as well as civil engineering and specialised construction which are not provided in the table. **Notes:** (a) All units in RM million except percentages; (b) All construction work completed covers main contractors with project value of RM500,000 and above, and registered with the Construction Industry Development Board (CIDB) (Source: DOSM).

8. INDUSTRY OVERVIEW (CONT'D)



- In 2021, the residential and non-residential sectors collectively accounted for 52.0% of the construction work completed in Malaysia. In 2021, the value of construction work completed in Malaysia for the residential segment declined by 9.3%, while the non-residential segment grew by 0.8% compared to 2020. The decline in the residential segment was mainly due to the COVID-19 containment measures including limitations on operating capacity.
- In Selangor, the value of the residential segment declined at a lower rate of 0.2%, while the non-residential segment declined by 8.9% in 2021. In 2021, Selangor accounted for the highest value of building construction work completed in Malaysia, at 24.8%.
- For the first 9 months of 2022, the value of construction work completed for the residential segment in Malaysia grew by 2.8%, while the non-residential segment grew by 18.6% compared to the corresponding period in 2021. Meanwhile, in Selangor, the value of the residential segment declined by 4.5%, while the non-residential segment grew by 12.8% compared to the corresponding period in 2021. (Source: NAPIC)

4. PERFORMANCE OF THE PROPERTY DEVELOPMENT INDUSTRY

The building construction industry is also dependent on the performance of the property development industry. The following section assesses the performance of the said industry.

4.1 Residential Property Transactions

Residential Property Transactions*								
	2017	2018	2019	2020	2021	Change (2020-21)	CAGR (2017-21)	CAGR (2019-21)
Malaysia								
Volume (Units)	194,684	197,385	209,295	191,354	198,812	3.9%	0.5%	-2.5%
Value (RM mil)	68,463	68,748	72,407	65,874	76,902	16.7%	2.9%	3.1%
Selangor								
Volume (Units)	47,551	47,715	51,981	44,034	48,755	10.7%	0.6%	-3.2%
Value (RM mil)	22,584	22,983	25,432	21,722	26,491	22.0%	4.1%	2.1%

*Include sales of new and sub-sale properties. (Source: National Property Information Centre (NAPIC))

- In 2020, the volume of residential property transactions (including new and secondary properties) in Malaysia declined by 8.6% compared to 2019, due to the adverse impact of the COVID-19 pandemic. In 2021, the volume of residential properties transacted in Malaysia recovered to grow by 3.9%, mainly supported by the uptrend in the volume of transactions recorded in, among others, Selangor (Source: NAPIC). In 2021, the growth in the residential sector in Malaysia was supported by the extended Home Ownership Campaign to encourage first-home buyers. For the first 9 months of 2022, the volume of residential properties transacted in Malaysia and Selangor grew by 34.6% and 28.9% respectively as compared to the corresponding period in 2021 (Source: NAPIC).
- In 2021, residential properties accounted for 66.2% (198,812 units) of the total volume of properties transacted in Malaysia. Out of the 198,812 units of residential properties transacted in Malaysia, Selangor accounted for 24.5% or 48,755 transactions. In 2021, the increase in the volume of residential properties transacted in Selangor by 10.7% was mainly contributed by properties priced between RM300,001 and RM500,000. In 2021, residential properties priced at RM300,000 and below represented 36.9% of the total volume of residential properties transacted in Selangor (Source: NAPIC).

8. INDUSTRY OVERVIEW (CONT'D)



- Between 2019 and 2021, the volume of landed residential properties transacted in Selangor, including terrace houses, semi-detached houses, detached houses, townhouses, cluster houses and low-cost houses, declined at an average annual rate of 0.7%. In 2021, the volume of landed residential properties accounted for 62.8% of the total residential properties transacted in Selangor (*Source: NAPIC*).

4.2 Commercial Property Transactions

Commercial Property Transactions*								
	2017	2018	2019	2020	2021	Change (2020-21)	CAGR (2017-21)	CAGR (2019-21)
Malaysia								
Volume (Units)	22,162	23,936	25,654	20,255	22,428	10.7%	0.3%	-6.5%
Value (RM mil)	25,439	29,514	28,985	19,530	27,941	43.1%	2.4%	-1.8%
Selangor								
Volume (Units)	5,154	5,431	6,394	4,779	6,021	26.0%	4.0%	-3.0%
Value (RM mil)	6,612	7,058	9,014	5,420	7,056	30.2%	1.6%	-11.5%

*Include sales of new and sub-sale properties. (*Source: NAPIC*)

- In 2021, commercial properties (including new and secondary properties) in Malaysia registered an increase of 10.7% in volume compared to 2020, mainly due to an increase in transactions involving shops as well as serviced apartments. In 2021, Selangor accounted for 26.8% of the total volume of commercial properties transacted in Malaysia. For the first 9 months of 2022, the volume of commercial properties transacted in Malaysia and Selangor continued to grow by 54.2% and 60.1% respectively compared to the corresponding period in 2021 (*Source: NAPIC*).
- In Selangor, commercial properties transacted grew by 26.0% in volume in 2021 mainly due to transactions involving serviced apartments. In 2021, shops and shop units/retail lots accounted for 47.2% of the total volume of commercial properties transacted in Selangor. Between 2019 and 2021, the volume of shops and shop units/retail lots transacted in Selangor declined at an average annual rate of 10.8% (*Source: NAPIC*).

4.3 Industrial Property Transactions

Industrial Property Transactions*								
	2017	2018	2019	2020	2021	Change (2020-21)	CAGR (2017-21)	CAGR (2019-21)
Malaysia								
Volume (Units)	5,725	6,032	6,261	4,758	5,595	17.6%	-0.6%	-5.5%
Value (RM mil)	11,642	15,013	14,846	12,763	16,964	32.9%	9.9%	6.9%
Selangor								
Volume (Units)	1,957	2,029	2,212	1,601	1,952	21.9%	-0.1%	-6.1%
Value (RM mil)	6,169	8,290	8,276	7,291	8,917	22.3%	9.6%	3.8%

*Include sales of new and sub-sale properties. (*Source: NAPIC*)

- In 2021, the total volume of industrial properties transacted in Malaysia grew by 17.6% compared to 2020. Similarly, the volume of industrial properties transacted in Selangor recovered to grow by 21.9% in 2021 mainly due to transactions involving terrace factories and warehouses. The improved industrial property market in 2021 was mainly attributed to the growing demand for warehousing and logistics facilities in line with the expansion of e-commerce. For the first 9 months of 2022, the volume of industrial properties transacted in Malaysia and Selangor continued to grow by 57.5% and 52.5% respectively compared to the corresponding period in 2021 (*Source: NAPIC*).

8. INDUSTRY OVERVIEW (CONT'D)



4.4 Future Supply

- Information on the future supply of properties can be used to indicate the demand for building construction work. The future supply consists of planned properties with building plan approvals and incoming supply comprising buildings where construction has started but has yet to be completed. Generally, the main contractor for a construction project will be appointed after the submission and approval of building plans.

Future Supply of Residential, Commercial and Industrial Properties

	Residential Supply (units)			Commercial Supply (units)			Industrial Supply (units)		
	Incoming	Planned	Future	Incoming	Planned	Future	Incoming	Planned	Future
Malaysia									
2019	443,161	441,309	884,470	147,405	198,724	346,129	4,343	7,169	11,512
2020	434,807	429,985	864,792	164,871	182,242	347,113	4,354	6,828	11,182
2021	418,501	423,296	841,797	193,319	178,469	371,788	4,316	6,701	11,017
Change(2020-21)	-3.8%	-1.6%	-2.7%	17.3%	-2.1%	7.1%	-0.9%	-1.9%	-1.5%
CAGR (2019-21)	-2.8%	-2.1%	-2.4%	14.5%	-5.2%	3.6%	-0.3%	-3.3%	-2.2%
Selangor									
2019	103,286	79,836	183,122	56,923	21,792	78,715	1,013	1,674	2,687
2020	102,919	84,531	187,450	63,093	23,978	87,071	1,320	1,698	3,018
2021	106,173	79,995	186,168	72,645	29,023	101,668	1,286	1,683	2,969
Change(2020-21)	3.2%	-5.4%	-0.7%	15.1%	21.0%	16.8%	-2.6%	-0.9%	-1.6%
CAGR (2019-21)	1.4%	0.1%	0.8%	13.0%	15.4%	13.6%	12.7%	0.3%	5.1%

Commercial units include serviced apartments, small office home office (SOHO) and purpose-built offices, which are mainly high-rise buildings; Future supply = incoming supply + planned supply. (Source: NAPIC)

- In 2021, the future supply of residential and industrial properties in Malaysia declined by 2.7% and 1.5% respectively, while the future supply of commercial properties grew by 7.1%. In Selangor, the future supply of residential and industrial properties declined by 0.7% and 1.6% respectively, while the future supply of commercial properties in Selangor grew by 16.8% in 2021.
- In 2021, landed residential properties accounted for 57.6% of the total future supply of residential properties within Selangor. Between 2019 and 2021, the future supply of landed residential properties in Selangor increased at a CAGR of 4.0% (Source: NAPIC).
- The future supply of residential, commercial and industrial properties in Malaysia declined by 8.6%, 3.0% and 1.6% respectively in the third quarter (Q3) of 2022 compared to the Q3 2021. Meanwhile, the future supply of residential properties in Selangor declined by 12.7%, while the future supply of commercial and industrial properties grew by 3.0% and 9.5% respectively in Q3 2022 compared to Q3 2021 (Source: NAPIC).

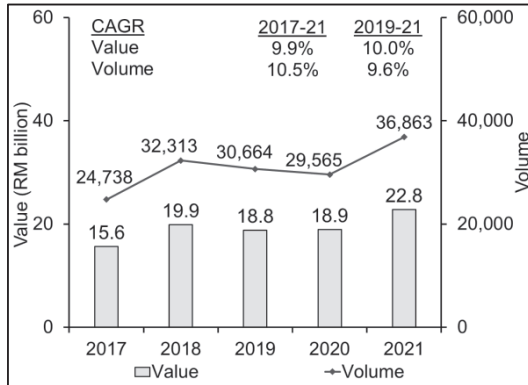
4.5 Overhang Properties

- Overhang properties refer to properties that have been completed yet remained unsold for more than nine months after they were launched. A high level of overhang properties is likely to dampen activities in building construction as developers may be discouraged from developing new properties until such time the overhang situation improves.
- In Malaysia, the volume of residential property overhang increased by 24.7% in 2021. Meanwhile, in 2021, the volume of commercial property overhang increased at a lower rate of 1.7%, while the volume of industrial property overhang declined by 18.1%.

