12. FINANCIAL INFORMATION

12.1 HISTORICAL COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AND FINANCIAL POSITION

12.1.1 Historical financial performance

We were incorporated in Malaysia under the Act on 24 February 2022 to facilitate our Listing. On 21 October 2022, we formed our Group upon completing the Acquisition of KSB, which resulted in KSB becoming our wholly-owned subsidiary. As we were only incorporated subsequent to the FYE 2021, being our most recent completed financial year, our historical combined financial information contained in the ensuing sections relates solely to the audited financial statements of KSB.

Our historical combined financial statements for the Financial Years/Period Under Review have been prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards for the purpose of the Accountants' Report. The historical financial information presented below should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" as set out in Section 12.3 of this Prospectus and the Accountants' Report, together with its related notes, as set out in Section 13 of this Prospectus.

	<------------------Audited------------------>			Unaudited	Audited
	FYE 2019 (RM'000)	**FYE 2020 (RM'000)**	**FYE 2021 (RM'000)**	**FPE 2021 (RM'000)**	**FPE 2022 (RM'000)**
Revenue	581,523	489,645	455,502	238,638	234,733
Cost of sales	(481,226)	(407,807)	(374,640)	(196,473)	(191,052)
GP	100,297	81,838	80,862	42,165	43,681
Other income	5,194	6,113	8,864	2,362	8,328
Administrative and other operating expenses	(34,154)	(34,402)	(37,523)	(16,830)	(18,854)
Finance costs	(143)	(170)	(264)	(78)	(107)
Share of profit/(loss) of associate	993	(617)	397	199	782
PBT	72,187	52,762	52,336	27,818	33,830
Taxation	(17,393)	(13,561)	(10,503)	(6,479)	(7,703)
PAT	54,794	39,201	41,833	21,339	26,127
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**54,794**	**39,201**	**41,833**	**21,339**	**26,127**
GP margin(1) (%)	17.2	16.7	17.8	17.7	18.6
EBITDA(2)	72,832	54,020	54,735	29,067	35,219
EBITDA margin(3) (%)	12.5	11.0	12.0	12.2	15.0
PBT margin(4) (%)	12.4	10.8	11.5	11.7	14.4
PAT margin(5) (%)	9.4	8.0	9.2	8.9	11.1
Basic and diluted EPS(6) (sen)	11.0	7.8	8.4	4.3	5.2
Number of Shares in issue after our IPO ('000)	500,000	500,000	500,000	500,000	500,000

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12. FINANCIAL INFORMATION (CONT'D)

Notes:

(1) Computed as GP divided by revenue.

(2) Computed as follows:

		<----Audited	---->		Unaudited	Audited
		FYE 2019 (RM'000)	**FYE 2020 (RM'000)**	**FYE 2021 (RM'000)**	**FPE 2021 (RM'000)**	**FPE 2022 (RM'000)**
PAT		54,794	39,201	41,833	21,339	26,127
Add:	Taxation	17,393	13,561	10,503	6,479	7,703
	Depreciation	3,585	4,077	4,513	2,367	2,081
	Interest expense	132	158	265	76	110
Less:	Interest income	(3,072)	(2,977)	(2,379)	(1,194)	(802)
EBITDA		**72,832**	**54,020**	**54,735**	**29,067**	**35,219**

(3) Computed as EBITDA divided by revenue.

(4) Computed as PBT divided by revenue.

(5) Computed as PAT divided by revenue.

(6) Computed as PAT divided by the enlarged total number of 500,000,000 Shares after our IPO.

12.1.2 Historical combined statements of financial position

The table below sets out the summary of our audited combined statements of financial position as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022, which has been extracted from the Accountants' Report as set out in Section 13 of this Prospectus.

	<----------	Audited		---------->
	31 December 2019 (RM'000)	**31 December 2020 (RM'000)**	**31 December 2021 (RM'000)**	**30 June 2022 (RM'000)**
Non-current assets	82,010	109,946	89,848	42,890
Current assets	380,481	388,436	361,366	358,222
Total assets	**462,491**	**498,382**	**451,214**	**401,112**
Non-current liabilities	2,516	2,354	6,892	1,011
Current liabilities	215,608	233,959	259,921	189,572
Total liabilities	**218,124**	**236,313**	**266,813**	**190,583**
Invested equity	20,000	20,000	30,000	30,000
Retained profits	224,367	242,069	154,401	180,529
Total equity	**244,367**	**262,069**	**184,401**	**210,529**
Total equity and liabilities	**462,491**	**498,382**	**451,214**	**401,112**

12.2 CAPITALISATION AND INDEBTEDNESS

The following table sets out our capitalisation and indebtedness as at 31 October 2022, and after adjusting for the Public Issue and use of proceeds:

	Unaudited as at 31 October 2022 (RM'000)	**After the Public Issue and use of proceeds (RM'000)**
Indebtedness		
Current		
- Lease liabilities (secured and guaranteed)	113	113
Non-current		
- Lease liabilities (secured and guaranteed)	97	97
Total borrowings	210	210
Contingent liabilities		
- Performance guarantee (secured and guaranteed)	74,985	74,985
Total indebtedness(1)	**75,195**	**75,195**
Shareholders' equity	**209,570**	**256,850**
Total capitalisation and indebtedness	**284,765**	**332,045**
Gearing ratio(2) (times)	*	*

Notes:

* Less than 0.1 times.

(1) Comprises total borrowings and contingent liabilities.

(2) Computed as total borrowings divided by shareholders' equity.

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

The following management's discussion and analysis of our financial condition and results of operations for the Financial Years/Period Under Review should be read in conjunction with the accompanying notes, assumptions and bases in the Accountants' Report as set out in Section 13 of this Prospectus.

The discussion and analysis contain data derived from our audited combined financial statements as well as forward-looking statements that involve risks, uncertainties and assumptions. The actual results may differ significantly from those projected in the forward-looking statements. The factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 9 of this Prospectus.

12.3.1 Review of operations

We are an investment holding company. Through our subsidiary, we are principally involved in the provision of construction services involving 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 show village and recreational hub), as well as institutional buildings. We also provide other related services such as, among others, earthworks, roadworks, hoarding works, rectification works, piling works and infrastructure works. Please refer to Section 7 of this Prospectus for further information on our business activities.

An analysis of our financial condition and results of operations are as follows:

(i) Revenue

Our revenue for the Financial Years/Period Under Review was mainly derived from building construction projects in Malaysia.

Our revenue is recognised over the contract period and in proportion to the stage of completion of our construction projects. The stage of completion is assessed by our progress towards the complete satisfaction of our performance obligation under the contract using the output method by reference to construction works performed. The output method recognises revenue based on the construction works that are certified, which forms the basis to measure the value of construction works performed to-date relative to the remaining works promised under the contract.

Due to timing differences, there may be instances where we have performed the construction works under the contract but progress billings are not raised as such works have yet to be certified by the architects. In this event, we will recognise the difference in value as a contract asset, which will be reclassified to trade receivables at the point it is invoiced to our customers. Similarly, if the certified progress billings exceed the revenue recognised under the output method, we will recognise a contract liability for the difference.

During the Financial Years/Period Under Review, we derived most of our revenue from building construction projects under our residential segment, which contributed approximately 80.7%, 79.2%, 84.0% and 86.6% to our revenue respectively. Most of our building construction projects were in Selangor, which accounted for approximately 94.1%, 97.0%, 96.8% and 98.1% of our revenue for the Financial Years/Period Under Review respectively.

(a) Revenue by business segments

The table below sets out our revenue by business segments 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)	(%)
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
	110,686	19.0	100,865	20.6	72,195	15.9	37,158	15.6	25,034	10.7
Other related services(2)	1,647	0.3	1,117	0.2	183	0.1	-	-	6,523	2.7
Total	**581,523**	**100.0**	**489,645**	**100.0**	**455,502**	**100.0**	**238,638**	**100.0**	**234,733**	**100.0**

Notes:

(1) 'Others' include institutional buildings 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.

(b) Revenue by geographical locations

The table below sets out our 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	**581,523**	**100.0**	**489,645**	**100.0**	**455,502**	**100.0**	**238,638**	**100.0**	**234,733**	**100.0**

(c) Commentaries on revenue

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our revenue decreased by RM91.9 million or approximately 15.8% to RM489.6 million (FYE 2019: RM581.5 million) mainly due to the decrease in revenue from our residential segment as well as the interruption to our business operations due to the implementation of the MCO.

During the 1st half of the FYE 2020, our revenue was impacted by the implementation of the 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. This was a result of slower construction progress for all our Group's construction projects due to temporary suspension of our ongoing construction projects as well as having to operate at reduced capacity.

Residential

Our residential segment recorded a decrease in revenue of RM81.5 million or approximately 17.4% to RM387.7 million for the FYE 2020 (FYE 2019: RM469.2 million), which was mainly attributed to the following projects:

(i) our revenue from the Tropicana Aman (Dalia Residences) Project decreased by RM57.5 million to RM12.7 million for the FYE 2020 (FYE 2019: RM70.2 million). This was mainly due the completion of 86.1% (FYE 2018: 37.1%) of the construction works cumulatively by the end of the FYE 2019, and the revenue recorded for the FYE 2020 was mainly for the balance of works performed such as the remaining building, landscaping, mechanical, electrical and internal works.

Notwithstanding this, the decrease in our revenue above was partly offset by the revenue from another phase of residential project under Tropicana Aman Sdn Bhd, namely Tropicana Aman (Elemen Residences) Project which commenced construction work during the FYE 2020. This project was 16.2% (FYE 2019: nil) completed cumulatively at the end of the FYE 2020 and contributed approximately RM16.4 million for the financial year;

(ii) we completed the Eco Ardence (Aeres) Project in October 2019, from which we generated revenue of RM30.1 million for the FYE 2019. We did not generate any further revenue from this project for the FYE 2020.

We completed 2 other residential projects from the same customer under another development, namely the Eco Forest (Ebony Lane - Phases 2 and 4) Projects, in October 2020 and December 2020 (FYE 2019: 79.5% completed). For the FYE 2020, aggregate revenue from these projects were RM25.3 million lower, at approximately RM14.2 million (FYE 2019: RM39.5 million) due to lower level of construction activities for these projects (involving remaining building works) as they were near completion;

(iii) we completed the Setia Eco Glades (Jewels of Gramsere) Project in December 2019 (FYE 2018: 42.0% completed) which contributed RM19.4 million to our revenue for the FYE 2019, leaving a balance of RM0.3 million which was billed during the FYE 2020 upon finalisation of the payment certificate by the architect; and

(iv) we completed 2 projects under the Sime Darby Property Group, namely City of Elmina (Liana) Project in November 2019 (FYE 2018: 47.8% completed) and Bandar Bukit Raja (Azira) Project in January 2020 (FYE 2019: 90.7% completed). These 2 projects collectively contributed to a decrease in revenue of RM32.6 million to RM1.4 million for the FYE 2020 (FYE 2019: RM34.0 million). The revenue recorded for the FYE 2020 was for the remaining works performed for the Bandar Bukit Raja (Azira) Project mainly in respect of infrastructure works such as roads, pavements and street lightings.

The above decrease in revenue from our residential segment was partly offset by higher revenue from the following projects:

(i) the Emerald West (Garland Residence) Project, for which we recorded an increase in revenue of RM31.2 million to RM41.1 million for the FYE 2020 (FYE 2019: RM9.9 million). We commenced construction work for this project in August 2019 and only carried out piling and foundation works during the FYE 2019. Substantial construction works involving building and structural works were carried out during the FYE 2020 and the project was 71.2% (FYE 2019: 13.9%) completed cumulatively at the end of the FYE 2020;

(ii) the Bandar Seri Coalfields (Hampton Residences) Project, for which we recorded an increase in revenue of RM25.1 million to RM44.9 million for the FYE 2020 (FYE 2019: RM19.8 million). Construction work for this project began in March 2019 and the project was 22.0% (FYE 2018: nil) completed cumulatively at the end of the FYE 2019. We carried out a higher level of construction activities during the FYE 2020 involving building and structural works, and the project was 71.7% (FYE 2019: 22.0%) completed cumulatively at the end of the FYE 2020; and

(iii) we also recorded higher revenue from the projects under the Sime Darby Property Group, namely the City of Elmina (Elmina Valley 5A and 5B) Projects, amounting to RM62.6 million for the FYE 2020 (FYE 2019: RM30.9 million), representing an increase of RM31.7 million. Work on these projects started in April 2019 and we carried out substantial building and structural works during the FYE 2020, and the projects were 75.3% (FYE 2019: 24.9%) completed cumulatively at the end of FYE 2020.

Non-residential

Our non-residential segment recorded a decrease in revenue of RM9.8 million or approximately 8.9% to RM100.9 million for the FYE 2020 (FYE 2019: RM110.7 million), which was mainly attributed to the decrease in revenue from our industrial segment of RM19.9 million and partly offset by the increase in revenue from 'others' segment of RM10.0 million as set out below.

Commercial

Revenue from our commercial segment for the FYE 2020 remained relatively unchanged at RM66.5 million (FYE 2019: RM66.5 million). During the FYE 2020, our revenue from this segment was mainly generated from 6 commercial projects for which we commenced work during the FYE 2018 and FYE 2019.

At the same time, we also commenced construction works for the Elmina East (Temu) Project, which contributed RM9.5 million to our revenue for the FYE 2020 and this project was 31.4% (FYE 2019: nil) completed cumulatively at the end of the FYE 2020. However, such additional revenue was offset by lower revenue from the Eco Forest (Lindenway) Project, which decreased by RM9.5 million to RM2.3 million for the FYE 2020 (FYE 2019: RM11.8 million). This project, which started work in November 2018, was 81.9% (FYE 2018: nil) completed cumulatively at the end of the FYE 2019, and revenue from this project for the FYE 2020 was in respect of the remaining building and structural work. Overall construction progress for this project slowed down during the financial year due to the implementation of MCO and the project was only completed in February 2021 after 7 rounds of EOT from the original completion date in March 2020, with no penalty imposed.

Industrial

For the FYE 2020, our industrial segment recorded a decrease in revenue of RM19.9 million or approximately 48.8% to RM20.9 million (FYE 2019: RM40.8 million), which was mainly attributed to lower construction activities for the following projects:

(i) the Welloyd Industrial Park Project, for which we recorded a lower revenue of RM16.7 million for the FYE 2020 (FYE 2019: RM27.3 million) as substantial construction works involving building and structural works had been completed during the FYE 2019. This project was 65.8% (FYE 2018: 25.0%) completed cumulatively at the end of the FYE 2019. Overall construction progress for this project slowed down during the FYE 2020 due to the implementation of the MCO as a result of the COVID-19 pandemic and the project was only completed in October 2021 after 7 rounds of EOT from the original completion date in May 2019, with no penalty imposed; and

(ii) the Temasya Glenmarie (Alpine) Project, for which we recorded a lower revenue of RM2.5 million for the FYE 2020 (FYE 2019: RM12.5 million). The project was completed in October 2020 (FYE 2019: 83.4% completed), and the revenue recorded during the financial year was mainly for balance of works performed such as mechanical, electrical and infrastructure works.

Others

During the FYE 2020, we recorded an increase of RM10.0 million in revenue to RM13.4 million (FYE 2019: RM3.4 million) from this segment. Such increase in revenue was mainly generated from the construction of a recreational hub and a school under the Tropicana Aman Clubhouse Project and SJK(C) Bukit Fraser Project respectively, whereby construction works were substantially carried out during the FYE 2020, and collectively contributed RM12.2 million to our revenue for the FYE 2020 (FYE 2019: RM3.4 million). Tropicana Aman Clubhouse Project was 54.8% (FYE 2019: 11.5%) completed while SJK(C) Bukit Fraser Project was 74.9% (FYE 2019: 17.5%) completed cumulatively at the end of the FYE 2020.

Other related services

During the FYE 2020, revenue contribution from our other related services decreased to RM1.1 million (FYE 2019: RM1.6 million) and was generated from outstanding works performed for turfing lot and roadworks in respect of one of our residential projects.

Geographical locations

In terms of revenue by geographical locations, 97.0% of our revenue for the FYE 2020 (FYE 2019: 94.1%) was generated from our projects in Selangor. Nevertheless, the revenue contribution from our projects in Selangor for the FYE 2020 decreased by RM72.4 million to RM475.0 million (FYE 2019: RM547.4 million).

This was mainly due to lower revenue from our residential segment (in particular, the Tropicana Aman (Dalia Residences) Project as well as our industrial segment (in particular, the Welloyd Industrial Park Project and Temasya Glenmarie (Alpine) Project) due to the reasons explained above. The decrease in revenue of RM78.1 million from these projects for the FYE 2020 was, however, partly offset by the increase in revenue of RM8.8 million from our projects under our 'others' segment (in particular, our Tropicana Aman Clubhouse Project and SJK(C) Bukit Fraser Project) during the financial year.