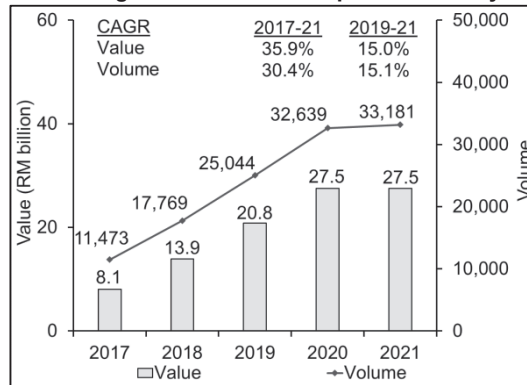
8. INDUSTRY OVERVIEW (CONT'D)



Overhang of Residential Properties in Malaysia



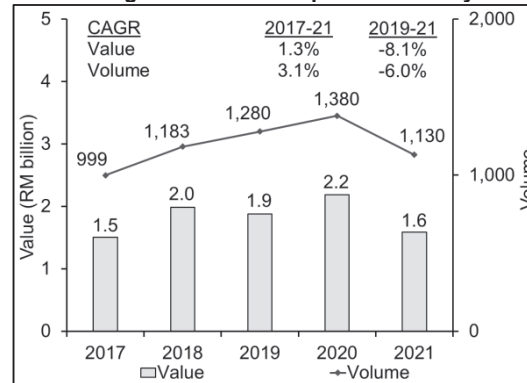
Overhang of Commercial* Properties in Malaysia



* Include shops, SoHo and serviced apartment. (Source: NAPIC)

- In 2021, the volume of residential property overhang in Selangor increased in tandem with Malaysia by 24.7%. Landed properties accounted for 32.0% of the total overhang residential units in Selangor in 2021. Within landed residential properties, properties priced at RM500,000 and above accounted for 73.4% of the total volume of landed residential property overhang in Selangor. As for the volume of commercial and industrial property overhang in 2021, Selangor registered an improvement with a decline of 0.3% and 23.1% respectively compared to 2020.

Overhang of Industrial Properties in Malaysia



(Source: NAPIC)

- The volume of residential, commercial and industrial property overhang in Malaysia improved with a decline of 2.7%, 2.4% and 17.1% in volume respectively in Q3 2022 compared to Q3 2021. Meanwhile, in Selangor, the volume of residential property overhang increased by 29.9%, while commercial and industrial property overhang declined in volume by 7.4% and 58.1% respectively in Q3 2022 compared to Q3 2021. (Source: NAPIC)
- Various government initiatives have been implemented to address the property overhang and some of these include the Home Ownership Campaign which was initially launched in 2019 and reintroduced in 2020 before it was extended to the end of 2021. The benefits include among others, a 10% discount by property developers and stamp duty exemptions.

5. DEMAND DEPENDENCIES

5.1 Monetary and fiscal policies

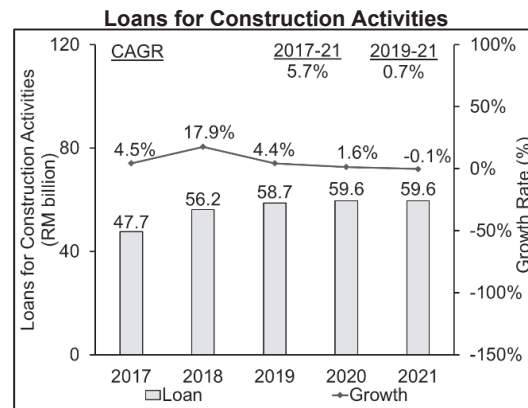
- Monetary and fiscal policies include interest rates, money supply, lending policies, balance of payments, and consumer price index, where low-interest rates and favourable lending policies will stimulate the development and purchases of properties. In 2020, BNM had reduced the Overnight Policy Rate (OPR) by a total of 125 basis points (bps) to 1.75% to support domestic economic recovery. On 3 November 2022, BNM increased the OPR to 2.75%.

8. INDUSTRY OVERVIEW (CONT'D)



5.2 Availability of Loans for Construction

- The performance of the construction industry is dependent on the availability of loans to fund construction activities, while the availability of loans is dependent on factors such as liquidity in the market, financial institutions' internal lending policies, the Government and BNM's policies and guidelines. Between 2019 and 2021, loans for construction activities grew marginally at a CAGR of 0.7%. As at October 2022, loans for construction activities declined by 0.5% as compared to October 2021 (Source: BNM).



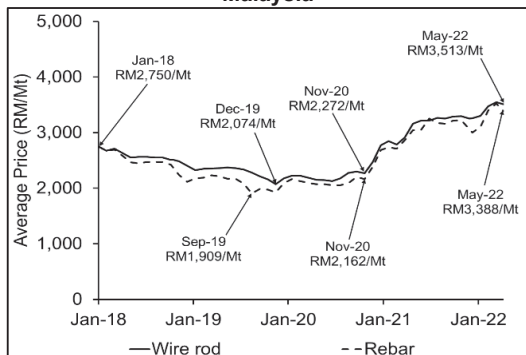
(Source: BNM)

6. SUPPLY DEPENDENCIES

6.1 Building Materials

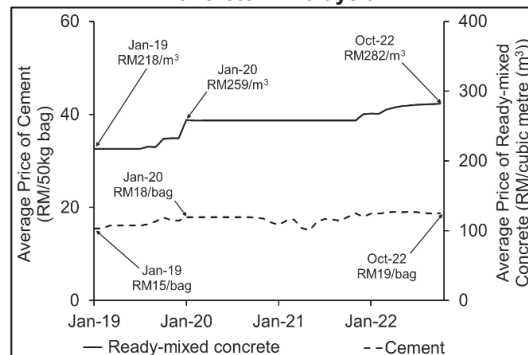
- The cost of building materials may affect companies in the construction industry as building materials represent a significant proportion of the overall construction cost.

Average Price of Wire Rods and Rebars in Malaysia



Latest available statistics. (Source: Malaysia Steel Institute)

Average Price of Cement and Ready-mixed Concrete in Malaysia



Latest available statistics. (Source: CIDB)

- Long steel products including bars, wire rods and sections are commonly used in the construction industry. Based on the latest available statistics in May 2022, the average price of wire rods increased to RM3,513/Mt from a low of RM2,074/Mt in December 2019. Meanwhile, the average price of rebars increased to RM3,388/Mt in May 2022 compared to RM1,909/Mt in September 2019 based on the latest available statistics. In November 2020, the average price of wire rods and rebars was RM2,272/Mt and RM2,162/Mt respectively. The surge in the average price of wire rods and rebars since November 2020 was mainly contributed by the increase in the prices of raw materials such as iron ore and steel scrap. In 2021, the average price of wire rods and rebars continued to rise mainly due to the demand arising from the global economic recovery and increasing raw material prices.
- Meanwhile, the average price of cement remained relatively stable with minimal fluctuations as cement is listed as part of controlled goods. As cement serves as an input for the production of ready-mixed concrete, the average price movement of ready-mixed concrete is largely aligned with that of cement. As of October 2022, the average price of cement was RM19/bag (50kg bag), while the average price of ready-mixed concrete was RM282/m³.

8. INDUSTRY OVERVIEW (CONT'D)



6.2 Labour supply

- The construction industry is one of the major employers of foreign workers. The retrenchment of foreign workers during the lockdowns and initiatives to send foreign workers back to their home country, coupled with the hiring freeze of foreign labour to create employment opportunities for local workers, have contributed to a shortage of labour across various sectors including plantation and agriculture, construction and manufacturing. Since 15 February 2022, the recruitment of foreign workers is permitted in selected sectors including among others, manufacturing, construction and agriculture.

7. COMPETITIVE ANALYSIS

7.1 Factors of competition

- The construction industry operates within a free enterprise environment where supply, demand and pricing of products and services are mainly determined by market forces rather than the Government's intervention except for controls on prices such as that for cement. Some factors that impact the intensity of competition are as follows:
 - Number of operators in the industry:** The number of operators affects the intensity of competition. Operators are required to register with CIDB under a grading system ranging from Grade 1 to Grade 7. Each grade has pre-qualifying conditions and the maximum value of projects that operators in that grade are allowed to carry out. Grade 7 has the most stringent conditions with no limit to the value of projects undertaken. As of 2 December 2022, there were 125,247 building contractors registered with CIDB, of which 8,870 were Grade 7 contractors. Out of the 8,870 Grade 7 contractors, 3,073 of them are based in Selangor. Kitacon Group is a CIDB Grade 7 building contractor.
 - Number and value of construction projects available:** The size of the construction market in terms of the number and value of projects, relative to the number of operators in the market has a bearing on competitive intensity. In 2021, the value of construction work completed in Malaysia was RM112.0 billion. Building construction represented 52.0% of the market share by value, while civil engineering and specialised construction sectors made up 39.1% and 8.9% of the total value of construction work completed respectively. For the first 9 months of 2022, the value of construction work completed in Malaysia grew by 6.6% compared to the corresponding period in 2021 (Source: DOSM).

7.2 Industry Players

The following is a selection of the public listed companies in the construction industry sorted in descending order of Group revenue.

Company Name	FYE ⁽¹⁾	Group Rev ⁽²⁾ (RM mil)	Segment Rev ⁽³⁾ (RM mil)	Group GP ⁽²⁾ (RM mil)	Group NP ⁽²⁾ (RM mil)	GP Margin ⁽²⁾ (%)	NP Margin ⁽²⁾ (%)
Kerjaya Prospek Group Bhd	Dec'21	977.0	976.6	157.2	96.9	16.1	9.9
MGB Bhd	Dec'21	593.8	577.0	97.0	26.6	16.3	4.5
Kitacon Group	Dec'21	455.5	455.5	80.9	41.8	17.8	9.2
Nestcon Bhd	Dec'21	358.3	358.3	28.5	12.2	8.0	3.4
Inta Bina Group Bhd	Dec'21	336.0	336.0	31.5	11.7	9.4	3.5
Vizione Holdings Bhd	Nov'21	286.0	219.8	42.6	-82.7	14.9	-28.9
TCS Group Holdings Bhd	Dec'21	204.0	199.2	19.7	2.5	9.7	1.2
Gagasan Nadi Cergas Bhd	Dec'21	199.3	125.3	16.9	7.3	8.5	3.7
Haily Group Bhd	Dec'21	124.1	123.8	21.9	6.3	17.7	5.0

FYE= Financial Year Ended; Rev= Revenue; GP= Gross Profit; NP= Net Profit; Bhd= Berhad.

8. INDUSTRY OVERVIEW (CONT'D)



Notes: (1) Latest available financial information. (2) Derived from construction activities and may also include other business activities. (3) Derived from construction activities and other related services including trading and provision of contract workmanship.

The selection criteria for the above list include public listed companies that are involved in the construction of landed residential properties in Malaysia with revenue exceeding RM100 million. These companies, including their subsidiaries, may also be involved in other types of construction activities including civil engineering and infrastructure projects as well as other business activities. The information above was compiled from secondary market research, annual reports, company websites and Bursa Securities. The above is not an exhaustive list and serves to indicate the performance of companies that carry out the construction of landed residential properties or activities similar to Kitacon Group.

7.3 Market Size and Share

- The market size of the building construction industry and the share of Kitacon Group are estimated as follows:

Building Construction	Malaysia	Kitacon Group	
	2021 Market Size ⁽¹⁾ (RM million)	FYE 2021 Revenue in Malaysia (RM million)	2021 Market share in Malaysia ⁽²⁾
Residential	26,845	383.1	1%
Non-residential	31,391	72.2	Less than 1%

(1) Based on the value of building construction work completed (Source: DOSM).