We also recorded lower revenue from our projects in Negeri Sembilan, which decreased by RM18.2 million to RM1.4 million (FYE 2019: RM19.6 million), mainly attributed to the following reasons:

(i) lower level of construction activities for the Bandar Enstek (Pristine 2) Project during the FYE 2020, mainly in respect of the remaining works such as infrastructure, landscaping and external works, resulting in a decrease in revenue of RM8.0 million to RM0.8 million for the FYE 2020 (FYE 2019: RM8.8 million). This project was completed in March 2020 (FYE 2019: 88.2% completed).

    In addition, we completed the Bandar Enstek (Pristine) Project in March 2019 (FYE 2018: 63.7% completed), from which we generated revenue of RM3.4 million for the FYE 2019. We did not generate any further revenue from this project for the FYE 2020; and

(ii) we completed the Kota Seriemas (Mawar Indah) Project in February 2019 (FYE 2018: 71.3% completed), and no further revenue was generated from this project for the FYE 2020 (FYE 2019: RM5.1 million).

Revenue contribution from our project in Johor was solely from the Bandar Universiti Pagoh (Sarjana Promenade) Project. We commenced piling and foundation work for this project during the 3rd quarter of the FYE 2018 and continued with building and structural works in both the FYE 2019 and FYE 2020. Overall construction progress during the FYE 2020 was affected by the implementation of the MCO and the project was 75.2% (FYE 2019: 42.9%) completed cumulatively at the end of the FYE 2020. As a result, we recorded a decrease in revenue of RM1.3 million to RM13.2 million for the FYE 2020 (FYE 2019: RM14.5 million). The temporary suspension of works for the Bandar Universiti Pagoh (Sarjana Promenade) Project due to the implementation of the MCO had delayed the construction progress and EOT was sought and approved by our customer with no penalty imposed.

Please refer to Section 7.14 of this Prospectus for further information on the impact of MCO measures on our revenue.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our revenue decreased by RM34.1 million or approximately 7.0% to RM455.5 million (FYE 2020: RM489.6 million) mainly due to the decrease in revenue from our non-residential segment. Our revenue was also further impacted by the various MCO measures during the FYE 2021. We operated at a reduced capacity in accordance with the specified guidelines and overall construction progress for our Group's projects slowed down during the 1st, 2nd and 3rd quarters of the FYE 2021.

The temporary suspension and the reduced operating capacity during these periods had affected our business operations and were also reflected by 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.

Residential

Our residential segment recorded a decrease in revenue of RM4.6 million or approximately 1.2% to RM383.1 million for the FYE 2021 (FYE 2020: RM387.7 million), which was mainly attributed to the following projects:

(i) we recorded lower revenue from the City of Elmina (Elmina Valley 5A and 5B) Projects, which amounted to RM25.7 million for the FYE 2021 (FYE 2020: RM62.6 million), representing a decrease of RM36.9 million.

    Phase 5A was 79.1% (FYE 2019: 28.0%) completed cumulatively at the end of the FYE 2020, and the revenue from this project for the FYE 2021 was mainly for the balance of works performed such as building, mechanical, electrical and infrastructure works. We completed Phase 5B in October 2021 (FYE 2020: 72.1% completed), and the revenue from this project for the FYE 2021 was mainly in respect of the remaining works performed such as building, mechanical, electrical and infrastructure works;

(ii) we completed the Bandar Seri Coalfields (Hampton Residences) Project in August 2021 (FYE 2020: 71.7% completed), and recorded a decrease in revenue of RM27.2 million to RM17.7 million from this project for the FYE 2021 (FYE 2020: RM44.9 million), which was mainly for the remaining works performed such as building, mechanical and electrical works; and

(iii) revenue from the Emerald West (Garland Residence) Project was also lower, at RM16.3 million for the FYE 2021 (FYE 2020: RM41.1 million), representing a decrease of RM24.8 million. This project was completed in September 2021 (FYE 2020: 71.2% completed) and the revenue recorded for the FYE 2021 was mainly in respect of the remaining works performed such as building, mechanical and electrical works.

The above decrease in revenue from our residential segment was partly offset by higher revenue from the following projects:

(i) the Tropicana Aman (Freesia Residences) Project and Tropicana Aman (Elemen Residences) Project, for which we recorded an increase in revenue of RM35.6 million to RM52.0 million for the FYE 2021 (FYE 2020: RM16.4 million).

Construction work for Freesia Residences began in June 2021 and the project was 8.3% (FYE 2020: nil) completed cumulatively at the end of the FYE 2021. For Elemen Residences, which commenced work in March 2020, we carried out a higher level of construction activities during the FYE 2021 involving building and structural works, and the project was 56.5% (FYE 2020: 16.2%) completed cumulatively at the end of the FYE 2021;

(ii) the Taman Putra Prima (Diamond) Project, for which we recorded an increase in revenue of RM17.4 million to RM19.1 million for the FYE 2021 (FYE 2020: RM1.7 million). We commenced construction work for this project in November 2020 and substantial construction works involving foundation, building and structural works were carried out during the FYE 2021. The project was 34.3% (FYE 2020: 2.8%) completed cumulatively at the end of the FYE 2021;

(iii) the City of Elmina (Ilham Residence) Project, for which we recorded an increase in revenue of RM14.6 million to RM28.0 million for the FYE 2021 (FYE 2020: RM13.4 million). Construction work for this project began in March 2020 and the project was 18.6% (FYE 2019: nil) completed cumulatively at the end of the FYE 2020. We carried out a higher level of construction activities during the FYE 2021 involving building and structural works, and the project was 56.7% (FYE 2020: 18.6%) completed cumulatively at the end of the FYE 2021; and

(iv) the PNB Telok Datok Project, for which we recorded a total revenue of RM13.3 million for the FYE 2021 (FYE 2020: nil). We commenced construction for Phase 1A in December 2020 and the project was 30.8% (FYE 2020: nil) completed cumulatively at the end of the FYE 2021 where we completed substantial structural and building works during the financial year. For Phase 1B, which commenced construction in September 2021, the project was 6.6% (FYE 2020: nil) completed cumulatively at the end of the FYE 2021 where we only completed the foundation works during the financial year.

Non-residential

Our non-residential segment recorded a decrease in revenue of RM28.7 million or approximately 28.4% to RM72.2 million for the FYE 2021 (FYE 2020: RM100.9 million), which was mainly attributed to the decrease in revenue from our commercial and 'others' segments of RM23.8 million and RM6.2 million respectively, partly offset by the increase in revenue from industrial segment of RM1.5 million as set out below.

Commercial

Our commercial segment recorded a decrease in revenue of RM23.8 million or approximately 35.8% to RM42.7 million for the FYE 2021 (FYE 2020: RM66.5 million), which was mainly attributed to the following projects:

(i) the completion of the Bandar Seri Putra (Putra Sentral) Project in July 2021 (FYE 2020: 91.1% completed), which contributed RM9.8 million to our revenue for the FYE 2020, leaving a balance of RM0.5 million which was billed during the FYE 2021 mainly for mechanical and electrical works;

(ii) the completion of the Bandar Universiti Pagoh (Sarjana Promenade) Project in May 2021 (FYE 2020: 75.2% completed), which recorded a decrease in revenue of RM6.7 million to RM6.5 million for the FYE 2021 (FYE 2020: RM13.2 million). The revenue recorded for the FYE 2021 was for remaining works performed such as building, mechanical, electrical and infrastructure works;

(iii) the completion of the Bandar Bukit Raja (3 Avenue) Project in October 2020 (FYE 2019: 79.0% completed), and no further revenue was generated for this project for the FYE 2021 (FYE 2020: RM3.3 million); and

(iv) lower level of construction activities for the Eco Majestic Mall Project, for which we recorded a decrease in revenue of RM4.1 million to RM3.3 million for the FYE 2021 (FYE 2020: RM7.4 million). The project was 97.6% (FYE 2020: 92.6%) completed cumulatively at the end of the FYE 2021 and the revenue recorded for the FYE 2021 was mainly for the balance of works performed and additional building works pursuant to variation orders.

Industrial

For the FYE 2021, our industrial segment recorded an increase in revenue of RM1.5 million to RM22.4 million for the FYE 2021 (FYE 2020: RM20.9 million). We commenced construction work for the Elmina Business Park (The Twin Factories) Project in December 2020, which contributed RM14.3 million to our revenue for the FYE 2021. However, this was partly offset by the decrease in revenue from the following projects:

(i) the completion of the Welloyd Industrial Park Project in October 2021 (FYE 2020: 86.0% completed), which recorded a lower revenue of RM7.9 million for the FYE 2021 (FYE 2020: RM16.7 million); and

(ii) the completion of the Temasya Glenmarie (Alpine) Project in October 2020 (FYE 2019: 83.4% completed), and no further revenue was generated from this project for the FYE 2021 (FYE 2020: RM2.5 million).

Others

During the FYE 2021, we recorded a decrease of RM6.2 million in revenue to RM7.2 million (FYE 2020: RM13.4 million) from this segment. Such decrease in revenue was mainly attributed to the completion of the Tropicana Aman Clubhouse Project in August 2021 (FYE 2020: 54.8% completed) and lower construction activities for the SJK(C) Bukit Fraser Project due to suspension of work as a result of the implementation of the MCO during the financial year. This project was 90.0% (FYE 2020: 74.9%) completed cumulatively at the end of the FYE 2021 and was fully completed in March 2022 after 7 rounds of EOT from the original completion date in September 2020, with no penalty imposed.

Other related services

During the FYE 2021, revenue contribution our other related services decreased to RM0.2 million (FYE 2020: RM1.1 million) and was generated from rectification and hoarding works in respect of two of our residential projects.

Geographical locations

In terms of revenue by geographical locations, 96.8% of our revenue for the FYE 2021 (FYE 2020: 97.0%) was generated from our projects in Selangor. Nevertheless, the revenue contribution from our projects in Selangor for the FYE 2021 decreased by RM34.2 million to RM440.8 million (FYE 2020: RM475.0 million).

This was mainly due to the following reasons:

(i) lower revenue from our commercial segment (in particular Bandar Seri Putra (Putra Sentral) Project, Bandar Bukit Raja (3 Avenue) Project and Eco Majestic Mall Project) which collectively decreased by RM16.7 million; and

(ii) lower revenue from our residential segment (in particular, the Bandar Seri Coalfields (Hampton Residences) Project, Emerald West (Garland Residence) Project and City of Elmina (Elmina Valley 5A and 5B) Projects) due to the reasons explained above. The decrease of RM88.9 million from these projects for the FYE 2021 was, however, partly offset by the increase in revenue from other projects under our residential segment (in particular, the Tropicana Aman (Elemen Residences and Freesia Residences) Projects, Taman Putra Prima (Diamond) Project and City of Elmina (Ilham Residence) Project) which collectively increased by RM67.6 million during the financial year.

We also recorded lower revenue from our project in Johor of RM5.7 million to RM7.5 million for the FYE 2021 (FYE 2020: RM13.2 million), mainly due to the completion of the Bandar Universiti Pagoh (Sarjana Promenade) Project in May 2021.

Revenue contribution from our projects in Negeri Sembilan increased to RM7.2 million for the FYE 2021 (FYE 2020: RM1.4 million), mainly attributed to the Bandar Enstek (Pristine 3) Project for which we commenced construction work in November 2020. The project was 59.1% (FYE 2020: nil) completed cumulatively at the end of the FYE 2021.

Please refer to Section 7.14 of this Prospectus for further information on the impact of MCO measures on our revenue.

Comparison between FPE 2021 and FPE 2022

For the FPE 2022, our revenue decreased by RM3.9 million or approximately 1.6% to RM234.7 million (FPE 2021: RM238.6 million) mainly due to the decrease in revenue from our non-residential segment, and partly offset by the increase in revenue from our other related services segment.

Residential

Our residential segment recorded an increase in revenue of RM1.7 million or approximately 0.8% to RM203.2 million for the FPE 2022 (FPE 2021: RM201.5 million), which was mainly attributed to the following projects:

(i) the Tropicana Aman (Freesia Residences) Project, for which we recorded a revenue of RM18.6 million for the FPE 2022 (FPE 2021: nil). We commenced construction for this project in June 2021, where we had mainly carried out piling and foundation works and the project was 8.3% (FYE 2020: nil) completed cumulatively at the end of the FYE 2021.

During the FPE 2022, we carried out a higher level of construction activities involving building and structural works, and the project was 22.1% (FYE 2021: 8.3%) completed cumulatively at the end of the FPE 2022; and

(ii) the PNB Telok Datok Project, for which we recorded an increase in revenue of RM13.5 million to RM16.5 million for the FPE 2022 (FPE 2021: RM3.0 million).

We commenced construction for Phase 1A in December 2020 and the project was 6.7% (FYE 2020: nil) completed cumulatively at the end of the FPE 2021 and 55.1% (FYE 2021: 30.8%) completed cumulatively at the end of the FPE 2022, where we mainly completed piling and foundation works during the FPE 2022. In addition, we commenced construction for Phase 1B in September 2021 and the project was 27.1% (FYE 2021: 6.6%) completed cumulatively at the end of FPE 2022 after completing substantial building and structural work during the financial period.

The above increase in revenue from our residential segment was partly offset by lower revenue from the following projects:

(i) we completed the Emerald West (Garland Residence) Project in September 2021, from which we generated revenue of RM15.5 million for the FPE 2021. We did not generate any further revenue from this project for the FPE 2022; and

(ii) we completed the Bandar Seri Coalfields (Hampton Residences) Project in August 2021, from which we generated revenue of RM14.6 million for the FPE 2021. We did not generate any further revenue from this project for the FPE 2022.

<u>*Non-residential*</u>

Our non-residential segment recorded a decrease in revenue of RM12.2 million or approximately 32.8% to RM25.0 million for the FPE 2022 (FPE 2021: RM37.2 million), which was mainly attributed to the decrease in revenue from our commercial and 'others' segments of RM25.3 million, and partly offset by the increase in revenue from our industrial segment of RM13.2 million as set out below.

<u>*Commercial*</u>

For the FPE 2022, our commercial segment recorded a decrease in revenue of RM19.7 million or approximately 76.1% to RM6.2 million (FPE 2021: RM25.9 million), which was mainly attributed to the following projects:

(i) we completed the Tropicana Aman (Triana) Project in February 2022, from which we generated revenue of RM10.1 million from this project for the FPE 2021. During the FPE 2022, no further revenue was generated from this project and we reversed revenue of RM0.2 million due to the reduction in the contract sum as a result of reduced scope of work 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;

(ii) we completed the Bandar Universiti Pagoh (Sarjana Promenade) Project in May 2021, from which we generated revenue of RM6.5 million for the FPE 2021. We did not generate any further revenue from this project for the FPE 2022; and

(iii) lower level of construction activities for the Elmina East (Temu) Project during the FPE 2022 as the project was at the stage of nearing completion at 92.6% (FYE 2021: 78.5%) cumulatively by the end of the FPE 2022, resulting in a decrease in revenue of RM4.0 million to RM4.2 million for the FPE 2022 (FPE 2021: RM8.2 million). This project was 59.5% (FYE 2020: 31.4%) cumulatively completed at the end of the FPE 2021 and 92.6% (FYE 2021: 78.5%) completed cumulatively at the end of the FPE 2022, and revenue from this project for the FPE 2022 was in respect of remaining building and structural works.

Industrial

For the FPE 2022, our industrial segment recorded an increase in revenue of RM13.2 million to RM18.2 million (FPE 2021: RM5.0 million), which was mainly attributed to the following projects:

(i) the Elmina Business Park (The Twin Factories) Project, for which we recorded a revenue of RM10.5 million for the FPE 2022 (FPE 2021: nil). While we had commenced construction for this project in January 2021, we operated at a reduced capacity during the FPE 2021 due to various MCO measures which had slowed down our construction progress of this project. This has also resulted in the delay in progress billings for work performed and the certification of amount of work done by the architect, and no revenue was recorded for this project during the FPE 2021.

During the FPE 2022, substantial construction works involving building and structural works were carried out and this project was 54.9% (FYE 2021: 32.0%) completed cumulatively at the end of FPE 2022; and

(ii) the Benteng Etika Warehouse Project and Kiharta Development Warehouse Project, for which we recorded a total revenue of RM7.7 million for the FPE 2022 (FPE 2021: nil). We commenced construction for these projects in December 2021 and April 2022 respectively, and they were 64.8% (FYE 2021: nil) and 14.9% (FYE 2021: nil) completed cumulatively at the end of the FPE 2022 respectively.

The increase in revenue from the above projects was partly offset by the Welloyd Industrial Park Project from which we generated revenue of RM5.0 million for the FPE 2021. We did not generate any further revenue from this project for the FPE 2022 as it was completed in October 2021.

Others

During the FPE 2022, we recorded a decrease of RM5.5 million in revenue to RM0.7 million (FPE 2021: RM6.2 million) from this segment. Such decrease in revenue was mainly attributed to the completion of the Tropicana Aman Clubhouse Project in August 2021, from which we generated revenue of RM5.6 million for the FPE 2021, leaving a balance of RM0.1 million which was billed during the FPE 2022 upon finalisation of the payment certificate by the architect.

Other related services

During the FPE 2022, we recorded a revenue of RM6.5 million (FPE 2021: nil) from our other related services segment. This was mainly generated from earthwork, infrastructure and piling works in respect of the Kiharta Development Warehouse (Infrastructure and Piling) Projects and Kiharta Development Facility (Infrastructure) Project. The Kiharta Development Warehouse Project is one of our industrial project which commenced construction works in April 2022.

Geographical locations

In terms of revenue by geographical locations, 98.1% (FPE 2021: 95.7%) of our revenue for the FPE 2022 was generated from our projects in Selangor. The revenue contribution from these projects increased by RM1.8 million to RM230.2 million for the FPE 2022 (FPE 2021: RM228.4 million). This was mainly due to higher revenue from the Tropicana Aman (Freesia Residences) Project and PNB Telok Datok Project, which was partly offset by lower revenue from the Emerald West (Garland Residence) Project and Bandar Seri Coalfields (Hampton Residences) Project from our residential segment as explained above.

We also recorded higher revenue from our projects in Negeri Sembilan of RM3.0 million for the FPE 2022 (FPE 2021: RM2.7 million), mainly attributed to higher level of construction activities for the Bandar Enstek (Pristine 3) Project during the FPE 2022, as compared to the construction progress during the FPE 2021 which was affected by the implementation of the MCO.

Revenue contribution from our project in Johor decreased by RM6.0 million to RM1.5 million for the FPE 2022 (FPE 2021: RM7.5 million), mainly attributed to the completion of the Bandar Universiti Pagoh (Sarjana Promenade) Project in May 2021 from which we generated revenue of RM6.5 million for the FPE 2021. We did not generate any further revenue from this project for the FPE 2022.

(ii) Cost of sales

Our cost of sales comprises 4 main components, namely subcontractor costs, construction materials, direct labour costs as well as project overhead and related costs as follows:

- **Subcontractor costs**

  For the Financial Years/Period Under Review, subcontractor costs are the largest component of our cost of sales. For our construction projects, we engage various subcontractors for building and structural works as well as mechanical and electrical works. Building and structural works include constructing and erecting columns, beams, walls, floors, ceilings stairs and roofs, while mechanical and electrical works include installation of power supply and communication system, water supply and drainage, sewerage system and fire protection system. We also engage subcontractors for architectural and finishing works such as installation of doors, windows, grills, gates and fencing as well as waterproofing, flooring, tiling, cladding, painting and coatings.

  After securing a project, we would negotiate and agree upfront with our subcontractors on the costs and scope of works, including the labour charges and workmanship involved in delivering the outsourced construction works. We select subcontractors for our construction projects via closed tenders after taking into consideration their track record, financial strength, workmanship, efficiency, reliability, capacity and pricing.

- **Construction materials**

  The major construction materials used for our projects are, among others, steel materials, cement, concrete, brick, sand and quarry products.

  We purchase construction materials based on the requirements of each of our projects and the construction materials purchased are usually delivered directly to the construction sites. These construction materials are sourced locally from our pool of approved suppliers. We select suppliers for our construction materials based on the pricing, availability and lead time for delivery.

Our main construction materials, such as steel and concrete materials, are subject to price fluctuations as a result of supply and demand conditions in the market. Please refer to Section 7.13 of this Prospectus for further information on the fluctuations of prices of construction materials for our projects.

- **Direct labour costs**

  Our direct labour cost comprises salaries, wages, bonuses and other staff-related costs for workers who participate directly in our projects. These include workers who are employed directly by us and those outsourced from general worker service providers.

- **Project overhead and related costs**

  Project overhead and related costs include general preliminary and project related expenses which are miscellaneous in nature. These include expenses such as, among others, rental of machinery and equipment, hiring of vehicles, fuel, insurances, utilities, duties, levies and bank charges.

Subcontractor costs and construction materials collectively accounted for approximately 86.8%, 87.5%, 86.7% and 89.0% of our cost of sales for the Financial Years/Period Under Review respectively. Our cost of sales for the Financial Years/Period Under Review were mainly attributed to projects under our residential segment which made up approximately 79.1%, 78.4%, 85.3% and 85.4% of our cost of sales respectively.

Our cost of sales is recognised based on the percentage of completion achieved for each project applied to its respective total budgeted cost. The percentage of completion is based on the stage of construction activities certified and approved by the architects at the end of reporting period. In addition to the application of percentage of completion in the recognition of cost of sales, we also ensure that all the contract costs incurred for the present performance obligation has been fully recognised as cost of sales to ensure its completeness.

We estimate our cost of sales at the beginning of our construction project based on our cost estimates in our tender bid, which take into consideration quotations from our suppliers and subcontractors, and a profit mark-up which varies depending on various factors such as, among others, the scale, complexity and duration of the project, and the price trend of the construction materials.

Throughout the construction period, the cost estimates for each project are reviewed and revised periodically based on actual costs incurred. Commencing 2022, we undertake such review at 4 different stages of the project (i.e. upon commencement of the project, upon completion of 35% of the project, upon completion of 70% of the project and upon obtaining CPC). We revise our cost estimates when actual costs incurred are lower than our budgeted costs, which are usually achieved through, among others, more favourable negotiated terms from our suppliers such as early payment discounts, bulk discount for purchase of building materials and lower subcontractors' pricing. As and when the cost estimates of our project are revised downwards, we will reverse our accrued contract costs for these projects and as a result, we will be able to recognise a higher GP and GP margin. However, if the actual costs incurred are higher than our budgeted costs due to, among others, unanticipated increase in cost of building materials and labour, our cost estimates of our project will be revised upwards and as a result, we will recognise a lower GP and GP margin.

(a) Cost of sales by cost components

The table below sets out our cost of sales by cost components 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)	(%)
Subcontractor costs	231,295	48.1	192,339	47.2	182,842	48.8	79,187	40.3	82,577	43.2
Construction materials	186,025	38.7	164,495	40.3	141,825	37.9	90,759	46.2	87,458	45.8
Direct labour costs	22,278	4.6	18,589	4.6	20,447	5.4	7,788	4.0	3,746	2.0
Project overhead and related costs	41,628	8.6	32,384	7.9	29,526	7.9	18,739	9.5	17,271	9.0
Total	**481,226**	**100.0**	**407,807**	**100.0**	**374,640**	**100.0**	**196,473**	**100.0**	**191,052**	**100.0**

(b) Cost of sales by business segments

The table below sets out our cost of sales by business segments 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)	(%)
Residential	380,726	79.1	319,736	78.4	319,731	85.3	171,773	87.4	163,224	85.4
Non-residential										
• Commercial	57,356	11.9	58,540	14.4	29,850	8.0	15,065	7.7	5,824	3.1
• Industrial	39,931	8.3	16,140	4.0	19,645	5.2	4,337	2.2	16,101	8.4
• Others	2,720	0.6	12,873	3.1	5,241	1.4	5,261	2.7	449	0.2
	100,007	20.8	87,553	21.5	54,736	14.6	24,663	12.6	22,374	11.7
Other related services	493	0.1	518	0.1	173	0.1	37	*	5,454	2.9
Total	**481,226**	**100.0**	**407,807**	**100.0**	**374,640**	**100.0**	**196,473**	**100.0**	**191,052**	**100.0**

(c) Cost of sales by geographical locations

The table below sets out our cost of sales 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	454,782	94.5	395,679	97.0	368,150	98.3	192,426	97.9	188,918	98.9
Negeri Sembilan	12,455	2.6	(13)(1)	*	5,243	1.4	2,775	1.4	846	0.4
Johor	13,989	2.9	12,141	3.0	1,247	0.3	1,272	0.7	1,288	0.7
Total	**481,226**	**100.0**	**407,807**	**100.0**	**374,640**	**100.0**	**196,473**	**100.0**	**191,052**	**100.0**

Notes:

* Negligible.

(1) Negative cost of sales due to overprovision of accrued contract costs in the previous financial year for a project which was completed during the FYE 2020 as explained below.

(d) **Commentaries on cost of sales**

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our cost of sales decreased by RM73.4 million or approximately 15.3% to RM407.8 million (FYE 2019: RM481.2 million) in line with our revenue, which decreased by 15.8% during the financial year.

Cost components

The overall decrease in our cost of sales was mainly due to the following reasons:

(i) our subcontractor costs decreased by RM39.0 million to RM192.3 million for the FYE 2020 (FYE 2019: RM231.3 million) and our construction material costs decreased by RM21.5 million to RM164.5 million for the FYE 2020 (FYE 2019: RM186.0 million). These were mainly attributed to lower amount of subcontracted works and construction materials used for the Tropicana Aman (Dalia Residences) Project, which decreased by RM52.9 million, as the project was at the stage of nearing completion which required lower costs for subcontracted works and usage of construction materials as compared to higher building and structural works during the previous financial year;

(ii) we incurred lower direct labour costs, which decreased by RM3.7 million to RM18.6 million for the FYE 2020 (FYE 2019: RM22.3 million), due to lower number of workers required for our residential projects, as several projects had been completed during the FYE 2019, including the Eco Ardence (Aeres) Project, Setia Eco Glades (Jewels of Grasmere) Project, Eco Grandeur (Avenham Garden) Project and Bukit Puchong (Andira Park) Project; and

(iii) our project overhead and related costs decreased by RM9.2 million to RM32.4 million for the FYE 2020 (FYE 2019: RM41.6 million) mainly due to lower cost of hiring of vehicles and rental of machinery and equipment, which decreased by RM7.4 million to RM19.2 million (FYE 2019: RM26.6 million). We also recorded a lower project overhead for our Tropicana Aman (Dalia Residences) Project of RM0.4 million due to lower construction activities as explained above.

Business segments

In terms of our cost of sales by business segments, the decrease in cost of sales for our residential segment for the FYE 2020 was in line with lower revenue recorded from such segment. However, cost of sales for this segment decreased less than the decrease in revenue for the FYE 2020. This was mainly due to the award of 4 major residential projects as explained in Section 12.3.1(i)(c) of this Prospectus between March 2019 and August 2019, where higher amount of subcontracted works and construction materials was used during the FYE 2020.

The lower cost of sales for our non-residential segment also corresponded to the lower revenue from such segment, save for the increase in cost of sales for our 'others' segments of RM10.2 million to RM12.9 million (FYE 2019: RM2.7 million). This was mainly attributed to higher subcontracted building works and construction materials used for the Tropicana Aman Clubhouse Project and SJK(C) Bukit Fraser Project for which we commenced construction in August 2019 and September 2019 respectively.

In addition, cost of sales for our non-residential segment decreased more than the decrease in revenue from this segment for the FYE 2020 mainly due to the completion of the Temasya Glenmarie (Alpine) Project under our industrial segment in October 2020 at below our budgeted costs due to the following:

(i) lower actual purchase price of building materials used for this project as compared to budgeted costs after factoring in bulk purchase and early payment discounts given by the suppliers; and

(ii) lower subcontractors' pricing as compared to initial budget price mainly for mechanical and electrical works as a result of our cost reduction efforts.

For our other related services segment, cost of sales remained relatively consistent at RM0.5 million for the FYE 2020 as compared to the FYE 2019.

Geographical locations

Approximately 97.0% of our cost of sales for the FYE 2020 was incurred in Selangor (FYE 2019: 94.5%), which was in line with the revenue contribution from our projects in Selangor.

For the FYE 2020, we recorded negative cost of sales in Negeri Sembilan as we reversed accrued contract costs of approximately RM0.9 million (which were overprovided in the previous financial year) in respect of the Bandar Enstek (Pristine 2) Project in Negeri Sembilan which was completed in March 2020. The overprovision of cost for this project was due to actual costs incurred being lower than budgeted costs as a result of the following:

(i) bulk purchase of building materials used for this project and the Bandar Enstek (Pristine) Project during the FYE 2019, whereby actual costs were lower than the budgeted costs after factoring in bulk purchase and early payment discounts given by the suppliers; and

(ii) lower overall subcontractor costs for this project as a result of our cost reduction efforts throughout the project period in obtaining lower pricing from subcontractors by inviting more subcontractors to bid for the job.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our cost of sales decreased by RM33.2 million or approximately 8.1% to RM374.6 million (FYE 2020: RM407.8 million) in line our lower revenue, which decreased by 7.0% for the financial year.

Cost components

The overall decrease in our cost of sales was mainly due to the following reasons:

(i) our subcontractor costs decreased by RM9.5 million to RM182.8 million for the FYE 2021 (FYE 2020: RM192.3 million) and our construction materials decreased by RM22.7 million to RM141.8 million for the FYE 2021 (FYE 2020: RM164.5 million).

    This was mainly attributed to lower amount of subcontracted works and construction materials used for the City of Elmina (Elmina Valley 5A and 5B) Projects and Bandar Seri Coalfields (Hampton Residences) Project, which collectively decreased by RM57.2 million as these projects were at the stage of mechanical, electrical and internal works which required a lower level of construction activities and usage of construction materials. However, this was partly offset by the increase in subcontracted works and construction materials used for the Tropicana Aman (Elemen Residences) Project of RM19.2 million due to higher level of construction activities involving building and structural works; and

(ii) our project overhead and related costs decreased by RM2.9 million to RM29.5 million for the FYE 2021 (FYE 2020: RM32.4 million) as we incurred lower cost of hiring of vehicles and rental of machinery and equipment, which decreased by RM2.1 million to RM17.1 million (FYE 2020: RM19.2 million).

The above decrease in our cost of sales was partly offset by an increase in our direct labour costs of RM1.9 million to RM20.4 million for the FYE 2021 (FYE 2020: RM18.6 million). This was mainly due to higher number of workers required for our ongoing residential projects such as the Tropicana Aman (Freesia Residences) Project and Tropicana Aman (Elemen Residences) Project and Taman Putra Prima (Diamond) Project, which recorded higher level of construction activities during the financial year, as well as higher provision of labour and building material costs to be incurred during the DLP in line with higher number of completed projects as compared to the previous financial year.

Business segments

In terms of our cost of sales by business segments, the decrease in cost of sales for our residential segment for the FYE 2021 was in line with our lower revenue from such segment. The lower cost of sales for our non-residential segment also corresponded to the lower revenue from our non-residential segment, save for the increase in cost of sales for our industrial segment of RM3.5 million to RM19.6 million (FYE 2020: RM16.1 million).

The increase in cost of sales for our industrial segment was mainly attributed to higher volume of subcontracted building and structural works as well as construction materials used following the commencement of the Elmina Business Park (The Twin Factories) Project in January 2021. However, this was partly offset by lower subcontracted buildings works and construction materials used for the Welloyd Industrial Park Project which was completed in October 2021.

In addition, cost of sales for our non-residential segment decreased more than the decrease in revenue from this segment mainly due to reversal of accrued contract costs for the Bandar Universiti Pagoh (Sarjana Promenade) Project of approximately RM3.9 million during the FYE 2021 (which were overprovided for in the previous financial year). This project was completed in May 2021 at below our budgeted costs as a result of our cost saving measures undertaken throughout the project period. These include cost savings throughout from bulk purchase of building materials and lower subcontractors' pricing mainly for architectural and electrical works due to our cost reduction efforts.

For our other related services, we incurred cost of sales of RM0.2 million for the FYE 2021 (FYE 2020: RM0.5 million) mainly due to subcontractors and direct labour costs for the outstanding works performed for turfing lot and roadworks in respect of one of our residential projects.

Geographical locations

Approximately 98.3% of our cost of sales for the FYE 2021 was incurred by our projects in Selangor, which was in line with the revenue contribution of 96.8% from these projects.

Comparison between FPE 2021 and FPE 2022

For the FPE 2022, our cost of sales decreased by RM5.4 million or approximately 2.7% to RM191.1 million (FPE 2021: RM196.5 million) in line with our lower revenue, which decreased by 1.6% for the financial period.