(2) Kitacon Group's revenue divided by the market size. (Source: Kitacon Group and Vital Factor analysis).

8. INDUSTRY CONSIDERATION FACTORS

- The construction industry is dependent upon, among others, the recovery of Malaysia's economy from the ongoing COVID-19 pandemic, and other local and global factors. Considerations also include the performance of the Malaysian property market predicated by supply, demand and overhang conditions, and socio-economic factors such as interest rates, unemployment rates, lending policies, business confidence and consumer sentiments. In addition to the eight economic stimulus packages worth RM530 billion provided by the Malaysian government, a further RM332.1 billion has been allocated to drive the recovery of the economy as indicated in the Budget 2022. Any resurgence of COVID-19 cases and reimposition of containment measures will weigh on the growth of the economy. For the first 9 months of 2022, the real GDP of Malaysia grew by 9.3% compared to the corresponding period in 2021 as domestic activities improved, external trade remained strong while labour market conditions recovered (Source: BNM). Overall, the Malaysian economy is estimated to achieve real GDP growth between 6.5% and 7.0% in 2022 and forecasted real GDP growth between 4.0% and 5.0% in 2023 (Source: MoF).
- For the first 9 months of 2022, the real GDP growth of the construction industry grew by 3.3% compared to the corresponding period in 2021 (Source: DOSM). According to MoF, the real GDP of the construction industry is estimated to grow by 2.3% in 2022 with a forecast real GDP growth of 4.7% in 2023. The civil engineering sector is anticipated to rebound through the implementation and acceleration of projects such as the Mass Rapid Transit Line 3 (MRT3) Circle Line, Rapid Transit System (RTS) Link, East Coast Rail Link (ECRL) and Light Rail Transit Line 3 (LRT3). In addition, the approved investment projects in the manufacturing sector are anticipated to increase the demand for industrial buildings, while growth in the residential sector is expected to be supported by the construction of affordable houses and government initiatives such as the Keluarga Malaysia Ownership Initiative (i-MILIKI) and Malaysia Housing Finance initiative (i-Biaya) under the Home Ownership Programme (HOPE).

8. INDUSTRY OVERVIEW (CONT'D)



- HOPE was introduced by the Ministry of Housing and Local Government alongside the MoF in 2022 to increase homeownership among the B40 and M40 groups through i-Biaya, provision of housing, programmes and promotions as well as policies. The i-Biaya initiative was launched on 14 April 2022, offering three initiatives that are an improvement to the existing schemes, namely the Housing Credit Guarantee Scheme, My First Home Scheme and Rent-to-Own (RTO) scheme, with the support of financial institutions. Additionally, i-MILIKI initiative was introduced on 15 July 2022 to provide full stamp duty exemption for first-time homeowners of properties priced RM500,000 and below, and 50% stamp duty exemption for properties priced above RM500,000 to RM1 million from 1 June 2022 to the end of 2023.
- The Malaysian government has implemented various affordable housing schemes that will benefit the construction industry. In the Budget 2022, the following were also announced:
 - Waiver of real property gains tax for disposal of properties made from the sixth year onwards;
 - RM1.5 billion provision for housing projects targeted towards low-income groups. This includes the construction of affordable housing under the (People's Housing Program) PPR, (People's Friendly Home) RMR and (Malaysia Civil Servants Housing) PPAM programmes, as well as repair and maintenance of low-cost housing; and
 - RM2.0 billion of housing credit guarantees for those without a steady income to buy homes.
- Apart from homeownership initiatives, the following were also outlined in the Budget 2022 to promote infrastructure development:
 - RM3.53 billion for the continuation and implementation of various infrastructure projects, which include, among others, Sarawak and Sabah Pan Borneo Highway, Central Spine Road project at the Paloh 2 alignment to Gua Musang, Jenang Transfer project in Kedah, Rantau Panjang floodwall, the building of highway packages from Kok Lanas to Bukit Tiu, Kota Bharu Highway to Kuala Krai, Kelantan as well as slope and road improvements (Section 2) in Jerantut, Pahang;
 - RM0.2 billion for the creation of the Infrastructure Facilitation Fund 3.0 to boost high-impact infrastructure development activities through public-private partnerships; and
 - RM2.9 billion for the implementation of small-scale projects, which include, among others, road maintenance projects, repair of infrastructure and upkeep of schools and universities as well as other projects involving rural social amenities.
- In addition, the Government has provided the following incentives/programmes through the Twelfth Malaysia Plan which is expected to facilitate growth in the construction industry:
 - Increasing the supply of affordable housing in strategic locations and a total of 500,000 affordable homes will be built and to be supported by various affordable housing schemes;
 - the RTO programme will be expanded to cover houses priced up to RM500,000 with the option to purchase the property within five years of renting to assist the B40 and M40 households to promote ownership of houses;
 - the Fund for Affordable Homes and Youth Housing Scheme where the financing will be provided by BNM and Bank Simpanan Nasional for the purchase of a first home;
 - development of new housing redevelopment guidelines using the public-private partnership model to rebuild public housing to facilitate the redevelopment of low-cost housing areas to increase the supply of better quality houses;
 - the Skim Pinjaman Perumahan will be strengthened to assist households that own the land to build affordable houses through the introduction of more attractive loan packages;
 - a model for affordable housing development based on a cost-sharing mechanism will be introduced through a collaboration between the Federal Government, state governments and private developers to manage housing construction costs; and
 - the existing Industrialised Building System incentives will be reviewed to encourage developers to use IBS technology to manage costs and improve efficiency.

9. RISK FACTORS

OUR OPERATIONS ARE ALSO SUBJECT TO A NUMBER OF FACTORS, MANY OF WHICH ARE OUTSIDE OUR CONTROL. YOU SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THIS PROSPECTUS, INCLUDING THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW, BEFORE DECIDING TO INVEST IN OUR SHARES.

9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

9.1.1 Our financial performance is dependent on our ability to secure new projects and replenish our order book

As the nature of our construction business is project-based, our revenue is derived from the execution and completion of projects. In this respect, our financial performance is dependent on our ability to secure new projects and replenish our order book, where we have to continually submit tenders to secure new projects. Revenue contribution from our building construction projects accounted for approximately 99.7% (RM579.9 million), 99.8% (RM488.5 million), 99.9% (RM455.3 million) and 97.3% (RM228.2 million) for the Financial Years/Period Under Review respectively.

As at the LPD, the total unbilled contract value of our ongoing construction projects based on contracts secured was RM853.6 million, which will sustain our business for the next 2 years up until 2024. Please refer to Section 12.5 of this Prospectus for further details of our order book. Although we have 35 ongoing projects as at the LPD, there is no assurance that we would be able to continuously secure new projects, nor can we assure that the new projects we secure will be commercially favourable to us in terms of the overall project profitability.

If we are unable to secure new projects, our order book may reduce and this may adversely affect our results of operations and financial performance. In the event of any cancellation, delay or postponement of projects in our order book and if we are unable to secure new projects in a timely manner, this may also adversely affect the results of our operations and financial performance.

9.1.2 We are dependent on a certain group of customers and our ability to retain our major customers

For the Financial Years/Period Under Review, we were dependent on certain group of customers including Sime Darby Property Group, Tropicana Aman Sdn Bhd and S P Setia Group by virtue of their revenue contribution which exceeded 10% of our total revenue for the Financial Years/Period Under Review as follows:

Major customers / Length of business relationship as at 30 June 2022	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	Revenue contribution (RM'000)	(%)	Revenue contribution (RM'000)	(%)	Revenue contribution (RM'000)	(%)	Revenue contribution (RM'000)	(%)
Sime Darby Property Group / 24 years	98,643	17.0	105,598	21.6	104,709	23.0	59,270	25.3
Tropicana Aman Sdn Bhd / 7 years	89,930	15.5	62,138	12.7	86,540	19.0	34,787	14.8
S P Setia Group / 22 years	48,903	8.4	47,458	9.7	51,869	11.4	23,907	10.2
Total	237,476	40.9	215,194	44.0	243,118	53.4	117,964	50.3

Our dependency on certain group of customers was mainly due to our continuous involvement in the construction projects across different phases of the respective customers' township developments. For the FPE 2022, revenue from Sime Darby Group, Tropicana Aman Sdn Bhd and S P Setia Group were derived from a total of 12 projects, 4 projects and 3 projects respectively.

9. RISK FACTORS (CONT'D)

Although the nature of our industry is project-based, we specialise in township construction where we will continue to bid for contracts for various parcels across different phases within the same township development as well as the same group of customers. For the avoidance of doubt, we will continue to be dependent on 3 of our major customers, namely Sime Darby Property Group, Tropicana Aman Sdn Bhd and S P Setia Group as we will continue to bid for contracts for various parcels within the same township development by these customers. Please refer to Section 7.20 of this Prospectus for further details of our major customers.

As at the LPD, we have 13 ongoing projects with a total unbilled order book of RM427.5 million with Sime Darby Property Group, Tropicana Aman Sdn Bhd and S P Setia Group and we expected to complete these projects progressively up to the FYE 2024 as set out below:

	Unbilled contract value as at the LPD (RM'000)	⁽¹⁾% of total unbilled order book (%)
Sime Darby Property Group	294,714	34.5
Tropicana Aman Sdn Bhd	120,907	14.2
S P Setia Group	11,845	1.4
Total	427,466	50.1

Note:

- (1) Calculated based on the unbilled contract value for the respective customer divided by our total unbilled order book of approximately RM853.6 million as at the LPD.

In the event of any reduction in the value of the contracts arising from a reduction in the scope of work, delay or postponement of projects, termination of contracts from the said customers or unfavourable financial performance of our customers leading to a delay in awarding new projects or termination of ongoing contracts, our future financial performance would be adversely affected. In addition, the loss in any one or more of our major customers above, if not replaced in a timely manner, would also adversely affect our results of operations and financial performance.

9.1.3 We may face unanticipated increase in the cost of construction for our projects including the cost of construction materials and labour costs as our projects are typically based on a fixed rate or lump sum contract

Our construction projects are typically based on a fixed rate or lump sum contract where the contact value and the price of the scope of work is agreed and stipulated in the contract. In the event of unanticipated cost increase during project execution where we are unable to pass on such increase to our customers, this would adversely affect our financial performance. Some of these unanticipated increase in the cost of construction may include, among others, the following:

- (i) increase in building material costs, such as steel and concrete materials which are influenced by commodity prices and subjected to price fluctuations. During the Financial Years/Period Under Review, construction materials accounted for approximately 38.7%, 40.3%, 37.9% and 45.8% of our cost of sales respectively. The average purchase price of our steel materials increased by approximately 2.8% in FYE 2020 and 34.8% in FYE 2021, while the average purchase price of our concrete materials increased by approximately 1.2% for the FYE 2020 and decreased by approximately 1.2% for the FYE 2021;
- (ii) increase in labour cost and cost of subcontracted services during periods where there is a shortage of workers. During the Financial Years/Period Under Review, labour costs accounted for approximately 4.6%, 4.6%, 5.4% and 2.0%, while subcontractor costs accounted for 48.1%, 47.2%, 48.8% and 43.2% of our cost of sales respectively; and
- (iii) increase in other product and service costs due to unanticipated increase in inflation rate.

9. RISK FACTORS (CONT'D)

Unanticipated cost increase arises due to the time gap between the estimation of project costs for submission of tenders, and the award of the tenders or contracts which may take 1 to 4 months, as well as the duration of certain projects which may take up to 36 months to complete. While we are experienced in estimating project costs for the submission of tenders, there is no assurance that we will not face any unanticipated cost increase which may adversely affect our profitability and financial performance. During the Financial Years/Period Under Review and up to the LPD, we have not experienced any significant increases in the cost of construction materials and labour costs, which had materially and adversely impacted our financial performance.

We typically place orders for the purchases of building materials at different stages of construction and all of our building materials for our construction operations are sourced from local suppliers. During the MCO period, we experienced delays in the supply of concrete materials where some of our suppliers were unable to operate. However, we did not experience any shortages of building materials that materially interrupted our operations during the Financial Years/Period Under Review. Nevertheless, there is no assurance that we would not experience any shortages of building materials in the future which may adversely affect our business operations and our financial performance.

9.1.4 We are dependent on foreign workers to undertake our construction activities

The construction industry in Malaysia relies heavily on foreign labour as a result of shortage of local workers. Our operations are highly dependent on foreign workers which are either under our employment or our subcontractors' employment. As at the LPD, we employed a total of 260 foreign workers which represents 48.1% of our total employees. All of our foreign workers are solely utilised for our own projects. In addition, we also depend on foreign workers from our subcontractors for subcontracted works, the number of which will depend on each project's requirement which may change from time to time.

Hiring of foreign workers in the construction industry is allowed by the Government, subject to compliance with the applicable employment and immigration laws. As a result of restriction imposed on the hiring of foreign workers during the COVID-19 pandemic, the Government announced a freeze in the new intake of foreign labour which took effect in July 2020. This reduced the number of foreign workers to prioritise local workers for employment opportunities which resulted in the shortage in the supply of foreign workers in the construction industry. Since 15 February 2022, the recruitment of foreign worker is permitted in selected sectors including, among others, manufacturing, construction and agriculture. We had submitted application for 500 foreign construction workers and the said application was approved by the Ministry of Human Resources on 21 June 2022. Subsequently, we have entered into a 1-year placement agreement for Indonesian migrant workers with an Indonesian agency on 18 August 2022 for the hiring of foreign construction workers progressively.

As such, any adverse changes to the policies relating to the employment of foreign workers in the construction industry between Malaysia and the countries from which our foreign workers are sourced or any significant increase in labour wages, may adversely affect our business operations and financial performance. During the Financial Years/Period Under Review and up to the LPD, we have not experienced any material impact from either changes in the policies relating to employment of foreign workers, increases in labour wages or any issues relating to the sudden deportation of foreign employees. Nevertheless, there can be no assurance that our business operations and financial performance will not be materially and adversely affected arising from any changes in policies relating to the employment of foreign workers in the future.

In addition, the Minimum Wages Order 2022 was gazetted on 27 April 2022 and the implementation of the monthly minimum wage of RM1,500 took effect on 1 May 2022. The new minimum wage is applicable to (i) employer who employs 5 or more employees; and (ii) all employers who carry out professional activities regardless of the number of employees. We have complied with the minimum wage rates since 1 May 2022 and the implementation of the minimum wage rates does not have a material impact on our results of operations and financial performance. Pursuant to the implementation of the said minimum wage, there were no material changes to our overall labour cost as the monthly average labour cost per worker is above RM1,500 before the implementation of the Minimum Wages Order 2022.

9. RISK FACTORS (CONT'D)

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

We engage subcontractors to perform certain works such as, among others, building and structural works, mechanical and electrical works, architectural works and other related services. Subcontractor costs accounted for approximately RM227.3 million (49.9%), RM193.0 million (49.1%), RM176.6 million (48.7%) and RM88.1 million (45.3%) of our total purchases for the Financial Years/Period Under Review respectively.

We select subcontractors for our construction projects via closed tenders and by way of letter of award after taking into consideration their track record, financial strength, workmanship, efficiency, reliability, capacity and pricing. The scope of subcontracting works as well as terms and conditions including retention sum and completion time period are stipulated in the contract awarded to the subcontractors. This allows us to claim for any damages or compensation in the event of non-performance or late performance by our subcontractors.

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

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

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

Our construction works must be completed within the timeframe specified in the contracts with our customers. Any delay in the completion of our construction works will result in project cost overruns, as well as potential liquidated damages claims from our customers. Delay in a project may occur from time to time due to various unforeseen factors including delay in obtaining permits or approvals from regulatory authorities, issues relating to engineering, safety or site conditions, adverse weather conditions such as flood or haze, force majeure events such as terrorist acts, governmental action, epidemics and natural disasters, shortage of raw materials or labour, and changes in government policies relating to foreign labour. In the event that we encounter any unforeseen factors that may cause a delay in the construction project, we will seek EOT from the customer.

For the FYE 2020, we experienced LAD claims for the Emerald West (Chloe Residence) Project and Bandar Seri Coalfields (Jardin Residences) Project which amounted to RM20,250 and RM10,000 respectively. In addition, we experienced LAD claims for the FYE 2021 for the construction of show units for the Taman Putra Prima (Diamond) Project and Tropicana Aman (Triana) Project which amounted to RM75,000 and RM18,000 respectively. The LAD claims were resulted from the delays in completion of these projects which exceeded not more than 27 days from the agreed completion dates due to misjudgement in project scheduling for the completion of these projects. These LAD claims were not material as they accounted for less than 0.3% of our PAT for the FYE 2020 and FYE 2021, and as such, we did not pursue the LAD claims from our subcontractors.

9. RISK FACTORS (CONT'D)

In addition, we also have outstanding trade receivables amounting to RM0.7 million which are pending finalisation and issuance of the EOT from Rawang Lakes Sdn Bhd for the Bandar Tasik Puteri (Acacia Park) Project. Further details of the outstanding trade receivables and nature of the potential LAD claim are set out in Section 12.4.8(i) of this Prospectus. In the event the EOT is not granted by our customer, this may give rise to potential LAD claims amounting to RM0.7 million from the said customers, which is not expected to be material and represented less than 1.7% of our PAT for the FYE 2021. As at the LPD, the EOT application is still being assessed and we are not aware of any indication that the EOT will not be approved. In any event, we will not be pursuing the LAD claims from our subcontractors.

There is no assurance that we will not experience any delay in our ongoing and future projects resulting in claims for LAD which may materially and adversely affect our financial performance.

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

The DLP for our contracts with our customers generally ranges from 12 to 36 months from the issuance of CPC. Our customers retain the entire retention sum throughout the contract period until the issuance of CPC by the architect, upon which half of the retention sum will be released, followed by the remaining half upon issuance of CMGD at the end of the DLP. During the DLP, we shall repair, rectify and make good any defect which may surface or be identified at our own cost. For materials supplied by our suppliers or works undertaken by our subcontractors, we will require them to either replace defective materials or restore defective work to the required standard without additional cost to us.

The terms of our letter of awards to subcontractors allow us to claim for any damages or compensation in the event of non-performance, late performance or poor performance by our subcontractors. To the extent that we are unable to seek recourse from our suppliers and subcontractors, we would be liable for the repair costs and damages which will in turn increase our construction costs for the projects. If such defects are material, our business operations and financial performance will be materially and adversely affected.

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

9.1.8 Our business operations and financial performance may be affected by prolonged contagious or any virulent diseases such as COVID-19

The outbreak of COVID-19 or any epidemic or pandemic may potentially affect our business operations. Between March 2020 and the LPD, there were several MCO measures implemented including full and partial lockdown containment measures and restrictions imposed.

Impact on our business and financial conditions for the FYE 2020

Our business operations were temporarily suspended for 34 days from 18 March 2020 to 20 April 2020 during the first MCO, where our revenue declined by 35.9% from the preceding month to RM29.5 million in March 2020 (February 2020: RM46.0 million) and no revenue was recorded in April 2020. The decline was mainly attributed to the temporary suspension of our building construction projects from 18 March 2020 to 20 April 2020. Although we gradually resumed on-site operations on between 21 April 2020 and 24 April 2020, we were only operating at 50% capacity. In May 2020, we carried out operations at full capacity according to standard operating procedures, and recorded a revenue of RM30.5 million. Our revenue further improved to RM44.3 million in June 2020.

9. RISK FACTORS (CONT'D)

Impact on our business and financial conditions for the FYE 2021

During the FYE 2021, our business operations were temporarily suspended during the full MCO period which was imposed from 1 June 2021 as well as the enhanced MCO period between 3 July 2021 to 16 July 2021. We gradually resumed on-site operations between 1 June 2021 and 5 July 2021 upon obtaining approvals from the relevant authorities and operated according to the specified capacity. The temporary suspension and the reduced capacity operations during these periods had affected our business operations and were also reflected in the lower revenue of RM13.8 million in June 2021 and RM14.8 million in July 2021, as compared to RM43.5 million in May 2021. Subsequently, our revenue recovered by 78.6% to RM26.4 million in August 2021 and 47.9% to RM39.0 million in September 2021.

Impact on our supply chain

Our supply chain is, to a certain extent, affected during the MCO periods between the FYE 2020 and FYE 2021. We experienced an interruption of supply and a slowdown in the delivery of our construction materials as certain suppliers were unable to operate during the said periods.

The above temporary suspensions of business operations had delayed our construction projects, and extensions of time for completion of projects were sought from and approved by our customers. Nonetheless, these suspensions had not materially affected the progress and completion of our construction projects. Please refer to Section 7.14 of this Prospectus for further details on the material interruptions to our business and operations pertaining to the COVID-19 pandemic.

On 23 October 2020, the Malaysian government gazetted the Temporary Measures for Reducing the Impact of Coronavirus Disease 2019 (COVID-19) Act 2020 ("**COVID-19 Act**") (effective from 18 March 2020) which was targeted to provide temporary relief to businesses and individuals who were unable to perform their contractual obligations due to COVID-19. Section 7 under Part III of the COVID-19 Act provides that the inability of any party to perform any contractual obligations arising from the contracts specified in the schedule under the COVID-19 Act including, among others, construction work contract, shall not give rise to the other party or parties exercising his or their rights under the contract.

The date of operation of Part II of the COVID-19 Act was extended from 1 January 2021 to 31 March 2021 pursuant to the COVID-19 Act (Extension of Operation) Order 2020. It was further extended from 1 April 2021 to 30 June 2021, from 1 July 2021 to 31 December 2021 and from 1 January 2022 to 22 October 2022 pursuant to the COVID-19 Act (Extension of Operation) Order 2021, COVID-19 Act (Extension of Operation) (No.2) Order 2021 and COVID-19 Act (Extension of Operation) (No.4) Order 2021, respectively.