Cost components

The overall decrease in our cost of sales was mainly due to the following reasons:

(i) our construction materials costs decreased by RM3.3 million to RM87.5 million for the FPE 2022 (FPE 2021: RM90.8 million) and we incurred lower direct labour costs of RM3.7 million for the FPE 2022 (FPE 2021: RM7.8 million). These were mainly attributed to lower amount of construction materials used and workers required for the Bandar Seri Coalfields (Hampton Residences) Project and Emerald West (Garland Residence) Project, which collectively decreased by RM8.0 million, as the projects were completed in August 2021 and September 2021 respectively.

However, the above was partly offset by the increase of RM10.9 million in construction materials costs and direct labour costs incurred for the Tropicana Aman (Freesia Residences) Project as we commenced construction for this project in June 2021 and substantial construction activities were carried out during the FPE 2022 involving building and structural works where the project was 22.1% (FYE 2021: 8.3%) completed cumulatively at the end of the FPE 2022; and

(ii) our project overhead and related costs decreased by RM1.4 million to RM17.3 million for the FPE 2022 (FPE 2021: RM18.7 million) as we incurred lower cost of hiring of vehicles and rental of machinery and equipment, which decreased by RM1.0 million to RM9.6 million (FPE 2021: RM10.6 million). This was in line with the overall lower cost of sales for the FPE 2022, where our construction activities were generally lower during the financial period. Such cost component also remained relatively consistent at approximately 9.0% of the total cost of sales for the FPE 2022 (FPE 2021: 9.5%).

The above decrease in our cost of sales was partly offset by an increase in our subcontractor costs of RM3.4 million to RM82.6 million for the FPE 2022 (FPE 2021: RM79.2 million). This was mainly due to higher amount of subcontracted works for the Tropicana Aman (Freesia Residences) Project, which increased by RM6.1 million, as explained above.

Business segments

In terms of our cost of sales by business segments, although we recorded an increase in revenue for our residential segment, our cost of sales for this segment decreased by RM8.6 million to RM163.2 million for the FPE 2022 (FPE 2021: RM171.8 million). The decrease in cost of sales was not in line with the increase in our revenue for this segment, due to the completion of the Bukit Bandaraya (Dillenia) Project in April 2022 at below our budgeted costs mainly as a result of the following:

(i) lower actual purchase price of building materials used for this project as compared to budgeted costs after factoring in bulk purchase and early payment discounts given by the suppliers; and

(ii) lower subcontractors' pricing for earthwork, piling and infrastructural works as compared to initial budgeted costs as a result of our cost reduction efforts.

The lower cost of sales for our non-residential segment corresponded to the lower revenue from our non-residential segment, save for the increase in cost of sales for our industrial segment of RM11.8 million to RM16.1 million (FPE 2021: RM4.3 million). This was mainly attributed to higher volume of subcontracted building and structural works as well as construction materials used for the Elmina Business Park (The Twin Factories) Project which recorded higher level of construction activities during the FPE 2022 as well as the commencement of the Benteng Etika Warehouse Project in December 2021.

For our other related services segment, we incurred cost of sales of RM5.5 million for the FPE 2022 (FPE 2021: less than RM0.1 million) mainly due to subcontractors and building material costs for earthwork, infrastructure and piling works performed for the Kiharta Development Warehouse (Infrastructure and Piling) Projects and Kiharta Development Facility (Infrastructure) Project.

Geographical locations

Approximately 98.9% (FPE 2021: 97.9%) of our cost of sales for the FPE 2022 was incurred by our projects in Selangor, which was in line with the revenue contribution of 98.1% from these projects.

Although we recorded higher revenue for our projects in Negeri Sembilan, our cost of sales incurred by these projects decreased by RM2.0 million to RM0.8 million for the FPE 2022 (FPE 2021: RM2.8 million) as we reversed accrued contract costs of approximately RM1.2 million (which were overprovided in the prior years) in respect of 2 residential projects, namely the Kota Seriemas (Cempaka Suria 3) Project and Bandar Ainsdale Project, upon finalising the sum to be paid to all of our subcontractors for the works performed. The value of work performed was agreed progressively with our subcontractors upon completion of these projects in 2015, whereby the last payment to our subcontractor was finalised in 2021.

Our cost of sales incurred by our project in Johor remained relatively unchanged at RM1.3 million for the FPE 2022 (FPE 2021: RM1.3 million) despite lower revenue recorded. This was mainly due to reversal of accrued contract costs for the Bandar Universiti Pagoh (Sarjana Promenade) Project during the FYE 2021 as explained in Section 12.3.1(ii)(d) of this Prospectus.

(iii) GP and GP margin

We price our construction projects based on cost estimates which depend on various factors such as, among others, scale, complexity, duration, construction materials price trend as well as the quotations from our suppliers and subcontractors. As such, our GP and GP margin are dependent on the accuracy of our pricing during the tender and/or negotiation stage of our project, and may fluctuate on a yearly basis as each project differs in terms of project duration, profit margin, costs and stages of the construction. Typically, we will allocate higher cost estimates during the initial stage of our projects due to higher uncertainties of cost savings realisation, which are subject to factors such as, among others, fluctuations in the prices and availability of construction materials or subcontracted services which are not within our control.

As part of our cost management strategy, we practise just-in-time purchasing (where orders for our construction materials are made as and when they are required at different construction stages) and negotiate with our suppliers and subcontractors at different stages of construction. In the event we obtain more favourable negotiated terms from our suppliers or subcontractors leading to lower costs to our Group, our GP margin will improve compared to that initially budgeted. As we are mainly involved in township construction projects for different group of customers, the GP margin for each of our project varies depending on the scope of work, technical specifications, project duration and costs. We generally do not ascribe a lower margin to any particular type of project.

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(a) GP and GP margin by business segments

The table below sets out our GP and GP margin by business segments for the Financial Years/Period Under Review:

	<---Audited				--->		Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
GP	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Residential	88,464	88.2	67,927	83.0	63,393	78.4	29,707	70.5	39,952	91.5
Non-residential										
• Commercial	9,192	9.2	7,979	9.8	12,832	15.9	10,878	25.8	353	0.8
• Industrial	847	0.8	4,769	5.8	2,712	3.4	675	1.6	2,106	4.8
• Others	640	0.6	564	0.7	1,915	2.3	942	2.2	201	0.5
	10,679	10.6	13,312	16.3	17,459	21.6	12,495	29.6	2,660	6.1
Other related services	1,154	1.2	599	0.7	10	*	(37)	(0.1)	1,069	2.4
Total	**100,297**	**100.0**	**81,838**	**100.0**	**80,862**	**100.0**	**42,165**	**100.0**	**43,681**	**100.0**

	<---Audited		--->	Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
GP Margin	(%)	(%)	(%)	(%)	(%)
Residential	18.9	17.5	16.5	14.7	19.7
Non-residential					
• Commercial	13.8	12.0	30.1	41.9	5.7
• Industrial	2.1	22.8	12.1	13.5	11.6
• Others	19.0	4.2	26.8	15.2	30.9
Other related services	70.0	53.7	5.5	-	16.4
Overall GP margin	**17.2**	**16.7**	**17.8**	**17.7**	**18.6**

Note:

* Negligible.

(b) GP and GP margin by geographical locations

The table below sets out our GP and GP margin 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	92,632	92.4	79,370	97.0	72,685	89.9	36,013	85.4	41,330	94.6
Negeri Sembilan	7,118	7.1	1,407	1.7	1,941	2.4	(59)	(0.1)	2,174	5.0
Johor	547	0.5	1,061	1.3	6,236	7.7	6,211	14.7	177	0.4
Total	**100,297**	**100.0**	**81,838**	**100.0**	**80,862**	**100.0**	**42,165**	**100.0**	**43,681**	**100.0**

	<---Audited		--->	Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
GP Margin	(%)	(%)	(%)	(%)	(%)
Selangor	16.9	16.7	16.6	15.8	18.0
Negeri Sembilan	36.4	101.0[(1)]	27.0	(2.2)	72.0
Johor	3.8	8.0	83.3	83.0	12.1
Overall GP margin	**17.2**	**16.7**	**17.8**	**17.7**	**18.6**

Note:

(1) GP margin exceeded 100% as a result of negative cost of sales due to overprovision of accrued contract costs in the previous financial year for a project which was completed during the FYE 2020, as explained in Section 12.3.1(ii)(d) of this Prospectus.

(c) Commentaries on GP

Comparison between FYE 2019 and FYE 2020

Our GP decreased by RM18.5 million or approximately 18.4% to RM81.8 million for the FYE 2020 (FYE 2019: RM100.3 million) mainly due to the decrease in GP from our residential segment of RM20.6 million as a result of lower revenue from our residential segment for the FYE 2020. Our GP were also affected generally due to the implementation of the MCO as a result of the COVID-19 pandemic, which resulted in delayed progress billings for work performed and the certification of amount of work done by the architect.

The decrease in GP for the FYE 2020 from our residential segment of RM20.6 million to RM67.9 million for the FYE 2020 (FYE 2019: RM88.5 million) was largely due to the completion of our major projects in 2019, namely City of Elmina (Liana) Project and Eco Ardence (Aeres) Project, which collectively contributed RM20.5 million to our GP for the FYE 2019.

Our non-residential segment recorded an increase in GP of RM2.6 million to RM13.3 million for the FYE 2020 (FYE 2019: RM10.7 million), which was mainly contributed by the increase in GP from the Temasya Glenmarie (Alpine) Project under our industrial segment of RM2.4 million which was completed in October 2020. Although revenue from this project was lower for the FYE 2020, GP improved as we incurred lower actual costs than budgeted costs due to cost savings from the purchase of building materials and subcontractors' pricing, as explained in Section 12.3.1(ii)(d) of this Prospectus.

In terms of GP by geographical locations, we recorded a decrease in GP of RM19.0 million from our projects in Selangor and Negeri Sembilan for the FYE 2020, which was in line with the lower revenue from both states during the financial year. Although we recorded a decline in revenue from our project in Johor, namely the Bandar Universiti Pagoh (Sarjana Promenade) Project, our GP from Johor improved by RM0.6 million to RM1.1 million during the FYE 2020 (FYE 2019: RM0.5 million) as construction material costs were lower during the FYE 2020 as compared to the previous financial year, due to cost savings from the bulk purchase of building materials used for this project and early payment discounts given by the suppliers.

Comparison between FYE 2020 and FYE 2021

Our GP decreased by RM0.9 million or approximately 1.1% to RM80.9 million for the FYE 2021 (FYE 2020: RM81.8 million) mainly due to the decrease in GP from our residential segment of RM4.5 million in line with the lower revenue from the said segment for the FYE 2021. This was partly offset by the increase in GP from our non-residential segment of RM4.1 million.

The decrease in GP for the FYE 2021 for our residential segment was mainly due to the completion of the Eco Forest (Ebony Lane - Phase 4) Project in October 2020, which contributed RM10.6 million to our GP for the FYE 2020.

Such decrease was partly offset by higher GP from the Emerald West (Garland Residence) Project and the Tropicana Aman (Elemen Residences) Project, which collectively increased by RM6.6 million for the FYE 2021, mainly due to lower overall costs as a result of discounts for bulk purchase of building materials and lower pricing from negotiation with subcontractors who had worked with us for a few projects within the vicinity, namely the Tropicana Aman Project and Emerald West Project.

Our non-residential segment recorded an increase in GP of RM4.2 million to RM17.5 million for the FYE 2021 (FYE 2020: RM13.3 million), which was mainly contributed by the Bandar Universiti Pagoh (Sarjana Promenade) Project for which we recorded an increase in GP of RM4.2 million due to reversal of accrued contract costs as explained in Section 12.3.1(ii)(d) of this Prospectus.

In terms of GP by geographical locations, we recorded a decrease in GP of RM6.7 million from our projects in Selangor for the FYE 2021, which was in line with lower revenue from Selangor during the financial year. The increase in our GP of RM0.5 million from Negeri Sembilan to RM1.9 million (FYE 2020: RM1.4 million) was also in line with the higher revenue from our projects in Negeri Sembilan during the financial year. Although we recorded a decline in revenue from Johor, our GP improved by RM5.2 million to RM6.3 million during the FYE 2021 (FYE 2020: RM1.1 million) due to the improvement in margin from our Bandar Universiti Pagoh (Sarjana Promenade) Project as explained above.

Comparison between FPE 2021 and FPE 2022

Our GP increased by RM1.5 million or approximately 3.6% to RM43.7 million for the FPE 2022 (FPE 2021: RM42.2 million) mainly due to the increase in GP from our residential segment of RM10.3 million in line with the higher revenue and lower cost of sales from the said segment for the FPE 2022. This was partly offset by the decrease in GP from our non-residential segment of RM9.8 million for the FPE 2022.

The increase in GP for the FPE 2022 for our residential segment was mainly due to higher GP from the Bukit Bandaraya (Dillenia) Project, which increased by RM10.9 million for the FPE 2022, due to the completion of this project at below budgeted costs as explained in Section 12.3.1(ii)(d) of this Prospectus.

Our non-residential segment recorded a decrease in GP of RM9.8 million to RM2.7 million for the FPE 2022 (FPE 2021: RM12.5 million), which was mainly contributed by the decrease in GP from our commercial segment of RM10.5 million to RM0.4 million (FPE 2021: RM10.9 million) for the FPE 2022 following the completion of the Tropicana Aman (Triana) Project and Bandar Universiti Pagoh (Sarjana Promenade) Project as explained in Section 12.3.1(i)(c) of this Prospectus.

The above decrease in GP from our commercial segment was partly offset by higher GP from our industrial segment mainly due to higher revenue from the substantial construction works carried out for the Elmina Business Park (The Twin Factories) Project and Benteng Etika Warehouse Project as explained in Section 12.3.1(i)(c) of this Prospectus. As for our other related services segment, the increase in GP was generated from earthwork, infrastructure and piling works in respect of the Kiharta Development Warehouse (Infrastructure and Piling) Projects and Kiharta Development Facility (Infrastructure) Project.

In terms of GP by geographical locations, we recorded an increase in GP of RM5.3 million to RM41.3 million for the FPE 2022 (FPE 2021: RM36.0 million) from Selangor, which was in line with higher revenue and lower cost of sales from Selangor during the financial period as explained in Section 12.3.1(ii)(d) of this Prospectus. For the FPE 2022, we recorded GP of RM2.2 million from Negeri Sembilan which was also in line with higher revenue and lower cost of sales from these projects during the financial period. We recorded a gross loss of RM0.1 million for the FPE 2021 from our projects in Negeri Sembilan, namely the Kota Seriemas (Mawar Indah) Project and Bandar Enstek (Pristine 2) Project due to additional cost incurred during the DLP for these projects.

The decrease in GP of RM6.0 million from Johor to RM0.2 million for the FPE 2022 (FPE 2021: RM6.2 million) was in line with lower revenue from Johor during the financial period.

(d) Commentaries on GP margin

Comparison between FYE 2019 and FYE 2020

Our overall GP margin decreased by 0.5% to 16.7% for the FYE 2020 (FYE 2019: 17.2%) mainly attributed to the lower GP margin from our residential segment of 17.5% for the FYE 2020 (FYE 2019: 18.9%).

The lower GP margin for our residential segment for the FYE 2020 was mainly attributed to the completion of the Eco Ardence (Aeres) Project in October 2019 which had a higher margin due to cost savings achieved throughout the project period from bulk purchase of building materials and lower overall subcontractors' pricing due to our cost reduction efforts.

The decrease in GP margin from our residential segment for the FYE 2020 was partly offset by the improved margin under our industrial segment of 22.8% (FYE 2021 (2.1%) mainly from the Temasya Glenmarie (Alpine) Project due to cost savings from lower actual purchase price of building materials and lower subcontractors' pricing, as explained in Section 12.3.1(ii)(d) of this Prospectus.

As for our commercial segment, the decrease in GP margin for the FYE 2020 was due to overall lower margin projects during the financial year. Compared to the FYE 2019, during which we completed 2 commercial projects, namely Tropicana Aman (Sinaria) Project and Alam Impian (Nadi Niaga Project), at total cost which was lower than that budgeted due to cost saving measures undertaken throughout the project period, only 1 commercial project, namely Bandar Bukit Raja (3 Avenue) Project, was completed at a total cost which was below our budget cost during the FYE 2020. Our 'others' segment also recorded a decrease in GP margin due to low margin for the construction of a show village under the Tamansari Show Village Project, which typically has lower margin as compared to the project for the construction of residential buildings under the Tamansari Project.

We recorded a GP margin of 70.0% for our other related services segment for the FYE 2019 mainly as a result of the reversal of accrued subcontractor and construction material costs amounting to approximately RM0.3 million (which had been overprovided for in the previous FYE 2018) for rectification works in respect of one of our residential projects. For the FYE 2020, our GP margin of 53.7% from the segment resulted mainly from outstanding works for turfing lots and roadworks in respect of one of our residential projects which had higher GP margin due to smaller contract sum and shorter project duration.