Under the said extension orders, any dispute in respect of inability to perform any contractual obligations with or by our customers, suppliers, sub-contractors arising from construction-related matters from 18 March 2020 to 22 October 2022 may be settled by mediation. However, in the event that any party to the mediation fails to agree to the terms of the settlement agreement at the conclusion of any mediation, our Group may still end up pursuing the matter in the courts. Similarly, if there is any action filed against us by our customers, suppliers or sub-contractors, as the case may be, we may end up defending the matter in court. Notwithstanding the settlement reached between the parties by way of mediation, there is no assurance that the settlement will be in the best interest of our Group.

Although our business operations were temporarily suspended during the first MCO and full MCO period, we had not experienced any claims arising from our inability to carry out construction works. As at the LPD, we do not have any cases settled or to be settled in accordance with the COVID-19 Act.

Notwithstanding the above, in the event of a prolonged COVID-19 pandemic or any other outbreaks of contagious or virulent diseases in the future, our business operation and financial performance would be materially affected.

9. RISK FACTORS (CONT'D)

9.1.9 Our business operations are dependent on our Executive Directors and Key Senior Management

We are dependent on the experience, knowledge and skills of our Executive Directors and Key Senior Management for our construction business. Our Managing Director, Tan Ah Kee, who is responsible for the overall strategic direction and business strategies, has approximately 38 years of experience in the construction industry. He is supported by our Executive Directors including our COO, Gam Boon Tin who is responsible for day-to-day management of our Group and has approximately 27 years of experience in the construction industry, as well as our CFO, Goh Yin Huat who has approximately 20 years of experience in accounting and finance matters. They are supported by our Key Senior Management, including our GMs, namely Chooi Kuen Wah and Kwo Hwa Sung, who have approximately 31 and 23 years of experience respectively in the construction industry.

The loss of services from any of our Executive Directors or Key Senior Management without suitable and timely replacement may adversely affect our business operations and financial performance. Please refer to Sections 5.1.2, 5.2.2 and 5.4.3 of this Prospectus for the profiles of our Executive Directors and Key Senior Management. As part of our management succession plan, we have identified middle management personnel to facilitate knowledge transfer and to build upon their capabilities with the intention to take on senior management positions to ensure the continuity of our operations.

9.1.10 We may not be able to renew or obtain licences and permits required to carry out our construction works

Our subsidiary, KSB, is registered with CIDB as a Grade 7 contractor which allows us to tender for construction projects in Malaysia without any limit in the value of the construction work. Our Certificate of Registration is subject to compliance of restrictions and conditions imposed under the CIDB Act. Failure to comply with such restrictions and conditions could result in the suspension, revocation, or non-renewal of our Certificate of Registration, which will in turn materially and adversely affect our business activities, reputation and financial performance.

During the Financial Years/Period Under Review, we were compounded by CIDB with fines for failing to ensure that our construction site supervisor or skilled construction worker was accredited and certified by CIDB to carry out construction works. CIDB had also taken disciplinary actions against us for failing to ensure that some of our construction workers possess valid Green Cards, and failing to pay levy on certain awarded contracts in a timely manner to CIDB. As at the LPD, all disciplinary actions against us have been withdrawn by CIDB. Please refer to Section 7.25.4 of this Prospectus for further details of the disciplinary actions taken by CIDB against KSB during the Financial Years/Period Under Review.

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

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

9.1.11 Our business may be exposed to liquidity risk as a result of delays in collection or non-recoverability of trade receivables

The normal credit term granted to our customers is 30 days. Our trade receivables turnover period ranged from 70 days to 109 days during the Financial Years/Period Under Review, which was higher than the normal credit term granted to our customers. In the event of extended delays in payment from our customers, this may affect our cash flow and working capital. Moreover, the process to recover payments due can also be time-consuming. Our inability to collect trade receivables on a timely basis could adversely affect our results of operations and financial performance. Please refer to Section 12.4.8(i) of this Prospectus for further details of our trade receivables turnover period.

9. RISK FACTORS (CONT'D)

Generally, we consider that a default has occurred when a trade receivable is more than 90 days overdue with no visibility of collection or not recoverable subsequent to the financial period. At each financial period, we assess the expected credit loss of each customer based on their financial information and past payment trends. If our customers delay or default on payment, we will have to make allowance for impairment on uncollectible trade receivables, which may affect our financial performance. We provided impairment losses on trade receivables amounting to a total of RM0.5 million during the FYE 2021 as such amount relates to long outstanding trade receivables from 2 customers and the recovery is uncertain and subject to performance of additional work. Out of the RM0.5 million, RM0.4 million of the trade receivables had been overdue for more than 2 years as we were unable to perform the required work pending rectification of slope failure issue by the customer. The remaining RM0.1 million is in respect of defect works which we did not perform as the repair cost was estimated to exceed the said outstanding amount.

9.1.12 We may be exposed to the risks inherent in property investment

In the past, we had entered into transactions with our customers to purchase residential, commercial and industrial properties from their development projects as and when opportunities arise. These properties were acquired primarily as a long-term investment for capital appreciation purposes. The acquisitions would also support the long-term business relationships with our customers, provided that the properties fulfil our criteria for investment such as the location and accessibility of the identified property, the prevailing conditions of the local property market, population growth in the area in which the property is located and the potential capital appreciation rate of the said property upon realisation. In some cases, we had purchased the properties from our customers to fulfil the terms of the letter of award from our customers.

During the Financial Years/Period Under Review, we had disposed of a total of 3 units, 25 units and 8 units of properties (which were acquired during the period between 1999 and 2020) during the FYE 2020, FYE 2021 and FPE 2022 respectively, out of which 2 units which were acquired via contra arrangement in 2001 and 2005. Please refer to Sections 6.6 and 12.3.1(iv) of this Prospectus for further details on the disposals of properties. As at the LPD, the carrying value of our investment properties, comprising 4 units of properties (of which 2 out of 4 properties are under construction), stood at approximately RM6.5 million which represented approximately 1.6% of our total assets as at 30 June 2022.

In this respect, we may be subject to the risks that are inherent in property investment including fluctuations in property prices, rental rates, competition for tenants as well as unexpected costs arising from ad hoc maintenance. In addition, we may face the risk of not being able to dispose of our investment properties due to various factors such as weak market sentiments, increase in property overhang, economic downturn as well as other unfavourable market conditions. If we are unable to dispose of our investment properties after a long holding period, it may reduce our liquidity as our financial resources are tied up in fixed assets which could otherwise be diverted to our business operations. There is also a risk that we may also incur losses if the investment properties are sold at the price lower than the market value or its purchase consideration, all of which would adversely affect our cash flow position, profitability and financial performance.

9.1.13 We are exposed to risks relating to work, safety and health at our work sites

The performance of our services is carried out by our employees and subcontractors (including their employees). These services are exposed to risks relating to work, safety and health at workplace that are beyond our control. Although we have implemented safety measures and procedures in performing our services, there is no assurance that our employees will adhere strictly to safety measures.

In 2020, we had a fatal accident involving a foreign construction worker at one of our construction sites which resulted from unauthorised usage of electricity at our store cabin. Pursuant to the investigation conducted by DOSH, the said incident was classified under non-occupational death as the fatal accident was caused by the own negligence of the foreign construction worker. There were no fines, penalties or further investigations by the authorities on the incident. Please refer to Section 7.25.6 of this Prospectus for further details of the fatal accident at site.

9. RISK FACTORS (CONT'D)

Any personal injuries or fatal accidents at our construction sites could result in claims or legal proceedings against us. We may also be subject to fines and penalties, investigation by DOSH or any other relevant authorities or prohibition notices and stop-work orders issued by the relevant authorities which may result in suspension of projects or interruptions to our business operations and delay in the completion of our projects.

Although we have put in place control measures at our construction sites, there is no assurance that we are able to prevent accidents from occurring. In the event there are any fines and penalties issued or investigation conducted by DOSH in relation to accidents at workplace that occurred beyond of our control, our business operations and financial performance may be adversely affected.

9.1.14 We are subject to regulatory requirements for our business operations

Our business is subject to various laws, rules, and regulations. In the event of non-compliance, these licences and approvals may be revoked or may not be renewed upon expiry. Similarly, any breach of these conditions, laws and regulations can result in penalties, fines, potential prosecution against us and/or our directors, restrictions on operations and/or remedial liabilities.

Pursuant to Section 24D(1) of the EMSh, no accommodation shall be provided to an employee unless certified with a Certificate for Accommodation. KSB provides such accommodation to our foreign workers at our project sites and as such, Certificates for Accommodation are required to be obtained by KSB in respect of these sites. Section 24D(3) of the EMSh provides that an employer who contravenes Section 24D(1) of the EMSh commits an offence and shall, on conviction, be liable to a fine not exceeding RM50,000.

As at the LPD, we have not obtained Certificates for Accommodation for 2 out of 31 construction sites in which KSB provides accommodation to its foreign workers. The applications for the Certificate for Accommodation are in various stages of approval and will be obtained progressively. Please refer to Section 7.25.1 of this Prospectus for further details.

If we fail to obtain the Certificate for Accommodation, on conviction, we shall be liable to a fine not exceeding RM50,000 for each location. In addition, our business operations may be temporarily affected as we will be required to relocate our foreign workers to new accommodation locations.

9.1.15 We are subject to the risk of insurance claims against our assets, employees and construction projects

We are exposed to operational risks including accidents at the project sites as well as physical damages to our construction equipment. As part of our operational practice, we have maintained certain insurance policies including, among others, contractors' all risks insurance (which covers us against damages to contract works or property, and third party liability in the event of accidental bodily injury of third party or accidental loss or damage to property belonging to third party) and workmen's compensation insurance for each of our projects, coverage for our construction equipment, fire, burglary and public liability insurance for our business operations and personal accident insurance for our employees. While we have insurance coverage for various aspects of our business, there is no assurance that it is sufficient to cover all the losses, damages or liabilities that we may suffer in the course of our business operations. Any losses or damages in excess of our insured sum or in areas for which we are not insured at all could have an adverse effect on our business operations, financial performance and results of operations.

For the Financial Years/Period Under Review and up to the LPD, there has been no material insurance claims against us. Our insurance claims during this period amounting to approximately RM1.7 million were due to, among others, the loss of construction materials due to theft or damages to construction sites due to weather conditions, all of which did not materially affect our business operations and financial performance.

9. RISK FACTORS (CONT'D)

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We are exposed to the inherent risk in the construction industry

We are involved in the construction of buildings mainly for the private sector. As we will continue to serve this sector, our business is subject to the inherent risks in the construction industry which include, among others, the following:

- (i) general economic conditions, where a slowdown in the economy may cause:
 - (a) an increase in unemployment, low or no wage increases, reduction in consumer wealth and consumer confidence resulting in a lower demand for residential property investment and purchases; and
 - (b) a slowdown in commercial and industrial activities resulting in a lower demand for commercial and industrial properties;
- (ii) performance of the property market including property overhang where unsold properties in the residential and commercial sectors may slowdown the launching of new property developments;
- (iii) shortage of labour and increase in labour cost resulting in delays in construction work and higher construction costs;
- (iv) increase in the cost of construction materials resulting in higher cost of construction and lower margins for construction companies, or higher prices of properties, including residential, commercial and industrial properties as well as infrastructure and community projects; and
- (v) changes in lending policies and practices by financial institutions would affect property developers and infrastructure owners' ability to obtain adequate funds for construction, as well as affect the access to loans for the purchases of residential, commercial and industrial properties.

Furthermore, the increase in the number of unsold residential and commercial properties in Malaysia may adversely impact new property developments, which may ultimately affect the demand for construction services. Between 2019 and 2021, the volume of unsold residential increased at a compounded annual growth rate of 9.6% from 30,664 units to 36,863 units, while volume of unsold commercial properties increased at a compounded annual growth rate of 15.1% from 25,044 units to 33,181 units (*Source: IMR Report*). Our business and financial performance may be adversely affected if the performance of the property market continues to be weighed down by oversupply conditions.

In the event of any unfavourable changes in conditions that govern or affect the construction industry, our financial performance may be adversely affected.

9.2.2 We are subject to competition from other construction companies

We are registered with CIDB as a Grade G7 contractor which enables us to undertake contracts without any restrictions on the contract value. As of 2 December 2022, there were 8,870 Grade G7 contractors that are registered with CIDB, of which 3,073 of them were based in Selangor (*Source: IMR Report*).

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

9. RISK FACTORS (CONT'D)

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

Any changes in the political, economic, social and regulatory conditions in Malaysia could adversely affect our financial performance. Our business is also susceptible to the risks of any outbreak of diseases that could result in localised epidemics or pandemics causing interruptions in our business operations while adversely affecting our financial performance. Please refer to Section 7.14 of this Prospectus for further details of the adverse impact of the COVID-19 pandemic.

Changes in the political, social, economic and regulatory conditions could arise from, among others, changes in political leadership, risks of war or civil unrest, changes in import tariffs and related duties, regulatory structures and force majeure events such as outbreak of diseases. Similarly, any global or regional economic downturn would also affect overall business and consumer confidence, sentiments as well as investments, which would subsequently affect the demand for our services. As a result, this may cause our customers to revise, defer, halt or abandon their development or expansion plans. There can be no assurance that any adverse political, social, regulatory, economic developments or force majeure events such as outbreak of diseases which are beyond our control, will not materially affect our financial performance or the performance of the construction industry in Malaysia.

9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

9.3.1 There is no prior market for our Shares and it is uncertain whether an active or sustainable market will ever develop

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

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

9.3.2 Our Share price and trading volume may be volatile

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

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

- (i) variations in our financial results and operations;
- (ii) success or failure of our management team in implementing business and growth strategies;
- (iii) gain or loss of an important business relationship;
- (iv) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;

9. RISK FACTORS (CONT'D)

- (v) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other related events or factors;
- (vi) changes in market valuations and share prices of companies with similar businesses to our Group that may be listed on Bursa Securities;
- (vii) additions or departures of our Key Senior Management;
- (viii) fluctuation in stock market prices and volume;
- (ix) involvement in litigation; or
- (x) natural disasters, health epidemics and outbreaks of contagious diseases.

There is no assurance that the market price of our Shares will not be subject to volatility due to market sentiments.

9.3.3 The interest of our Substantial Shareholders who control our Group may not be aligned with the interest of our shareholders

Upon Listing, our Substantial Shareholders will hold in aggregate 72.3% of our enlarged number of issued Shares. As a result, they will be able to effectively control the business direction and management of our Group, including the election of Directors, the timing and payment of dividends and influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law, or by relevant guidelines or regulations.

There can be no assurance that the interests of our Substantial Shareholders will always be aligned with those of our other shareholders.

9.3.4 Failure or delay in our Listing

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

- (i) our Sole Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder;
- (ii) we are unable to meet the public shareholding spread requirement of the Listing Requirements of at least 25% of our enlarged number of issued Shares to be held by a minimum of 1,000 public shareholders holding not less than 100 Shares each, at the point of our Listing; and
- (iii) the revocation of approvals from relevant authorities prior to our Listing or admission to the Official List for whatever reason.

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

- (i) if the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled, and we or such other person who received the monies shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10% per annum or at such rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (ii) if our Listing is aborted, investors will not receive any of our IPO Shares and all monies paid in respect of all applications for our IPO shares will be refunded free of interest.

9. RISK FACTORS (CONT'D)

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

- (i) if the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall forthwith be repaid without interest, and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC from the expiry of that period pursuant to Section 245(7)(b) of the CMSA; or
- (ii) if our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of our share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:
 - (a) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or
 - (b) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from our directors.

9.3.5 Uncertainty of dividend payments

Our ability to declare dividends to our shareholders is dependent on, among others, our future financial performance, cash flow position, capital requirements and other obligations, and our ability to implement our business plans. Deterioration of these factors could have an effect on our business, which in turn will affect our ability to declare dividends to our shareholders. As such, there is no assurance that we will be able to pay dividends to our shareholders.

Furthermore, dividend payments are not guaranteed and our Board may decide, at its discretion, at any time and for any reason, not to pay dividends. If we do not pay dividends, or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of any investment in our Shares may be reduced.

9.3.6 Forward-looking statements in this Prospectus may not be accurate

This Prospectus contains forward-looking statements. All statements, other than statements of historical facts, included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Group for future operations are forward-looking statements. Such forward-looking statements are made based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such factors include, among others, general economic and business conditions, competition, the impact of new laws and regulations affecting our industry and government initiatives. Forward-looking statements can be identified by the use of forward-looking terminologies such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions and include all statements that are not historical facts.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors, including COVID-19 related factors, risks and challenges, which may cause our actual results, performance or achievements of our Group, or industry results, to be materially different from any future results, performance, achievements or industry results expressed or implied by such forward-looking statements.

In light of these uncertainties, the inclusion of such forward-looking statements in this Prospectus should not be regarded as a representation or warranty by us or our advisers that such plans and objectives will be achieved.

10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Pursuant to the Listing Requirements, a “related party transaction” is a transaction entered into by a listed corporation or its subsidiaries that involves the interest, direct or indirect, of a related party. A “related party” of a listed corporation is:

- (i) a director, having the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of the listed corporation, its subsidiary or holding company or a chief executive of the listed corporation, its subsidiary or holding company;
- (ii) a major shareholder including any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed corporation or its subsidiary or holding company, having an interest or interests in 1 or more voting shares in a corporation and the number or aggregate number of those shares is:
 - (a) 10% or more of the total number of voting shares in the corporation; or
 - (b) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation; or
- (iii) a person connected with such director or major shareholder.

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10. RELATED PARTY TRANSACTIONS (CONT'D)
10.1.1 Material related party transactions

Save as disclosed below, there is no other material related party transaction entered or to be entered into by our Group for the Financial Years/Period Under Review up to the LPD:

Transacting parties	Nature of relationship	Nature of transaction	Transaction value				1 July 2022 up to the LPD
			FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FPE 2022 (RM'000)	
Kitacon and the following parties: <ul style="list-style-type: none"> • Tan Ah Kee • Teow Choo Hing • Suan Neo Capital • Lembah Reka 	Tan Ah Kee and Teow Choo Hing are our Directors and major shareholders. Tan Ah Kee is also a director and substantial shareholder of Suan Neo Capital and Lembah Reka.	Acquisition of KSB. (This is a one-off transaction pursuant to our internal reorganisation for our Listing)	-	-	-	184,401	-
KSB and QLB	Tan Ah Kee and Teow Choo Hing, who are our Directors and major shareholders, were also directors of QLB ⁽¹⁾ .	Provision of construction services by KSB to QLB.	43,599	7,704	35,282	26,803	17,265
			(Represents 7.5% of our Group's revenue for the FYE 2019)	(Represents 1.6% of our Group's revenue for the FYE 2020)	(Represents 7.7% of our Group's revenue for the FYE 2021)	(Represents 11.4% of our Group's revenue for the FPE 2022)	
KSB and Resources	Kireka Tan Ah Kee is our Managing Director and major shareholder. He and his spouse, Gan Bee King, are directors and substantial shareholders of Kireka Resources.	(i) Provision of construction services by KSB to Kireka Resources for a residential project ⁽²⁾ .	868	-	-	-	-
			(Represents 0.1% of our Group's revenue for the FYE 2019)				

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	Transaction value				1 July 2022 up to the LPD (RM'000)
			FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FPE 2022 (RM'000)	
		(ii) Sale of a 1½-storey detached factory located in Selangor by KSB (vendor) to Kireka Resources (purchaser).	-	4,065	-	-	-
				(Represents 1.6% of our Group's NA as at 31 December 2020)			
KSB and Kiharta Properties	Tan Ah Kee and Teow Choo Hing, who are our Directors and major shareholders, are also directors and substantial shareholders of Kiharta Properties.	Rental of a parcel of vacant land located in Selangor by KSB (tenant) to be used for centralised labour quarter from Kiharta Properties (landlord). (The tenancy agreement was terminated on 31 December 2021)	-	20	240	-	-
				(Represents less than 0.1% of our Group's PAT for the FYE 2020)	(Represents 0.6% of our Group's PAT for the FYE 2021)		
KSB and Suan Neo	Tan Ah Kee is our Managing Director and major shareholder. He and his spouse, Gan Bee King, are directors and substantial shareholders of Suan Neo.	Rental of shop office located in Selangor to be used for site office by KSB (tenant) from Suan Neo (landlord). (The tenancy agreement was terminated on 31 December 2021)	-	5	54	-	-
				(Represents less than 0.1% of our Group's PAT for the FYE 2020)	(Represents 0.1% of our Group's PAT for the FYE 2021)		

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	Transaction value				1 July 2022 up to the LPD (RM'000)
			FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FPE 2022 (RM'000)	
KSB and Welloyd Properties Sdn Bhd	Tan Ah Kee, who is our Managing Director and major shareholder, was also a director of Welloyd Properties Sdn Bhd.	Provision of construction services by KSB to Welloyd Properties Sdn Bhd for a residential project and an industrial project.	27,276 (Represents 4.7% of our Group's revenue for the FYE 2019)	16,674 (Represents 3.4% of our Group's revenue for the FYE 2020)	7,868 (Represents 1.7% of our Group's revenue for the FYE 2021)	-	3,342
KSB and Kiharta Development	Tan Ah Kee and Teow Choo Hing, who are our Directors and major shareholders, are also directors and substantial shareholders of Kiharta Development.	(i) Provision of construction services by KSB to Kiharta Development for 2 industrial projects.	-	-	-	8,690 (Represents 3.7% of our Group's revenue for the FPE 2022)	4,524
		(ii) Rental of a parcel of vacant land located in Selangor to be used for storage of construction equipment by KSB (tenant) from Kiharta Development (landlord). (The tenancy agreement was terminated on 31 December 2021)	420 (Represents 0.8% of our Group's PAT for the FYE 2019)	420 (Represents 1.1% of our Group's PAT for the FYE 2020)	336 (Represents 0.8% of our Group's PAT for the FYE 2021)	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	Transaction value				1 July 2022 up to the LPD (RM'000)		
			FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FPE 2022 (RM'000)			
		(iii) Sale of 2 parcels of vacant lands located in Negeri Sembilan by KSB (vendor) to Kiharta Development (purchaser).	-	-	515	-	-		
					(Represents 0.3% of our Group's NA for the FYE 2021)				
		(iv) Sale of 2 parcels of vacant lands located in Selangor by KSB (vendor) to Kiharta Development (purchaser).	-	-	2,020	-	-		
					(Represents 4.8% of our Group's PAT for the FYE 2021)				
KSB and Etika	Benteng	Tan Ah Kee is our Managing Director and major shareholder. He and his spouse, Gan Bee King, are the directors and substantial shareholders of Benteng Etika.	(i)	Provision of construction services by KSB to Benteng Etika for an industrial project ⁽²⁾ .	-	-	-	5,751	1,817
							(Represents 2.5% of our Group's revenue for the FPE 2022)		
		(ii) Sale of 3 condominium units located in Pulau Pinang by KSB (vendor) to Benteng Etika (purchaser).	-	-	3,456	-	-		
					(Represents 1.9% of our Group's NA for the FYE 2021)				