In terms of the geographical locations of our projects, GP margin for our projects in Selangor remained relatively unchanged at 16.7% for the FYE 2020 (FYE 2019: 16.9%). While we recorded lower GP margin for our residential project in Selangor due to the completion of the Eco Ardence (Aeres) Project in the previous financial year as explained above, this was offset by the improvement in GP margin from the Temasya Glenmarie (Alpine) Project under our industrial segment.

The GP margin for our projects in Negeri Sembilan was above 100% due to negative cost of sales as we reversed accrued contract costs (which were overprovided for in the previous financial year) during the FYE 2020 in respect of the Bandar Enstek (Pristine 2) Project, as explained in Section 12.3.1(ii)(d) of this Prospectus. The higher GP margin from our project in Johor for the FYE 2020 was due to lower construction material costs for the Bandar Universiti Pagoh (Sarjana Promenade) Project as explained in Section 12.3.1(iii)(c) of this Prospectus.

Comparison between FYE 2020 and FYE 2021

Our overall GP margin increased by 1.1% to 17.8% for the FYE 2021 (FYE 2020: 16.7%) mainly attributed to the higher GP margin from our commercial segment of 30.1% for the FYE 2021 (FYE 2020: 12.0%). This was mainly attributed to the completion of our Bandar Universiti Pagoh (Sarjana Promenade) Project in May 2021 which has a higher margin due to reversal of accrued contract costs as a result of lower cost incurred, as explained in Section 12.3.1(iii)(c) of this Prospectus.

The above increase in our GP margin was partly offset by the decrease in GP margin from our residential and industrial segments due to overall lower margin projects during the FYE 2021. The relatively lower GP margin from our residential segment was mainly due to 2 major projects, namely Tropicana Aman (Freesia Residences) Project and PNB Telok Datok Project, which were in the initial stages of construction where higher cost estimates were allocated (due to higher uncertainties of cost savings realisation) resulting in lower GP margin.

The relatively lower GP margin from our industrial segment was mainly due to higher volume of subcontracted building and structural works as well as construction materials used subsequent to the commencement of the Elmina Business Park (The Twin Factories) Project in January 2021. Higher cost estimates were allocated (due to higher uncertainties of cost savings realisation) for the Elmina Business Park (The Twin Factories) Project which was in the initial stage of construction, partly offset by lower subcontracted building works and construction materials used for the Welloyd Industrial Park Project which was completed in October 2021.

We also recorded lower GP margin for our other related services mainly due to lower margin for rectification and hoarding works in respect of two of our residential projects. Our 'others' segment, however, registered an improvement in GP margin due to better margin for the construction of a show village.

In terms of the geographical locations of our projects, GP margin for our projects in Selangor remained relatively unchanged at 16.6% for the FYE 2021 (FYE 2020: 16.7%). We recorded a lower GP margin for our projects in Negeri Sembilan for the FYE 2021 following the completion of the Bandar Enstek (Pristine 2) Project in the previous financial year which recorded negative cost of sales as explained in Section 12.3.1(ii)(d) of this Prospectus, while the GP margin for our project in Johor improved mainly due higher margin from the Bandar Universiti Pagoh (Sarjana Promenade) Project as explained above.

During the FYE 2021, we have 3 ongoing affordable housing projects which contributed RM22.5 million or approximately 4.9% to our revenue and had an average GP margin of 6.0%. Due to the low revenue contribution, these projects had not materially affected our overall GP margin for the FYE 2021.

Comparison between FPE 2021 and FPE 2022

Our overall GP margin increased by 0.9% to 18.6% for the FPE 2022 (FPE 2021: 17.7%) mainly attributed to higher GP margin from our residential segment of 19.7% for the FPE 2022 (FPE 2021: 14.7%).

The higher GP margin for our residential segment for the FPE 2022 was mainly attributed to the completion of the Bukit Bandaraya (Dillenia) Project in April 2022 which had a higher margin due to completion of this project at below budgeted costs as explained in Section 12.3.1(ii)(d) of this Prospectus.

As for our commercial segment, the decrease in GP margin for the FPE 2022 was due to the following reasons:

(i) we completed the Bandar Universiti Pagoh (Sarjana Promenade) Project in May 2021, which contributed to a higher GP margin for the FPE 2021 due to the reversal of accrued contract costs as a result of lower cost incurred, as explained in Section 12.3.1(ii)(d) of this Prospectus; and

(ii) we completed the Tropicana Aman (Triana) Project in February 2022 and recorded a gross loss of RM2.2 million during the FPE 2022 mainly due to the provision of additional cost as the actual costs incurred for this project during the financial period were higher than budgeted cost due to the increase in prices of construction materials such as aggregates and concrete. We recorded a negative revenue of RM0.2 million for this project for the FPE 2022 due to the reduction in the contract sum as a result of reduced scope of work as explained in Section 12.3.1(i)(c) of this Prospectus. Although we recorded a gross loss margin for this project during the FPE 2022, the overall gross margin for this project is profitable at 4.8%.

GP margin from our industrial segment decreased to 11.6% for the FPE 2022 (FPE 2021: 13.5%) due to the completion of the Welloyd Industrial Park Project in October 2021, which recorded a higher GP margin in the previous financial period. Our 'others' segment also recorded an increase in GP margin to 30.9% for the FPE 2022 (FPE 2021: 15.2%) due to better margin for the construction of a purpose-built building.

In terms of the geographical locations of our projects, GP margin for our projects in Selangor increased to 18.0% for the FPE 2022 (FPE 2021: 15.8%) due to the completion of the Bukit Bandaraya (Dillenia) Project at below budgeted costs as explained above.

We recorded higher GP margin for our project in Negeri Sembilan for the FPE 2022 mainly due to higher margin for the Bandar Enstek (Pristine 3) Project which was completed in June 2022. This was mainly attributed to lower amount of construction materials used for this project as the project was at the stage of nearing completion which required lower usage of construction materials as compared to higher building and structural works during the previous financial period.

The GP margin for our project in Johor decreased for the FPE 2022 due to the completion of the Bandar Universiti Pagoh (Sarjana Promenade) Project in May 2021, which recorded a higher GP margin in the previous financial period.

During the FPE 2022, we have 3 ongoing affordable housing projects which contributed a total of RM23.9 million or approximately 10.2% to our revenue and had an average GP margin of 10.5%. Due to the low revenue contribution, these projects had not materially affected our overall GP margin for the FPE 2022.

(iv) Other income

The table below sets out our other income 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)	(%)
Interest income	3,072	59.1	2,977	48.7	2,379	26.8	1,194	50.6	802	9.6
Rental income	1,546	29.8	1,724	28.2	1,736	19.6	758	32.1	317	3.8
Gain on disposal of investment properties	-	-	569	9.3	4,207	47.5	269	11.4	6,915	83.0
Gain on disposal of property and equipment	84	1.6	769	12.6	389	4.4	34	1.4	5	0.1
Others(1)	492	9.5	74	1.2	153	1.7	107	4.5	289	3.5
Total	**5,194**	**100.0**	**6,113**	**100.0**	**8,864**	**100.0**	**2,362**	**100.0**	**8,328**	**100.0**

Note:

(1) Others include, among others, gain on foreign exchange, fair value gain on unit trusts as well as dividend income from quoted shares listed on Bursa Securities.

Commentaries on other income

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our other income increased by RM0.9 million or approximately 17.3% to RM6.1 million (FYE 2019: RM5.2 million), mainly attributed to the following reasons:

(i) we disposed of 3 properties and recorded a gain on disposal amounting to a total of RM1.4 million. We had acquired these properties from our customers in 2008, 2013 and 2014 for capital appreciation purposes and these properties were part of our customers' property development projects. For the avoidance of doubt, we acquired these properties by cash and none of these properties were acquired as a result of contra arrangement with our customers in respect of outstanding progress payments due from them; and

(ii) our rental income increased by RM0.2 million to RM1.7 million for the FYE 2020 (FYE 2019: RM1.5 million) mainly due to new tenants taking occupancy for certain shop offices and increase in monthly rent.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our other income increased by RM2.8 million or approximately 45.9% to RM8.9 million (FYE 2020: RM6.1 million), mainly attributed to gain on disposal of properties amounting to a total of RM4.6 million (FYE 2020: RM1.4 million).

During the financial year, we disposed of 25 properties comprising 12 units of residential property, 9 units of commercial property and 4 parcels of vacant land. We acquired these properties from our customers between 2001 and 2020 for capital appreciation purposes.

For the avoidance of doubt, these properties disposed of during the Financial Years/Period Under Review were acquired by us in cash and none of these properties were acquired as a result of contra arrangement with our customers in respect of outstanding progress payments due from them save for 2 units of commercial property which were acquired in 2001 and 2005 for approximately RM0.6 million and RM2.2 million respectively. These properties were acquired as part of the terms and conditions of the letters of award from the customers, whereby the progress payments from the customers were deducted against the purchase prices for the properties. Please refer to Section 6.6 of this Prospectus for further details of our investment in properties as well as details of the set off of outstanding progress payments from some of our customers against part of the purchase consideration for certain properties that we had acquired from our customers prior to the respective Financial Years/Period Under Review.

Comparison between FPE 2021 and FPE 2022

For the FPE 2022, our other income increased by RM5.9 million to RM8.3 million (FPE 2021: RM2.4 million), mainly attributed to gain on disposal of properties amounting to a total of RM6.9 million (FPE 2021: RM0.3 million).

During the FPE 2022, we disposed of 8 properties comprising 4 units of residential property, 3 units of commercial property and an industrial property. We acquired these properties from our customers between 1999 and 2020 for capital appreciation purposes. For the avoidance of doubt, we acquired these properties by cash and none of these properties were acquired as a result of contra arrangement with our customers in respect of outstanding progress payments due from them, save for 2 units of residential property which were acquired in 2020 for approximately RM1.5 million each. We had agreed with our customer for the outstanding progress payments to be set off against part of the purchase consideration for these properties to expedite collection of the outstanding progress payments.

(v) Administrative and other operating expenses

The table below sets out a breakdown of our administrative and other operating expenses 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)**	**(**
Staff remuneration	19,823	58.0	19,366	56.3	19,796	52.8	8,459	50.3	9,270	49
Directors' remuneration	7,844	23.0	7,776	22.6	9,538	25.5	4,322	25.7	1,944	10
Depreciation	3,585	10.5	4,077	11.9	4,513	12.0	2,367	14.1	2,081	11
Utilities costs	778	2.3	659	1.9	670	1.8	290	1.7	345	1
Staff welfare	348	1.0	233	0.6	463	1.2	148	0.9	209	1
Upkeep and maintenance	344	1.0	446	1.3	506	1.3	206	1.2	606	3
Office supplies and postage	306	0.9	469	1.4	296	0.8	77	0.4	141	0
Marketing expenses	241	0.7	292	0.8	182	0.5	109	0.6	98	0
Legal and professional fees	164	0.5	164	0.5	121	0.3	76	0.5	1,842	9
Rental	95	0.3	99	0.3	51	0.1	56	0.3	-	
Impairment loses on trade receivables	-	-	-	-	516	1.4	-	-	-	
Loss on disposal of associate	-	-	-	-	-	-	-	-	782	4
Insurance	400	1.2	380	1.1	349	0.9	288	1.7	354	1
Others[(1)]	226	0.6	441	1.3	522	1.4	432	2.6	1,182	6
Total	**34,154**	**100.0**	**34,402**	**100.0**	**37,523**	**100.0**	**16,830**	**100.0**	**18,854**	**100**

Note:

(1) 'Others' include, among others, loss on disposal of other investments, quit rent and assessments, transportation and travelling expenses, tender documentation fees, licencing and registration fees, sundry wages and road tax.

Commentaries on administrative and other operating expenses

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our administrative and other expenses increased by RM0.2 million to RM34.4 million (FYE 2019: RM34.2 million), mainly due to higher depreciation of equipment, which increased by RM0.5 million, as we purchased more aluminium formworks during the financial year.

Such increase was partly offset by lower expenses for staff welfare (such as annual dinner and staff refreshment expenses) and utilities (such as electricity and water) as we observed movement restriction and temporary closure of office during the implementation of the MCO.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our administrative and other expenses increased by RM3.1 million to RM37.5 million (FYE 2020: RM34.4 million), mainly attributed to the following reasons:

(i) the increase in payment for directors' bonus of RM1.6 million to RM5.1 million (FYE 2020: RM3.5 million) due to our resilient financial performance despite interruptions to our business operations during the implementation of MCO;

(ii) the increase in staff remuneration of RM0.4 million to RM19.8 million (FYE 2020: RM19.4 million); and

(iii) the impairment losses on trade receivables amounting to a total of RM0.5 million as the recovery was uncertain and subject to performance of additional work. 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.

Comparison between FPE 2021 and FPE 2022

For the FPE 2022, our administrative and other operating expenses increased by RM2.1 million to RM18.9 million (FPE 2021: RM16.8 million), mainly attributed to the following reasons:

(i) the increase in legal and professional fees of RM1.7 million to RM1.8 million (FPE 2021: RM0.1 million) incurred in relation to our Listing;

(ii) the loss on disposal of associate amounting to RM0.8 million following the completion of the Disposal of QLB; and

(iii) the increase in upkeep and maintenance of RM0.4 million to RM0.6 million (FPE 2021: RM0.2 million) mainly due to renovation costs incurred for our head office.

The above increase was partly offset by lower expenses for the remuneration of staff and directors which decreased by RM1.6 million to RM11.2 million (FPE 2021: RM12.8 million) mainly due to the decrease in directors' bonus of RM2.2 million.

(vi) Finance costs

The table below sets out our finance costs 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)	(%)
Interest expenses on:										
• term loans	131	91.6	89	52.4	196	74.2	35	44.9	74	69.2
• banker's acceptances	-	-	67	39.4	63	23.9	40	51.3	27	25.2
• others(1)	12	8.4	14	8.2	5	1.9	3	3.8	6	5.6
Total	**143**	**100.0**	**170**	**100.0**	**264**	**100.0**	**78**	**100.0**	**107**	**100.0**

Note:

(1) Others include bank overdrafts, bank guarantees, bank charges and late payment interest.

Commentaries on finance costs

During the Financial Years/Period Under Review, we have maintained low finance costs of between RM0.1 million and RM0.3 million. We mainly incurred interest expenses on term loans and banker's acceptances, which were utilised for our working capital purposes.

(vii) Share of profit/(loss) of associate

During the FYE 2019 to FYE 2021, we accounted for our investment in QLB, our former 49%-owned associate, using the equity method. QLB has ceased to be our associated company after the completion of the Disposal of QLB on 14 June 2022.

Commentaries on share of profit/(loss) on associate

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, we suffered a share of loss from QLB of RM0.6 million as opposed to a share of profit of RM1.0 million for the FYE 2019. This was mainly due to the decrease in the revenue and GP of QLB following the completion of most of its construction projects during the FYE 2019 and the deferment of new project launch by its customers. QLB secured 2 new contracts towards the end of the FYE 2020.

The GP for the FYE 2020 was not enough to cover the administrative expenses of QLB such as staff remuneration of RM1.6 million for the FYE 2020 (FYE 2019: RM3.0 million), resulting in QLB incurring a loss after taxation of approximately RM1.3 million for the FYE 2020 (FYE 2019: PAT of RM2.0 million).

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, we recorded a share of profit from QLB of RM0.4 million due to the increase in the revenue and GP of QLB during the financial year. This was due to the commencement of construction work involving building and structural works for the projects secured in the FYE 2020 as explained above, as well as 2 other projects secured during the 1st half of the FYE 2021.

Comparison between FPE 2021 and FPE 2022

For the FPE 2022, we recorded a share of profit from QLB of RM0.8 million due to the increase in the revenue and GP of QLB during the financial period. This was due to the higher level of construction activities involving building and structural works for its ongoing projects during the financial period.

(viii) Taxation

Our tax expenses together with the comparison between our effective and statutory tax rates for the Financial Years/Period Under Review are set out below:

	<----------------Audited	----------------	---------------->	Unaudited	Audited
	FYE 2019 (RM'000)	**FYE 2020 (RM'000)**	**FYE 2021 (RM'000)**	**FPE 2021 (RM'000)**	**FPE 2022 (RM'000)**
Income tax expenses					
- current year	17,260	12,553	14,727	6,482	6,031
- under/(over) provision in prior year	(44)	814	(197)	-	47
	17,216	13,367	14,530	6,482	6,078
Deferred tax					
- current year	22	135	(3,301)	(80)	1,147
- under/(over) provision in prior year	155	4	(1,308)	2	7
	177	139	(4,609)	(78)	1,154
Real property gains tax	-	55	582	75	471
Total tax expenses	**17,393**	**13,561**	**10,503**	**6,479**	**7,703**
Effective tax rate (%)	24.1	25.7	20.1	23.3	22.8
Statutory tax rate (%)	24.0	24.0	24.0	24.0	24.0

For the Financial Years/Period Under Review, we do not have any outstanding or provision for withholding tax.