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	Transaction value				1 July 2022 up to the LPD (RM'000)
			FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FPE 2022 (RM'000)	
KSB and Terang Pertiwi	Tan Ah Kee is our Managing Director and major shareholder. He and his spouse, Gan Bee King, are directors and substantial shareholders of Terang Pertiwi.	(i) Sale of 3 terrace houses located in Selangor by KSB (vendor) to Terang Pertiwi (purchaser).	-	-	2,688	-	-
					(Represents 1.4% of our Group's NA for the FYE 2021)		
KSB and Kiharta	Tan Ah Kee and Teow Choo Hing, who are our Directors and major shareholders, are also directors and substantial shareholders of Kiharta.	(ii) Sale of a 2-storey commercial shop office located in Selangor by KSB (vendor) to Terang Pertiwi (purchaser).	-	-	1,906	-	-
					(Represents 1.0% of our Group's NA for the FYE 2021)		
KSB and Kiharta	Tan Ah Kee and Teow Choo Hing, who are our Directors and major shareholders, are also directors and substantial shareholders of Kiharta.	(i) Sale of 11 units of shop offices located in Kuala Lumpur and Selangor by KSB (vendor) to Kiharta (purchaser).	-	-	20,935	10,360	-
					(Represents 11.4% of our Group's NA for the FYE 2021)	(Represents 4.9% of our Group's NA for the FPE 2022)	
KSB and Kiharta	Tan Ah Kee and Teow Choo Hing, who are our Directors and major shareholders, are also directors and substantial shareholders of Kiharta.	(ii) Sale of a bungalow located in Selangor by KSB (vendor) to Kiharta (purchaser).	-	-	1,720	-	-
					(Represents 0.9% of our Group's NA for the FYE 2021)		

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	Transaction value				1 July 2022 up to the LPD (RM'000)
			FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FPE 2022 (RM'000)	
		(iii) Sale of 4 terrace/semi-detached houses located in Selangor by KSB (vendor) to Kiharta (purchaser).	-	-	680 (Represents 0.4% of our Group's NA for the FYE 2021)	3,350 (Represents 1.6% of our Group's NA for the FPE 2022)	-
		(iv) Sale of a factory located in Selangor by KSB (vendor) to Kiharta (purchaser).	-	-	-	8,680 (Represents 4.1% of our Group's NA for the FPE 2022)	-
KSB and Teow Choo Hing	Teow Choo Hing is our Non-Independent Non-Executive Director and major shareholder.	Sale of a condominium unit located in Pulau Pinang by KSB (vendor) to Teow Choo Hing (purchaser).	-	-	929 (Represents 0.5% of our Group's NA for the FYE 2021)	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	Transaction value				1 July 2022 up to the LPD (RM'000)
			FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FPE 2022 (RM'000)	
KSB and the following parties: <ul style="list-style-type: none"> • Tan Kow • Tan Kuan Yong • Tan Kok Xiang 	Tan Kow is the brother of Tan Ah Kee, who is our Managing Director and a major shareholder, while both Tan Kuan Yong and Tan Kok Xiang are nephews of Tan Ah Kee.	Sale of a double-storey semi-detached house located in Selangor by KSB (vendor) to Tan Kow, Tan Kuan Yong and Tan Kok Xiang (purchasers).	-	-	-	2,248	-
						(Represents 1.1% of our Group's NA for the FPE 2022)	

Notes:

- (1) The Disposal of QLB was completed in June 2022 and both Tan Ah Kee and Teow Choo Hing have resigned as Directors of QLB on 14 June 2022.
- (2) Both Benteng Etika and Kireka Resources are investment holding companies (investment in property). We provided construction services to Benteng Etika and Kireka Resources for one-off projects involving the construction of a single-storey warehouse with a 2-storey office and a single-storey store, and a bungalow respectively.

Save as disclosed below, our Directors confirm that all the related party transactions outlined above were transacted on an arm's length basis and on normal commercial terms which are not unfavourable to our Group than those generally available to third parties, and are not detrimental to the minority shareholders:

- (i) sale of a 1½-storey detached factory located in Selangor by KSB (vendor) to Kireka Resources (purchaser) at cost price;
- (ii) sale of 3 condominium units located in Pulau Pinang by KSB (vendor) to Benteng Etika (purchaser) at carrying values;
- (iii) sale of a condominium unit located in Pulau Pinang by KSB (vendor) to Teow Choo Hing (purchaser) at carrying value; and
- (iv) sale of a double-storey semi-detached house located in Selangor by KSB (vendor) to Tan Kow, Tan Kuan Yong and Tan Kok Xiang (purchasers) at carrying value.

10. RELATED PARTY TRANSACTIONS (CONT'D)

The sale of the above properties by KSB formed part of a series of property disposals to rationalise assets which are unrelated to our core business of. These disposals were transacted at their respective cost prices/carrying values, which were higher than the market value of the properties as appraised by an independent registered property valuer at the time of disposal, and were not unfavourable to our Group.

Following our Listing, our Directors will ensure that future transactions with related party (if any) will be in compliance with the Listing Requirements. The procedures to be undertaken to ensure that the future transactions with related party (if any) are carried out on an arm's length basis are set out in Section 10.2 of this Prospectus.

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

Our Group has not entered into any transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, with a related party during the Financial Years/Period Under Review up to the LPD.

10.1.3 Loans and financial assistance made to or for the benefits of related parties

Save as disclosed below, there are no other outstanding loans and financial assistance made by us to or for the benefit of any related party during the Financial Years/Period Under Review up to the LPD:

Parties	Nature of relationship	Nature of transaction	Outstanding amount				
			As at 31 December 2019 (RM'000)	As at 31 December 2020 (RM'000)	As at 31 December 2021 (RM'000)	As at 30 June 2022 (RM'000)	As at the LPD (RM'000)
KSB and Kiharta Properties	Tan Ah Kee and Teow Choo Hing, who are our Directors and major shareholders, are also directors and substantial shareholders of Kiharta Properties.	Provision of corporate guarantee by KSB in favour of Hong Leong Bank Berhad for the banking facilities granted to Kiharta Properties	5,528 (Represents 2.3% of our Group's NA as at 31 December 2019)	4,835 (Represents 1.8% of our Group's NA as at 31 December 2020)	3,184 (Represents 1.7% of our Group's NA as at 31 December 2021)	-(1)	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Parties	Nature of relationship	Nature of transaction	Outstanding amount				
			As at 31 December 2019 (RM'000)	As at 31 December 2020 (RM'000)	As at 31 December 2021 (RM'000)	As at 30 June 2022 (RM'000)	As at the LPD (RM'000)
KSB and Tan Yoke Huay ⁽²⁾	Tan Yoke Huay is the sister of Tan Ah Kee, who is our Managing Director and major shareholder.	Provision of staff loan by KSB as staff benefit	327	267	207	-	-
			(Represents 0.1% of our Group's NA as at 31 December 2019)	(Represents 0.1% of our Group's NA as at 31 December 2020)	(Represents 0.1% of our Group's NA as at 31 December 2021)		
KSB and Tan Kow ⁽²⁾	Tan Kow is the brother of Tan Ah Kee, who is our Managing Director and major shareholder.	Provision of staff loan by KSB as staff benefit	-	-	250	-	-
					(Represents 0.1% of our Group's NA as at 31 December 2021)		

Notes:

- (1) Hong Leong Bank Berhad had on 22 February 2022 discharged the corporate guarantee provided by KSB.
- (2) Tan Yoke Huay is our GM (Purchasing and Human Resource), while Tan Kow is the Site Manager of our Group. We provide staff loan to all eligible employees as staff benefits. The staff loan is interest free and is repayable via fixed monthly deduction from the employee's salary. The loans were not made on arm's length basis as they were provided free of cost and not guided by any policy for staff loan.

Going forward, any provision of staff loan to or for the benefit of related parties will be in accordance with our Group's policy for staff loan and subject to the review of our Audit and Risk Management Committee.

10. RELATED PARTY TRANSACTIONS (CONT'D)

10.1.4 Provision of guarantees by our related parties for the banking facilities granted to our Group

For the Financial Years/Period Under Review, Tan Ah Kee and Teow Choo Hing have provided personal guarantees, while Suan Neo Capital has provided corporate guarantee, for banking facilities extended by financial institutions to our Group.

In conjunction with our Listing, we have obtained conditional approvals from the abovementioned financiers to discharge and/or uplift the said personal guarantees and corporate guarantee by substituting the same with a corporate guarantee from our Company subject to the success of our Listing.

10.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

10.2.1 Audit and Risk Management Committee's review

Our Audit and Risk Management Committee reviews related party transactions and conflict of interest situations that may arise within our 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 an arm's length basis and are based on normal commercial terms which are 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 minority shareholders. Among others, the related parties and parties who are in a position of conflict with the interest of our Group will be required to abstain from deliberations on the transactions.

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

10.2.2 Our Group's policy on related party transactions

Related party transactions by their very nature, involve conflicts of interest between our Group and the related parties with whom our Group has entered into such transactions. As disclosed in this Prospectus, some of our Directors and/or major shareholders are also directors and in some cases, shareholders of the related parties of our Group, and with respect to these related party transactions, may individually and in aggregate have conflicts of interest. It is the policy of our Group that all related party transactions 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 which are not more favourable to the related party than those generally available to third parties, and are not detrimental to our minority shareholders.

In addition, we plan to adopt a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situations and intend for the framework to be guided by the Listing Requirements and the MCCG upon our Listing. The procedures which may form part of the framework include, among others, the following:

- (i) our Board shall ensure that majority of our Board members are independent directors and will undertake an annual assessment on our Independent Non-Executive Directors;
- (ii) our Directors will be required to declare any direct or indirect interest that they may have in any business enterprise that is engaged in or proposed to be engaged in a transaction with our Group, whether or not they believe it is a material transaction. Upon such disclosure, the interested Director shall be required to abstain from deliberation and voting on any resolution related to the related party transaction; and
- (iii) all existing or potential related party transactions would have to be disclosed by the interested party for management reporting. Our management will propose the transactions to our Audit and Risk Management Committee for evaluation and assessment who would in turn, make a recommendation to our Board.