Commentaries on taxation

Our effective tax rate for the FYE 2019 of 24.1% was consistent with the statutory tax rate.

Our effective tax rate for the FYE 2020 of 25.7% was higher than the statutory tax rate mainly due to the following reasons:

(i) depreciation of non-qualifying property and equipment which were not deductible for income tax purposes; and

(ii) under-provision of income tax expenses in prior year due to our provision of labour and building material costs during the FYE 2019 which were not deductible for income tax purposes.

Our effective tax rate for the FYE 2021 of 20.1% was lower than the statutory tax rate mainly due to the following reasons:

(i) interest income from unit trusts and gain on disposal of investment properties which were not subject to income tax; and

(ii) under-provision of deferred tax assets in prior years in respect of our provision of labour and building materials costs which were not deductible for income tax purposes.

Our effective tax rate for the FPE 2022 of 22.8% was lower than the statutory tax rate mainly due to interest income from unit trusts and gain on disposal of investment properties which were not subject to income tax.

(ix) PBT, PBT margin, PAT and PAT margin

Our PBT and PBT margin as well as PAT and PAT margin for the Financial Years/Period Under Review are set out below:

	<--------------------Audited------------------>			Unaudited	Audited
	FYE 2019 (RM'000)	**FYE 2020 (RM'000)**	**FYE 2021 (RM'000)**	**FPE 2021 (RM'000)**	**FPE 2022 (RM'000)**
PBT	72,187	52,762	52,336	27,818	33,831
PBT margin (%)	12.4	10.8	11.5	11.7	14.4
PAT	54,794	39,201	41,833	21,339	26,127
PAT margin (%)	9.4	8.0	9.2	8.9	11.1

Commentaries on PBT, PBT margin, PAT and PAT margin

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our PBT decreased by RM19.4 million or approximately 26.9% to RM52.8 million (FYE 2019: RM72.2 million) mainly due to the decrease in our GP of RM18.5 million during the financial year as explained above.

Although we recorded a lower GP for the FYE 2020, our administrative and other expenses for the FYE 2020 had remained relatively unchanged as compared to the FYE 2019. In addition, we recorded a share in the loss of our associate of RM0.6 million for the FYE 2020, compared to a share in the profit of our associate of RM1.0 million for the FYE 2019. As a result, our PBT margin decreased to 10.8% for the FYE 2020 (FYE 2019: 12.4%).

As a result of the above, we recorded lower PAT and PAT margin for the FYE 2020 of RM39.2 million and 8.0% respectively (FYE 2019: RM54.8 million; 9.4%).

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our PBT decreased by RM0.5 million to RM52.3 million (FYE 2020: RM52.8 million) mainly due to the decrease in GP of RM0.9 million during the financial year as explained above.

We incurred higher administrative and other operating expenses which increased by RM3.1 million. The higher expenses were partly offset by higher other income which increased by RM2.8 million, and a share in the profit of our associate of RM0.4 million for the FYE 2021.

Notwithstanding the above, our PBT margin for the FYE 2021 increased to 11.5% (FYE 2020: 10.8%) mainly due to higher overall GP margin of 17.8% (FYE 2020: 16.7%) as explained in Section 12.3.1(iii)(d) of this Prospectus.

As a result of the above, coupled with lower tax expenses for the FYE 2021 as explained in Section 12.3.1(viii) of this Prospectus, we recorded higher PAT and PAT margin for the FYE 2021 of RM41.8 million and 9.2% respectively (FYE 2020: RM39.2 million; 8.0%).

Comparison between FPE 2021 and FPE 2022

For the FPE 2022, our PBT increased by RM6.0 million to RM33.8 million (FPE 2021: RM27.8 million) mainly due to the increase in GP and other income of RM1.5 million and RM5.9 million respectively during the financial period as explained above. These have also resulted in the improvement of our PBT margin for the FPE 2022 to 14.4% (FPE 2021: 11.7%).

As a result of the above, we recorded higher PAT and PAT margin for the FPE 2022 of RM26.1 million and 11.1% respectively (FPE 2021: RM21.3 million; 8.9%).

12.3.2 Significant factors affecting our financial condition and results of operations

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

(i) Continuity of our order book

Our financial performance depends on our ability to secure new projects to sustain our order book. If we are not able to secure new projects on a continuous basis such that there is a significant decline in our order book or if the new projects that we secure are not commercially favourable to us, our business growth and financial performance will be adversely affected.

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

(ii) Unanticipated delay in the completion of projects

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

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

(iii) Delay in collections of trade receivables

We are exposed to risk of delays in the collection of our trade receivables. An extended delay in payment from our customers or failure to collect our retention fees, may have a material and adverse effect on our cash flow. Please refer to Section 12.4.8(i) of this Prospectus for further information on the increase of our trade receivables turnover period for the Financial Years/Period Under Review.

(iv) Fluctuations in the prices of construction materials

Our building material costs, such as steel and concrete materials are influenced by commodity prices and subjected to price fluctuations. As such, any fluctuation in the prices of building materials, which are beyond our control, could result in increased costs and may adversely impact our financial performance.

(v) Government, economic, fiscal or monetary policies

Any unfavourable change in government, economic, fiscal or monetary policies may materially affect our business operations and financial performance. For the Financial Years/Period Under Review, our results were not adversely affected by any unfavourable changes relating to these policies. Nonetheless, there is no assurance that our financial performance will not be adversely affected by the impact of changes in government, economic, fiscal or monetary policies in the future.

(vi) Impact of inflation

Our business, financial condition or results of operations for the Financial Years/Period Under Review were not materially affected by the impact of inflation. Nonetheless, there can be no assurance that future inflation, such as future increases in construction materials, subcontractor's cost and labour's cost, would not have any impact on our business operations and financial performance.

(vii) Impact of foreign exchange

For the Financial Years/Period Under Review, our transactions were solely denominated in RM. As such, there is no impact on foreign exchange fluctuations on our operating results.

(viii) Impact of outbreaks or diseases such as the COVID-19 pandemic

Please refer to Section 7.14 of this Prospectus for further details of the effects of the COVID-19 pandemic on our business operations. As at the LPD, we do not foresee any material adverse effect on our financial position or business arising from the MCO and the COVID-19 pandemic in view of our healthy financial position. Further, our Directors consider that the disruption caused by and the impact of the COVID-19 pandemic is temporary and is not expected to be long-lasting. Therefore, it is expected that the overall impact caused by the COVID-19 pandemic on our business, results of operations and/or financial performance will not be material, and that we will be able to discharge our obligations under all ongoing projects.

As at the LPD, we have not encountered any cancellation of contracts from our customers, as well as disruption in supply or services by our suppliers or subcontractors. However, there can be no assurance that there will be no cancellation of projects or interruptions to our business operations.

12.3.3 Significant changes on the financial position

Save for the prolonged COVID-19 pandemic and as disclosed in this Prospectus, there is no significant changes that have occurred which may have a material effect on the financial position and results of our Group subsequent to the FYE 2021, being our most recent annual financial statements, up to the LPD. Please refer to Section 7.14 of this Prospectus for further details of the impact of the prolonged COVID-19 pandemic on our business and financial performance.

12.4 LIQUIDITY AND CAPITAL RESOURCES

12.4.1 Working capital

Our working capital is funded through cash generated from our operating activities, credit extended by our suppliers and subcontractors, various credit facilities extended to us by financial institutions as well as our existing cash and bank balances.

As at 30 June 2022, we have:

(i) cash and bank balances (less term deposits pledged as security) of RM76.2 million; and

(ii) working capital of RM168.6 million, being the difference between current assets of RM358.2 million and current liabilities of RM189.6 million.

After taking into consideration the funding requirements for our expected capital expenditures, our existing level of cash and bank balances, expected cash flows to be generated from our operations, credit facilities available, payment of interim dividend amounting to RM10.0 million for the FYE 2022 in October 2022 (as set out in Sections 2.10 and 12.7 of this Prospectus) and the estimated net proceeds from the Public Issue, our Board is of the view that we will have sufficient working capital for a period of 12 months from the date of this Prospectus.

12.4.2 Cash flows summary

The table below sets out the summary of our combined statements of cash flows for the Financial Years/Period Under Review:

	<-----Audited----->			
	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FPE 2022 (RM'000)
Net cash from operating activities	32,208	44,775	80,597	29,715
Net cash (for)/from investing activities	36,005	(25,515)	2,058	30,201
Net cash for financing activities	(78,663)	(21,758)	(44,526)	(27,724)
Net (decrease)/increase in cash and cash equivalents	(10,450)	(2,498)	38,129	32,192
Cash and cash equivalents at beginning of the financial year/period	18,830	8,380	5,882	44,011
Cash and cash equivalents at end of the financial year/period(1)	8,380	5,882	44,011	76,203

Note:

(1) For the purposes of the combined statements of cash flows for the Financial Years/Period Under Review, the cash and cash equivalents at the end of the respective financial year/period are presented net of pledged deposits as follows:

	<-----Audited----->			
	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FPE 2022 (RM'000)
Cash and cash equivalents	48,365	43,998	82,917	114,544
Term deposits pledged as security	(39,985)	(38,116)	(38,906)	(38,341)
	8,380	**5,882**	**44,011**	**76,203**

Commentaries on cash flows

<u>FYE 2019</u>

(a) Net cash from operating activities

For the FYE 2019, our operating cash flow before working capital changes was RM71.7 million. Our net operating cash flow was RM32.2 million after adjusting for the following key items:

(i) increase in trade receivables of RM4.0 million in line with the increase in progress billings for the City of Elmina (Elmina Valley 5A and 5B) Project and Eco Forest (Ebony Lane - Phase 4) Project during the 4th quarter of the FYE 2019;

(ii) increase in contract assets (which represent the excess of revenue recognised over progress billings) of RM7.8 million mainly attributed to the works performed for the Eco Ardence (Aeres) Project, Eco Majestic (Mellowood) Project and Eco Grandeur (Avenham Garden) Project during the financial year which were not billed to our customers as such works have yet to be certified by the architects;

(iii) decrease in payables of RM7.1 million. This was mainly due to the decrease in other payables of RM11.1 million as a result of lower accruals for directors' remuneration in respect of the FYE 2019. However, this was partly offset by the increase in trade payables of RM3.9 million due to slower payments to our suppliers and subcontractors; and

(iv) payment of income taxes amounting to RM23.0 million.

The above cash outflows were partly offset by the decrease in contract costs of RM2.9 million mainly due to lower accrued contract costs incurred to fulfil 2 of our ongoing residential projects during the financial year for works performed which were not billed to our customers as such works have yet to be certified by the architects.

(b) Net cash from investing activities

For the FYE 2019, we recorded net cash from investing activities of RM36.0 million, which was mainly attributed to:

(i) the repayment of advances and interest accrued thereon by Suan Neo Capital, our Substantial Shareholder, and other related companies, namely Kiharta Development, Kiharta Properties, Kiharta Sdn Bhd, Lembah Reka, QLB, Sawah Bersatu Sdn Bhd and Suan Neo Resources, amounting to a total of RM36.8 million. Such advances, which were repayable on demand, were extended between 2013 and 2017 at an interest rate of 4% per annum and were used for investment in properties;

(ii) the proceeds of RM8.4 million from the partial disposal of our unit trusts; and

(iii) the interest received from our fixed deposits of RM3.1 million.

The above cash inflows were partly offset by the purchase of investment properties for RM7.3 million, as well as purchase of equipment (comprising among others, motor vehicles, aluminium formworks, and tools and equipment) for RM5.0 million.

(c) Net cash for financing activities

For the FYE 2019, we used RM78.7 million for our financing activities, whereby we paid dividends of RM78.1 million and partly repaid our term loans of RM0.6 million.

<u>FYE 2020</u>

(a) Net cash from operating activities

For the FYE 2020, our operating cash flow before working capital changes was RM53.4 million. Our net operating cash flow was RM44.8 million after adjusting for the following key items,

(i) increase in receivables of RM15.7 million. This was mainly due to the increase in trade receivables of RM14.1 million which was in line with the increase in progress billings for our Emerald West (Garland Residence) Project, Tropicana Aman (Elemen Residences) Project and City of Elmina (Ilham Residence) Project during the 4th quarter of the FYE 2020. Our other receivables also increased by RM1.6 million mainly due to higher purchases of building materials on behalf of subcontractors; and

(ii) payment of income taxes amounting to RM16.1 million.

The above cash outflows were partly offset by:

(i) increase in payables of RM18.3 million. This was mainly due to the increase in trade payables of RM22.3 million due to slower payments to our suppliers and subcontractors as a result of slower collection from our customers, which was in line with the overall increase in our trade receivables. This was partly offset by the decrease in other payables of RM2.8 million mainly as a result of lower accruals of staff remuneration for bonus and incentives as at 31 December 2020 due to the uncertainty of the COVID-19 pandemic; and

(ii) decrease in contract assets (which represent the excess of revenue recognised over progress billings) of RM5.2 million. During the financial year, there was a net increase in progress billings issued to our customers for construction works performed during the FYE 2020.

(b) Net cash for investing activities

For the FYE 2020, we recorded net cash used for investing activities of RM25.5 million, which was mainly attributed to the purchase of unit trusts for RM41.9 million and the purchase of investment properties for RM6.4 million.

Such cash outflows were partly offset by:

(i) proceeds of RM14.0 million from partial disposal of unit trusts;

(ii) proceeds of RM6.6 million from the disposal of properties; and

(iii) interest received from our fixed deposits of RM3.0 million.

(c) Net cash for financing activities

For the FYE 2020, we used RM21.8 million for our financing activities, whereby we paid dividends of RM21.5 million and partly repaid our term loans of RM0.3 million.

FYE 2021

(a) Net cash from operating activities

For the FYE 2021, our operating cash flow before working capital changes was RM50.3 million. Our net operating cash flow was RM80.6 million after adjusting for the following key items:

(i) decrease in payables of RM18.8 million. This was mainly due to the decrease in trade payables of RM32.3 million as a result of payments to our suppliers and subcontractors. However, this was partly offset by the increase in provision of contract cost for construction materials and labour amounting to RM13.1 million due to higher estimated cost to be incurred during the DLP in line with the increase in the number of completed projects as at 31 December 2021;

(ii) increase in contract costs of RM3.8 million which were incurred to fulfil our ongoing projects during the financial year, namely Bukit Jelutong (Trilia) Project, City of Elmina (Elmina Green Five) Project, Kiharta Development Warehouse (Infrastructure) Project and Kiharta Development Warehouse (Piling) Project; and

(iii) payment of income taxes amounting to RM12.6 million.

The above cash outflows were partly offset by:

(i) decrease in trade receivables of RM51.8 million mainly due to collections from our customers for our Bandar Seri Coalfields (Hampton Residences) Project, City of Elmina (Elmina Valley 5A and 5B) Projects and Emerald West (Garland Residence) Project during the financial year. Our other receivables also decreased by RM7.9 million mainly due to lower prepayments for the purchase of unit trusts before the effective date in the next financial year; and

(ii) decrease in contract assets (which represent the excess of revenue recognised over progress billings) of RM6.0 million. During the financial year, there was a net increase in progress billings issued to our customers for construction works performed during the FYE 2021.

(b) Net cash from investing activities

For the FYE 2021, we recorded net cash from investing activities of RM2.1 million, which was mainly attributed to the proceeds of RM49.8 million from the partial disposal of unit trusts, partly offset by the purchase of unit trusts of RM45.9 million and the purchase of equipment (comprising mainly aluminium formworks) of RM5.8 million.

(c) Net cash for financing activities

For the FYE 2021, we recorded net cash used for financing activities of RM44.5 million. This mainly comprised payment of dividends amounting to RM59.5 million and repayment of term loans amounting to RM1.0 million. The outflows were partly offset by the drawdown of our term loan amounting to RM6.0 million and the proceeds from the issuance of new ordinary shares in KSB for RM10.0 million.

FPE 2022

(a) Net cash from operating activities

For the FPE 2022, our operating cash flow before working capital changes was RM28.3 million. Our net operating cash flow was RM29.7 million after adjusting for the following key items:

(i) decrease in payables of RM26.7 million. This was mainly due to the decrease in trade payables of RM19.8 million as a result of payments to our suppliers and subcontractors, as well as decrease in provision of contract cost for construction materials and labour amounting to RM2.9 million due to lower estimated cost to be incurred during the DLP in line with the lower number of completed projects as at 30 June 2022. In addition, our other payables also decreased by RM4.0 million as a result of lower accruals for general administrative expenses in respect of the FPE 2022; and

(ii) payment of income taxes amounting to RM5.4 million.