11. CONFLICTS OF INTEREST

11.1 INTEREST IN SIMILAR BUSINESS

As at the LPD, save as disclosed below, none of our Directors and Substantial Shareholders have any other interest, direct or indirect in any businesses or corporations that:

- (i) are customers or suppliers of our Group and their interests in other businesses; or
- (ii) carry on a similar trade as that of our Group.

11.1.1 Interest in corporations that are customers of our Group

Tan Ah Kee and Teow Choo Hing, who are our Directors and Substantial Shareholders, are also directors and substantial shareholders in several companies which are our customers for the Financial Years/Period Under Review up to the LPD, as follows:

<u>Name of customer</u>	<u>Principal activities</u>	<u>Nature of interest</u>
Benteng Etika ⁽¹⁾⁽⁵⁾	Investment holding (investment in property)	Tan Ah Kee is a director and substantial shareholder of Benteng Etika
Kireka Resources ⁽¹⁾⁽⁵⁾	Investment holding (investment in property)	Tan Ah Kee is a director and substantial shareholder of Kireka Resources
Kiharta Development ⁽²⁾⁽⁵⁾	Property development	Tan Ah Kee and Teow Choo Hing are directors and substantial shareholders of Kiharta Development
QLB ⁽³⁾⁽⁵⁾	Provision of construction services	Tan Ah Kee and Teow Choo Hing were directors of QLB
Welloyd Properties Sdn Bhd ⁽⁴⁾	Property development	Tan Ah Kee was a director of Welloyd Properties Sdn Bhd (resigned on 3 March 2022). He holds approximately 14.3% equity interest in Taipan Hectares Sdn Bhd, which in turn holds 20.0% equity interest in Welloyd Properties Sdn Bhd

Notes:

- (1) We provided construction services to Benteng Etika and Kireka Resources for one-off projects involving the construction of a single-storey warehouse with a 2-storey office and a single-storey store, and a bungalow respectively.
- (2) We provide construction services to Kiharta Development for a project involving the construction of 2 units of factories with offices.
- (3) The Disposal of QLB was completed in June 2022 and both Tan Ah Kee and Teow Choo Hing have resigned as Directors of QLB on 14 June 2022. During the Financial Years/Period Under Review, QLB subcontracted all of its projects awarded by its customers to KSB by way of letter of awards.
- (4) The contracts from Welloyd Properties Sdn Bhd, which involved the construction of single-storey semi-detached factories and 2-storey terrace factories, and 2-storey detached houses, were secured by KSB through open tender. Tan Ah Kee had no influence over the award of the projects to KSB, as he was neither involved in the daily operations of Welloyd Properties Sdn Bhd nor any deliberation by the latter in the awarding of construction contracts.

11. CONFLICTS OF INTEREST (CONT'D)

- (5) Construction services were charged at arm's length basis as the contract sum was arrived at based on cost-plus method (a pricing method where a fixed profit mark-up is added to the estimated cost of a project to arrive at the contract sum) and normal commercial terms which are not unfavourable to our Group and are comparable to those generally available to third parties.

Our Board is of the view that any potential conflict of interest situation that may arise as a result of the interests of Tan Ah Kee and Teow Choo Hing in these companies, which were our customers during the Financial Years/Period Under Review, has been mitigated/eliminated as follows:

- (i) save for QLB, which was a former associate of KSB, the companies are not involved in the provision of construction services and are not in competition with the business and operations of our Group. We do not anticipate to continue providing construction services to QLB upon completion of the Disposal of QLB and handover of existing projects to QLB;
- (ii) construction services are charged to these customers at arm's length basis and on normal commercial terms which are not unfavourable to our Group and are comparable to those generally available to third parties; and
- (iii) save for QLB which contributed 7.5%, 7.7% and 11.4% to our Group's revenue for the FYE 2019, FYE 2021 and FPE 2022 respectively, the customers were not our major customers and we are not dependent on them for revenue. Benteng Etika, Kireka Resources, Kiharta Development and Welloyd Properties Sdn Bhd collectively contributed 4.8%, 3.4%, 1.7% and 6.1% to our Group's revenue for the Financial Years/Period Under Review respectively.

Upon our Listing, the Audit and Risk Management Committee of Kitacon will assess the financial risk and matters relating to any potential conflict of interest situation that may arise within our Group including any transaction, procedure or course of conduct that raises questions of management integrity, to ensure that transactions are carried out in the best interest of our Group. Any future dealings with customers in which our Directors or Substantial Shareholders of Kitacon have interest, direct or indirect, will be based on established procedures for related party transactions to ensure that they are carried out on an arm's length basis.

11.1.2 Interest in corporations that carry on similar trade as that of our Group

Datuk Dr. Siti Hamisah Binti Tapsir, who is our Independent Non-Executive Chairperson, is the Group Chief Executive Officer of UCSI Group. UCSI Group via its subsidiary, UCSI Campio Builders, is also involved in the construction industry as it provides construction services, project management consulting and property management services.

Our Board is of the view that any potential conflict of interest situation that may arise as a result of the involvement of Datuk Dr. Siti Hamisah Binti Tapsir in UCSI Group has been mitigated as follows:

- (i) as Group Chief Executive Officer of UCSI Group, she mainly oversees the education, technology, and hotels and travel business segment of the group. Although UCSI Campio Builders is a subsidiary of the UCSI Group, she is not involved in the day-to-day operations of UCSI Campio Builders as its daily operations are managed by its management team. As Group Chief Executive Officer of UCSI Group, she is only involved in monitoring the key performance indicators of UCSI Campio Builders solely for the purpose of assessing the overall performance of UCSI Group. The key decisions such as business strategies and direction of UCSI Campio Builders are made by 2 of its directors, who are the Executive Chairman of UCSI Group and Project Director of UCSI Campio Builders.

11. CONFLICTS OF INTEREST (CONT'D)

Based on the audited financial statements for the FYE 2020 and FYE 2021, the revenue and PAT of UCSI Group and UCSI Campio Builders are as set out below:

	FYE 2020			FYE 2021		
	UCSI Group and its subsidiaries (RM'000)	UCSI Campio Builders (RM'000)	% contribution to UCSI Group	UCSI Group and its subsidiaries (RM'000)	UCSI Campio Builders (RM'000)	% contribution to UCSI Group
Revenue	245,714	23,507	9.6%	240,315	7,158	3.0%
PAT attributable to owners of the parent	34,935	3,513	10.1%	21,767	491	2.3%

UCSI Campio Builders contributed approximately 9.6% and 3.0% to UCSI Group's consolidated revenue, and approximately 10.1% and 2.3% to UCSI Group's consolidated PAT for the FYE 2020 and FYE 2021 respectively. In addition, approximately RM18.1 million or 77.0% and RM5.0 million or 70.4% of UCSI Campio Builders' revenue for the FYE 2020 and FYE 2021 was contributed by related companies respectively; and

- (ii) UCSI Campio Builders is not involved in the construction of residential buildings which we specialise in. Some of the purpose-built and institutional buildings constructed by UCSI Campio Builders are as follows:

Project	Type	Construction period
UCSI University, Terengganu	Institutional	2006 - 2008
Laurent Bleu Medical Clinic, Kuala Lumpur	Clinic	2007
UCSI College (North Wing Campus), Kuala Lumpur	Institutional	2007 - 2009
UCSI International School, Negeri Sembilan	Institutional	2010 - 2012
UCSI University Block E, Kuala Lumpur	Institutional	2015 - 2017
UCSI Hotel, Sarawak	Hotel	2015 - 2017
UCSI University Block G, Kuala Lumpur	Institutional	2015 - 2018
UCSI Hospital, Negeri Sembilan	Hospital	2015 - 2020

During the Financial Years/Period Under Review, save for the construction of a clubhouse and a school (which formed part of the Tropicana Aman township development) as well as a sales gallery, which collectively contributed between 0.3% and 1.9% to our revenue, we have not constructed any other purpose-built and institutional buildings.

Any decision by our Group relating to our business growth strategy will not, in any way, be affected by Datuk Dr. Siti Hamisah Binti Tapsir's position in UCSI Group. We will continue to participate in tender for projects and optimise on growth opportunities.

11. CONFLICTS OF INTEREST (CONT'D)

11.2 DECLARATIONS BY ADVISERS ON CONFLICTS OF INTEREST**11.2.1 Declaration by RHB Investment Bank**

RHB Investment Bank and its related and associated companies (“**RHB Banking Group**”) engage in private banking, commercial banking and investment banking transactions which include, among others, brokerage, advisory on mergers and acquisitions, securities trading, assets and fund management as well as credit transaction services. The RHB Banking Group has engaged and may in the future engage in transactions with and perform services for our Group, in addition to the roles set out in this Prospectus. In addition, any member of the RHB Banking Group may at any time, in the ordinary course of business, offer to provide its services or to engage in any transaction (on its own account or otherwise) with any member of our Group, our Directors, our shareholders, 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 customers in debt or equity securities or senior loans of any member of our Group and/or our affiliates. This is a result of the businesses of the RHB Banking Group generally acting independently of each other and accordingly there may be situations where parts of the RHB Banking Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interests of our Group. The related companies of RHB Investment Bank may also subscribe for our IPO Shares to be offered under the Institutional Offering.

Notwithstanding the above, RHB Investment Bank is of the view that the abovementioned does not give rise to a conflict of interest situation in its capacity as the Principal Adviser, Sole Underwriter and Sole Placement Agent for our IPO due to the following reasons:

- (i) RHB Investment Bank is a licensed investment bank and its appointment as the Principal Adviser, Sole Underwriter and Sole Placement Agent is in the ordinary course of its business. RHB Investment Bank does not receive or derive any financial interest or benefit save for the professional fees, underwriting commission and placement fees received in relation to the aforesaid appointment;
- (ii) the Corporate Finance division of RHB Investment Bank is required under its investment banking license to comply with strict policies and guidelines issued by the SC, Bursa Securities and Bank Negara Malaysia governing its advisory operations. These guidelines require, among others, the establishment of Chinese wall policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations; and
- (iii) the conduct of the RHB Banking Group in its banking business is strictly regulated by the Financial Services Act 2013, Islamic Financial Services Act 2013, CMSA and the RHB Banking Group’s own internal controls and checks which includes, segregation of reporting structures, in that its activities are monitored and reviewed by independent parties and committees.

RHB Investment Bank confirms that there is no conflict of interest in its capacity as the Principal Adviser, Sole Underwriter and Sole Placement Agent for our IPO. Our Board has also confirmed that it has been informed and is agreeable to the role of RHB Investment Bank as the Principal Adviser, Sole Underwriter and Sole Placement Agent.

11.2.2 Declaration by Christopher & Lee Ong

Christopher & Lee Ong confirms that there is no conflict of interest in its capacity as the Solicitors in respect of our IPO.

11. CONFLICTS OF INTEREST (CONT'D)

11.2.3 Declaration by Crowe Malaysia PLT

Crowe Malaysia PLT confirms that there is no situation of conflict of interest in its capacity as the Auditors and Reporting Accountants in respect of our IPO.

11.2.4 Declaration by Vital Factor Consulting Sdn Bhd

Vital Factor Consulting Sdn Bhd confirms that there is no situation of conflict of interest in its capacity as the Independent Business and Market Research Consultants in respect of our IPO.