The above cash outflows were partly offset by:

(i) decrease in trade receivables of RM18.6 million mainly due to collections from our customers for the Tropicana Aman (Elemen Residences) Project, Tropicana Aman (Freesia Residences) Project, Taman Putra Prima (Diamond) Project and Eco Forest (Hazelton) Project during the financial period;

(ii) decrease in contract assets (which represent the excess of revenue recognised over progress billings) of RM10.0 million due to net increase in progress billings issued to our customers for construction works performed during the FPE 2022; and

(iii) decrease in contract costs of RM4.8 million mainly due to lower contract costs incurred to fulfil our ongoing residential projects during the financial period.

(b) Net cash from investing activities

For the FPE 2022, we recorded net cash from investing activities of RM30.2 million, which was mainly attributed to:

(i) proceeds of RM25.4 million from the partial disposal of unit trusts;

(ii) dividends of RM4.9 million received from our former associate and the proceeds of RM2.4 million from the Disposal of QLB; and

(iii) proceeds of RM2.2 million from the disposal of properties.

The above cash inflows were partly offset by the purchase of equipment (comprising mainly aluminium formwork system) for RM4.0 million.

(c) Net cash for financing activities

For the FPE 2022, we used RM27.7 million for our financing activities, whereby we paid dividends of RM21.7 million and partly repaid our term loans amounting to RM7.5 million. The cash outflows were partly offset by the drawdown of banker's acceptances amounting to RM1.6 million for payments to our suppliers and subcontractors.

12.4.3 Borrowings

As at 30 June 2022, our total outstanding borrowings stood at approximately RM1.9 million, which comprised:

Type of borrowings	Purpose	Tenure	Interest rate	Balance as at 30 June 2022 (RM'000)
Banker's acceptances	Payment to suppliers and subcontractors	30 days	3.80% per annum	1,603
Lease liabilities	Rental of offices	1 to 5 years	3.27% per annum	260
				1,863

The maturity profile of our total outstanding borrowings as at 30 June 2022 is as follows:

	RM'000
Within 1 year	1,747
1 to 5 years	116
Total	**1,863**

As at the LPD, we have fully settled our banker's acceptances. We have not defaulted on payments of either interest or principal sums in respect of any borrowings throughout the Financial Years/Period Under Review up to the LPD. We also do not encounter any seasonality in our borrowings trend and there is no restriction on our committed borrowing facilities.

12.4.4 Financial instruments, treasury policies and objectives

As at the LPD, save for the borrowings as disclosed in Sections 12.2 and 12.4.3 of this Prospectus, we do not use any other financial instruments.

For clarity purposes, our financial instruments which are used in the ordinary course of business, from an accounting perspective, may include financial assets such as cash and cash equivalents, short-term marketable securities, trade and other receivables, as well as financial liabilities such as borrowings and trade and other payables. As at the LPD, we have not used any financial instruments for hedging purpose.

We have been funding our operations through internally generated funds as well as external sources of funds, such as cash generated from our operation, credit extended by our suppliers and subcontractors as well as credit facilities extended by licensed financial institutions. The primary objective of our capital management is to ensure sustainable shareholders' equity in order to support and grow our business as well as to maximise shareholders' value. We review and manage our capital structure to maintain our debt-to-equity ratio at an optimal level based on the business requirements and prevailing economic conditions.

Our operations were not subject to any material impact arising from interest rate fluctuations throughout the Financial Years/Period Under Review. Accordingly, we have not entered into any financial instrument to hedge against the fluctuations in the interest rate.

12.4.5 Material capital commitment

We do not have any material capital commitment as at the LPD.

12.4.6 Material litigation or claims

Neither we nor our subsidiary are engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our financial position or profitability, in the 12 months immediately preceding the date of this Prospectus.

12.4.7 Contingent liabilities

As at the LPD, we do not have any material contingent liabilities which, upon becoming enforceable, may have a material adverse impact on our results of operations or financial position. We have bank guarantees given to our customers as security for performance bonds amounting to approximately RM77.1 million as at the LPD and the associated loss allowances were not material.

12.4.8 Key financial ratios

Our key financial ratios for the Financial Years/Period Under Review are as follows:

	<-----Audited-----			----->
	FYE 2019	**FYE 2020**	**FYE 2021**	**FPE 2022**
Trade receivables turnover period[(1)] (days)	86	109	102	70
Trade payables turnover period[(2)] (days)	68	94	101	81
Current ratio[(3)] (times)	1.8	1.7	1.4	1.9
Gearing ratio[(4)] (times)	*	*	*	*

Notes:

* Less than 0.1 times.

(1) Computed based on the average trade receivables over our revenue for the respective financial years/period multiplied by 365 days for the FYE 2019 and FYE 2021, 366 days for the FYE 2020, and 181 days for the FPE 2022.

(2) Computed based on the average trade payables (excluding accrued contract costs and retention sum) over our cost of sales for the respective financial years/period multiplied by 365 days for the FYE 2019 and FYE 2021, 366 days for the FYE 2020, and 181 days for the FPE 2022.

(3) Computed as current assets divided by current liabilities.

(4) Computed as total borrowings divided by shareholders' equity.

We do not keep inventories due to the nature of our construction business and therefore, the inventory turnover computation is not applicable to us.

(i) Trade receivables turnover period

The normal credit term granted to our customers is 30 days from the date of our progress billings upon finalisation of payment certificate by the architect. Our credit terms to customers are determined on a case-by-case basis, taking into consideration factors such as our business relationship with our customer, customer creditworthiness, historical payment trend as well as scope and value of the construction project. Although the normal credit period granted to our customers is 30 days, collection from our customers generally takes approximately 90 days due to the customers' lengthy internal process of verifying architect's certification before payments are made.

Due to the nature of our construction business, our customers are entitled to retain 10% of each billing milestone as retention sum, up to a maximum of 5% of the contract value. 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 upon issuance of CPC followed by the remaining half upon issuance of CMGD at the end of the DLP. As we will only raise progress billings for the retention sum of our projects upon the issuance of CPC and CMGD, the retention sum for works completed throughout the project period are presented as part of our contract assets during the Financial Years/Period Under Review.

A summary of our trade receivables turnover period for the Financial Years/Period Under Review is set out below:

	<-----------------------------Audited------------------------------>			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FPE 2022**
Average trade receivables[(1)]	136,570	145,629	126,813	91,350
Revenue	581,523	489,645	455,502	234,733
Trade receivables turnover period[(2)] (days)	86	109	102	70

Notes:

(1) Computed based on the average of trade receivables at the beginning and at the end of each financial year/period. Our trade receivables do not include retention sum, which has been presented as part of our contract assets during the Financial Years/Period Under Review due to reason explained above.

(2) Computed based on the average trade receivables over our revenue for the respective financial years/period multiplied by 365 days for the FYE 2019 and FYE 2021, 366 days for the FYE 2020, and 181 days for the FPE 2022.

Our trade receivables turnover period for the Financial Years/Period Under Review ranged from 70 days to 109 days, which were higher than the normal credit term granted to our customers. Typically, there is a gap between the contractual credit terms and the actual collections by us due to our customers' lengthy internal process of verifying architect's certification before payments are made. Notwithstanding that some of the outstanding trade receivables are overdue, we will assess the collectability based on our past dealings with our customers. During the Financial Years/Period Under Review, we have not experienced any significant bad debts.

For the FYE 2020, our trade receivables turnover period increased to 109 days (FYE 2019: 86 days) mainly due to slower collections from our customers as a result of the implementation of the MCO. In addition, there were higher progress billings issued during the month of December 2020 amounting to RM80.7 million (December 2019: RM51.8 million), which were not due for payment as at 31 December 2020, in respect of work performed for the Emerald West (Garland Residence) Project and Bandar Seri Coalfields (Hampton Residences) Project. As a result, we recorded a higher trade receivables balance as at 31 December 2020 and this contributed to the increase in trade receivables turnover period for the FYE 2020.

Our trade receivables turnover period improved to 102 days for the FYE 2021 (FYE 2020: 109 days) due to improvement in collection from our customers for the Bandar Seri Coalfields (Hampton Residences) Project, City of Elmina (Elmina Valley 5A and 5B) Projects and Emerald West (Garland Residence) Project during the financial year.

Our trade receivables turnover period further improved to 70 days for the FPE 2022 (FYE 2021: 102 days) mainly due to improvement in collection from our customers as a result of enhanced collection efforts and tightened credit control procedures through close monitoring of overdue trade receivables as well as constant reminders and continuous engagement with our customers on the outstanding amount due.

The ageing analysis of our trade receivables as at 30 June 2022 and the subsequent collections up to the LPD are as follows:

	Within credit period (RM'000)	Exceeding credit period: Not more than 30 days overdue (RM'000)	Between 31 to 60 days overdue (RM'000)	Between 61 to 90 days overdue (RM'000)	More than 90 days overdue (RM'000)	Total (RM'000)
Trade receivables as at 30 June 2022	46,805	8,163	11,613	9,892	5,284	81,757
	(57.2%)	*(10.0%)*	*(14.2%)*	*(12.1%)*	*(6.5%)*	*(100.0%)*
Subsequent collections up to the LPD	(45,187)	(7,945)	(11,203)	(9,589)	(3,755)	(77,679)
Outstanding trade receivables as at the LPD	1,618	218	410	303	1,529 (1)	4,078
	(39.7%)	*(5.3%)*	*(10.1%)*	*(7.4%)*	*(37.5%)*	*(100.0%)*

Note:

(1) Out of the total trade receivables of approximately RM1.5 million which has been overdue for more than 90 days:

(i) approximately RM0.8 million represents the outstanding progress billing for a residential project which was completed in 2017, including rectification of defects. The said outstanding sum has been withheld by the customer, pending resolution of certain soil-related issue between the customer and its appointed consultant engineer; and

(ii) approximately RM0.7 million represents the outstanding progress billing for the Bandar Tasik Puteri (Acacia Park) Project, for which we had sought EOT from the customer due to additional time required to complete our infrastructure works as a result of delay in cabling works by a nominated subcontractor and the delay in obtaining MITI's approval by one of our subcontractor to resume work during the MCO.

The project had been completed in February 2021 after 5 rounds of EOT approved by the customer up to January 2021 from the original completion date in March 2020. The final round of EOT was sought prior to the completion of the project due to reasons set out above, and is pending finalisation and issuance by the customer. 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. However, in the event that the EOT is not granted, this may give rise to a potential LAD claim amounting to RM0.7 million from the said customer.

Having assessed the recoverability of the above trade receivables, we have not made allowance for impairment loss in respect of these amount after taking into consideration the financial position of these customers as well as our good business relationship with them.

As at the LPD, we have collected RM77.7 million or approximately 95.0% of our total trade receivables of RM81.8 million which were outstanding as at 30 June 2022. Our Board is of the opinion that the remaining outstanding trade receivables are recoverable and no provision for impairment is required after taking into consideration our relationship with these customers and their historical payment trend.

(ii) Trade payables turnover period

Our trade payables turnover period is computed after excluding accrued contract costs and retention sum. The provision of accrued contract costs relates mainly to contract cost incurred for work done by our subcontractors which have yet to be certified. In addition, we are entitled to retain part of our subcontractors' billings as retention sum, 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. The normal credit term extended by our suppliers and subcontractors to us ranges from 30 days to 120 days.

A summary of our trade payables turnover period for the Financial Years/Period Under Review is set out below:

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FPE 2022**
Average trade payables[1]	89,593	104,631	103,509	85,702
Cost of sales	481,226	407,807	374,640	191,052
Trade payables turnover period[2] (days)	68	94	101	81

Notes:

(1) Computed based on the average of trade payables (excluding accrued contract costs and retention sum) at the beginning and at the end of each financial year/period.

(2) Computed based on the average trade payables (excluding accrued contract costs and retention sum) over our cost of sales for the respective financial years/period multiplied by 365 days for the FYE 2019 and FYE 2021, 366 days for the FYE 2020 and 181 days for the FPE 2022.

For the FYE 2020, our trade payables turnover period increased to 94 days (FYE 2019: 68 days) mainly due to longer period taken for payment to suppliers and subcontractors after taking into consideration the slower collection from our customers during the same financial year as explained above.

For the FYE 2021, our trade payables turnover period further increased to 101 days (FYE 2020: 94 days) notwithstanding an improvement in collection from our customers. This is due to our cash conservation measures to maintain a higher working capital by utilising the credit period granted to us. Notwithstanding the slower payment, we have not experienced any disruptions in supplies during the Financial Years/Period Under Review.

Our trade payables turnover period improved to 81 days for the FPE 2022 (FYE 2021: 101 days) mainly due to prompt payment to our suppliers and subcontractors after taking into consideration improvement in collection from our customers during the financial period.

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The ageing analysis of our trade payables as at 30 June 2022 and the subsequent payments up to the LPD are as follows:

		Exceeding credit period				
	Within credit period (RM'000)	**Not more than 30 days overdue (RM'000)**	**Between 31 to 60 days overdue (RM'000)**	**Between 61 to 90 days overdue (RM'000)**	**More than 90 days overdue (RM'000)**	**Total (RM'000)**
Trade payables as at 30 June 2022	28,675[(1)]	22,244	12,576	7,746	7,033	78,274[(1)]
	(36.6%)	*(28.4%)*	*(16.1%)*	*(9.9%)*	*(9.0%)*	*(100.0%)*
Subsequent payments up to the LPD	(28,608)	(22,207)	(12,549)	(7,745)	(4,173)	(75,282)
Outstanding trade payables as at the LPD	67	37	27	1	2,860	2,992
	(2.3%)	*(1.2%)*	*(0.9%)*	*(*)*	*(95.6%)*	*(100.0%)*

Notes:

* Negligible.

(1) Excluding retention sum and accrued contract costs amounting to approximately RM89.2 million.

As at the LPD, we have paid RM75.3 million or approximately 96.2% of our total trade payables of RM78.3 million which were outstanding as at 30 June 2022. For the Financial Years/Period Under Review, there was no matter in dispute with respect to trade payables, or legal action initiated by any of our suppliers and/or subcontractors to demand for payment.

(iii) Current ratio

A summary of our current ratio for the Financial Years/Period Under Review is set out below:

	<------Audited------>			
	31 December 2019	**31 December 2020**	**31 December 2021**	**30 June 2022**
Current assets	380,481	388,435	361,366	358,221
Current liabilities	215,608	233,959	259,921	189,572
Current ratio[(1)] (times)	1.8	1.7	1.4	1.9

Note:

(1) Computed as current assets divided by current liabilities.

As at 31 December 2020, our current ratio decreased to 1.7 times (31 December 2019: 1.8 times) mainly due to the increase in our trade receivables of RM14.1 million to RM152.7 million (31 December 2019: RM138.6 million) as a result of the issuance of progress billings for the Emerald West (Garland Residence) Project, Tropicana Aman (Elemen Residences) Project and City of Elmina (Ilham Residence) Project during the 4th quarter of the FYE 2020.

However, we also recorded higher current liabilities arising from an increase in trade payables of RM22.3 million or 11.3% to RM219.5 million (31 December 2019: RM197.2 million). This was due to slower payments to our suppliers and subcontractors as a result of slower collection from our customers.

As at 31 December 2021, our current ratio decreased to 1.4 times (31 December 2020: 1.7 times) mainly due to the following reasons:

(i) decrease in our trade receivables of RM51.8 million to RM100.9 million (31 December 2020: RM152.7 million) due to lower progress billings for our Bandar Seri Coalfields (Hampton Residences) Project, City of Elmina (Elmina Valley 5A and 5B) Projects and Emerald West (Garland Residence) Project during the financial year. This was partly offset by the increase in our cash and cash equivalents of RM38.9 million to RM82.9 million for the FYE 2021 (FYE 2020: RM44.0 million); and

(ii) higher current liabilities due to unpaid dividend amounting to RM44.1 million. This was partly offset by the decrease in trade payables of RM32.3 million as a result of payments to our suppliers and subcontractors.

As at 30 June 2022, our current ratio increased to 1.9 times (31 December 2021: 1.4 times) mainly due to the following reasons:

(i) higher cash and cash equivalents which increased by RM31.6 million to RM114.5 million (FYE 2021: RM82.9 million) as a result of partial disposal of unit trusts of RM25.4 million and dividends received from our former associate of RM4.9 million. While we have also used RM21.7 million to pay dividends and RM7.5 million to repay our term loans, this was offset by net cash inflow from our operating activities of RM29.7 million; and

(ii) lower current liabilities as we have fully paid the unpaid dividend amounting to approximately RM44.1 million (of which RM21.7 million was paid via cash and the remaining RM22.4 million was offset against part of the proceeds received from our disposal of properties) as well as the decrease in trade payables of RM19.8 million as a result of payments to our suppliers and subcontractors.

(iv) Gearing ratio

A summary of our gearing ratio for the Financial Years/Period Under Review is set out below:

	<------Audited------>			
	31 December 2019	**31 December 2020**	**31 December 2021**	**30 June 2022**
Total borrowings	2,747	2,489	7,732	1,863
Shareholders' equity	244,367	262,069	184,401	210,529
Gearing ratio(1) (times)	*	*	*	*

Notes:

* Less than 0.1 times.

(1) Computed as total borrowings divided by shareholders' equity.

We do not have a policy on managing our gearing ratio. During the Financial Years/Period Under Review, we have maintained a low gearing ratio of less than 0.1 times as we have sufficient cash generated from our operating activities to fund our working capital and capital expenditures.

As at 31 December 2021, our total borrowings increased by RM5.2 million to RM 7.7 million (31 December 2020: RM2.5 million) mainly due to the drawdown of our term loan amounting to RM6.0 million for additional working capital purposes. However, our shareholders' equity decreased by RM77.7 million to RM184.4 million (31 December 2020: RM262.1 million) due to the declaration of dividend of RM129.5 million, which was partly offset by the increase in retained profits for the FYE 2021 of RM41.8 million and the proceeds from the issuance of new ordinary shares in KSB of RM10.0 million.

As at 30 June 2022, our total borrowings decreased by RM5.8 million to RM1.9 million (31 December 2021: RM7.7 million) mainly due to the repayment of our term loan amounting to RM7.5 million, partly offset by the drawdown of banker's acceptances amounting to RM1.6 million for payments to our suppliers and subcontractors. As we have recorded a PAT of RM26.1 million for the FPE 2022, our shareholders' equity improved to RM210.5 million as at 30 June 2022.

12.5 ORDER BOOK

As our revenue from our construction projects is recognised based on the stage of completion method, our order book in respect of ongoing construction projects excludes the value of completed works which have been recognised in revenue. As at the LPD, our order book as represented by the unbilled contract value of our ongoing projects stood at approximately RM853.6 million as follows:

	RM'000	%
Residential	683,421	80.1
Non-residential		
• Commercial	122,981	14.4
• Industrial	45,479	5.3
	168,460	19.7
Other related services	1,728	0.2
Total	**853,609**	**100.0**

The above unbilled contract value is expected to be realised progressively over the next 2 financial years as set out below:

	RM'000	%
FYE 2022 (from 1 December 2022 up to 31 December 2022)	104,961	12.3
FYE 2023	617,578	72.3
FYE 2024	131,070	15.4
Total	**853,609**	**100.0**

Please refer to Section 7.4.2.3(b) of this Prospectus for further details of our ongoing building construction projects as at the LPD. There may be variations from the amount awarded as compared to the final works to be performed resulting from, among others, changes in project requirements, which may take place during the implementation of the project.

12.6 TREND INFORMATION

As at the LPD, saved as disclosed in this Prospectus, our operations have not been and are not expected to be affected by any of the following:

(i) known trends, demands, commitments, events or uncertainties that have had, or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations, save as set out in Sections 8 and 9 of this Prospectus;

(ii) unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations;

(iii) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits, save for the interruption to business and operations due to COVID-19 pandemic as set out in Section 7.14 of this Prospectus, and our strategies and plans as set out in Section 7.22 of this Prospectus;

(iv) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical combined financial statements not indicative of the future financial performance and position; and

(v) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our liquidity and capital resources.

12.7 DIVIDEND POLICY

It is the intention of our Board to recommend and distribute dividends of at least 25.0% of our annual audited PAT attributable to our shareholders. This will allow our shareholders to participate in the profits of our Group while leaving adequate reserves for the future growth of our Group.

Notwithstanding our intention above, as we are an investment holding company, our income and ability to pay dividends are dependent upon the dividends received from our subsidiary. The payment of dividends by our subsidiary is dependent on their distributable profits, financial performance and cash flow requirements for operations and capital expenditures, the covenants in their existing loan agreements which require prior written consent from the respective financial institutions for the payment of dividends of more than certain percentage of their respective PAT as well as other factors.

In addition to the factors above which may affect the ability of our subsidiary to pay dividends to us, when recommending the actual dividends for approval by shareholders or when declaring any interim dividend, our Board will also consider, among others:

(i) the level of our cash, gearing, return on equity and retained profits;

(ii) our expected financial performance;

(iii) our working capital requirements;

(iv) our projected levels of expenditure and other investment plans;

(v) any restrictive covenants contained in our current and future financing arrangements; and

(vi) any material impact of tax laws and regulatory requirements.

Save for certain banking restrictive covenants which our subsidiary is subject to, there is no other dividend restriction imposed on our subsidiary as at the LPD.

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For information purposes, the dividends declared and paid by our Group for the Financial Years/Period Under Review are as follows:

	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FPE 2022 (RM'000)
Dividends declared	78,100	21,500	129,500	-
Dividends paid	78,100	21,500	85,370	44,130(2)
PAT attributable to our shareholders	54,794	39,201	41,833	26,127
Dividend payout ratio(1)	142.5%	54.8%	309.6%	-

Notes:

(1) Computed as dividends declared divided by PAT attributable to our shareholders.

(2) Represents payment of balance dividends payable in respect of the FYE 2021. Out of the RM44.1 million, RM21.7 million was paid via cash and the remaining RM22.4 million was offset against part of the proceeds received from the disposal of our properties.

The dividends declared and paid for the Financial Years/Period Under Review were funded via internally generated cash which were in excess of our Group's funding requirements for our business operations. Although the dividends declared and paid for the FYE 2019 and FYE 2021 exceeded our PAT attributable to shareholders during the respective financial years, such distributions are not expected to affect our business strategies and plans moving forward.

On 17 October 2022, we declared an interim dividend amounting to RM10.0 million for the FYE 2022. The said dividend was paid on 19 October 2022 via our internally generated funds which are in excess of our Group's funding requirements for our business operations and not expected to affect our business strategies and plans moving forward. Save as disclosed, there is no other dividend declared by us or our subsidiary to our shareholders.

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our future dividends which are subject to modification (including non-declaration) thereof at our Board's discretion. We cannot assure you that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that further dividends declared by our Board, if any, will not differ materially from historical payouts. Please refer to Section 9.3.5 of this Prospectus for the risk factor which may affect our ability to pay dividends.

No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

12.8 REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022

Crowe

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0 9 DEC 2022

The Board of Directors
Kumpulan Kitacon Berhad
24, Jalan Rengas,
Taman Selatan,
41200 Klang,
Selangor

Dear Sirs/Madam,

KUMPULAN KITACON BERHAD ("KITACON" OR THE "COMPANY")
REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022

We have completed our assurance engagement to report on the compilation of pro forma combined statements of financial position of Kitacon and its subsidiary (collectively known as the "Group") as at 30 June 2022 ("Pro Forma Combined Statements of Financial Position") and the related notes (which we have stamped for the purpose of identification). The Pro Forma Combined Statements of Financial Position have been prepared by the Board of Directors of the Company for inclusion in the prospectus to be issued in connection with the listing of and quotation for the entire issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Prospectus").

The applicable criteria on the basis of which the Board of Directors of the Company has compiled the Pro Forma Combined Statements of Financial Position are described in the notes thereon to the Pro Forma Combined Statements of Financial Position, and are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The Pro Forma Combined Statements of Financial Position have been compiled by the Board of Directors of the Company to illustrate the impact of the events or transactions as set out in the notes thereon to the Pro Forma Combined Statements of Financial Position as at 30 June 2022. As part of this process, information about the Group's financial position has been extracted by the Board of Directors of the Company from the audited combined statements of financial position as at 30 June 2022 as set out in the Accountants' Report of the Company.

THE BOARD OF DIRECTORS' RESPONSIBILITIES

The Board of Directors of the Company is solely responsible for compiling the Pro Forma Combined Statements of Financial Position on the basis as described in the notes thereon to the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

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REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirement of the *By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and International Code of Ethics for Professional Accountants* issued by the International Ethics Standard Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The Firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, by the Board of Directors of the Company on the basis as described in the notes thereon of the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of the Company has compiled, in all material respects, the Pro Forma Combined Statements of Financial Position on the basis as described in the notes thereon of the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the Pro Forma Combined Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Combined Statements of Financial Position.

The purpose of the Pro Forma Combined Statements of Financial Position included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

REPORTING ACCOUNTANTS' RESPONSIBILITIES (CONT'D)

A reasonable assurance engagement to report on whether the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors of the Company in the compilation of the Pro Forma Combined Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Combined Statements of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

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

The engagement also involves evaluating the overall presentation of the Pro Forma Combined Statements of Financial Position.

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

OPINION

In our opinion, the Pro Forma Combined Statements of Financial Position of the Company has been compiled, in all material respects, on the basis as described in the notes thereon to the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

OTHER MATTER

Our report on the Pro Forma Combined Statements of Financial Position has been prepared for inclusion in the Prospectus. As such, this report should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully

Crowe Malaysia PLT	**Ong Beng Chooi**
201906000005 (LLP0018817-LCA) & AF 1018	03155/05/2023 J
Chartered Accountants	Chartered Accountant

Shah Alam

KUMPULAN KITACON BERHAD

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

1. Introduction

The Pro Forma Combined Statements of Financial Position of Kumpulan Kitacon Berhad ("Kitacon") and its subsidiary (collectively referred to as "Kitacon Group" or "the Group") as at 30 June 2022 has been prepared for inclusion in the prospectus in connection with the initial public offering of ordinary shares in the Company and the listing of and quotation for the entire issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Listing").

The Pro Forma Combined Statements of Financial Position have been prepared based on the assumption that the Material Subsequent Event and the Listing Scheme as described in Notes 2 and 3 respectively, were effected on 30 June 2022. The Pro Forma Combined Statements of Financial Position may not, because of their nature, give a true picture of the Group's actual financial position. Further, such financial information does not purport to predict the future financial position of the Group.

2. Material Subsequent Event

2.1 Distibution of Dividend

Subsequent to 30 June 2022 and prior to the Listing, the Directors of the Company had on 17 October 2022 to declared an interim dividend of RM10,000,000 for the financial year ending 31 December 2022. The said dividend was subsequently paid on 19 October 2022.

3. Listing Scheme

3.1 Acquisition of Kitacon Sdn. Bhd. ("KSB")

On 11 May 2022, the Company entered into a conditional share sale agreement to acquire the entire issued share capital of KSB comprising 30,000,000 ordinary shares from Tan Ah Kee, Teow Choo Hing, Suan Neo Capital Sdn. Bhd. and Lembah Reka Sdn. Bhd. for a purchase consideration of RM184,401,459 which will be fully satisfied via the issuance of 423,911,400 new ordinary shares in Kitacon ("Shares") at an issue price of RM0.435 per Share, to the vendors ("Acquisition of KSB"). The Acquisition of KSB was subsequently completed on 21 October 2022.

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

3.2 Initial Public Offering ("IPO")

In conjunction with the Listing, Kitacon will undertake an IPO of 138,588,500 Shares, comprising public issue of 76,088,500 new Shares and offer for sale of 62,500,000 existing Shares, at an issue /offer price of RM0.68 each, to be allocated in the following manner:

(a) 10,000,000 new Shares, representing 2.0% of the enlarged number of issued Shares, will be made available for application by the Malaysian Public via balloting, of which 50% will be set aside for Bumiputera investors;

(b) 8,588,500 new Shares, representing approximately 1.7% of the enlarged number of issued Shares, will be reserved for application by the eligible directors, employees and persons who have contributed to the success of the Group; and

(c) 57,500,000 new Shares, representing 11.5% of the enlarged number of issued Shares, will be made available by way of private placement to institutional and selected investors.

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Chartered Accountants

KUMPULAN KITACON BERHAD

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

3.2 Initial Public Offering ("IPO") (Cont'd)

Concurrently with the public issue, the offerors, namely Tan Ah Kee and Teow Choo Hing, will offer 62,500,000 existing Shares for sale, representing 12.5% of the enlarged number of issued Shares, by way of private placement to Bumiputera investors approved by the Ministry of International Trade and Industry.

3.3 Listing

Upon completion of the IPO, the Company's entire enlarged issued share capital of RM235,161,689 comprising 500,000,000 Shares shall be listed on the Main Market of Bursa Securities.

3.4 Employees' share option scheme

In conjunction with the Listing, Kitacon intends to establish an employees' share option scheme ("ESOS") of up to 15% of the total number of issued Shares (excluding treasury shares, if any), to be granted to the eligible directors and employees of the Group.

The ESOS shall be administered by the ESOS Committee and governed by the By-Laws.

The ESOS is not illustrated in the Pro Forma Combined Statements of Financial Position as the ESOS have yet to be granted as of the date of this report.

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KUMPULAN KITACON BERHAD

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

4. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022

The Pro Forma Combined Statements of Financial Position as set out below have been prepared for illustrative purposes only to show the effects of the transactions referred in Notes 2 and 3 had these transactions been effected on 30 June 2022 and should be read in conjunction with the said notes.

				Pro Forma I		Pro Forma II		Pro Forma III		Pro Forma IV
	Note	Audited Combined Statement of Financial Position of the Group as at 30 June 2022* RM	Distribution of Dividend RM	After Distribution of Dividend RM	Acquisition of KSB RM	After After Pro Forma I and Acquisition of KSB RM	Public Issue RM	After Pro Forma II and Public Issue RM	Use of Proceeds RM	After Pro Forma III and Use of Proceeds RM
ASSETS										
NON-CURRENT ASSETS										
Property and equipment		11,554,058		11,554,058		11,554,058		11,554,058		11,554,058
Investment properties		5,364,901		5,364,901		5,364,901		5,364,901		5,364,901
Right-of-use assets		257,015		257,015		257,015		257,015		257,015
Other investments		21,762,356		21,762,356		21,762,356		21,762,356		21,762,356
Investment in club membership, at cost		85,003		85,003		85,003		85,003		85,003
Deferred tax asset		3,867,000		3,867,000		3,867,000		3,867,000		3,867,000
		42,890,333		42,890,333		42,890,333		42,890,333		42,890,333
CURRENT ASSETS										
Receivables		86,054,587		86,054,587		86,054,587		86,054,587		86,054,587
Contract costs		269,707		269,707		269,707		269,707		269,707
Contract assets		155,627,517		155,627,517		155,627,517		155,627,517		155,627,517
Current tax assets		1,725,743		1,725,743		1,725,743		1,725,743		1,725,743
Cash and cash equivalents	6(a)	114,544,108	(10,000,000)	104,544,108		104,544,108	51,740,180	156,284,288	(4,460,000)	151,824,288
		358,221,662		348,221,662		348,221,662		399,961,842		395,501,842
TOTAL ASSETS		401,111,995		391,111,995		391,111,995		442,852,175		438,392,175

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KUMPULAN KITACON BERHAD

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

4. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022

				Pro Forma I		Pro Forma II		Pro Forma III		Pro Forma IV
	Note	Audited Combined Statement of Financial Position of the Group as at 30 June 2022* RM	Distribution of Dividend RM	After Distribution of Dividend RM	Acquisition of KSB RM	After After Pro Forma I and Acquisition of KSB RM	Public Issue RM	After Pro Forma II and Public Issue RM	Use of Proceeds RM	After Pro Forma III and Use of Proceeds RM
EQUITY AND LIABILITIES										
EQUITY										
Share capital	6(b)	50		50	184,401,459	184,401,509	51,740,180	236,141,689	(980,000)	235,161,689
Invested equity	6(c)	30,000,000		30,000,000	(30,000,000)	-		-		-
Merger deficit	6(d)	-		-	(154,401,459)	(154,401,459)		(154,401,459)		(154,401,459)
Retained profits	6(e)	180,528,840	(10,000,000)	170,528,840		170,528,840		170,528,840	(3,480,000)	167,048,840
TOTAL EQUITY		210,528,890		200,528,890		200,528,890		252,269,070		247,809,070
NON-CURRENT LIABILITIES										
Lease liabilities		116,222		116,222		116,222		116,222		116,222
Deferred tax liability		895,000		895,000		895,000		895,000		895,000
		1,011,222		1,011,222		1,011,222		1,011,222		1,011,222
CURRENT LIABILITIES										
Payables		187,825,360		187,825,360		187,825,360		187,825,360		187,825,360
Banker's acceptance		1,603,000		1,603,000		1,603,000		1,603,000		1,603,000
Lease liabilities		143,523		143,523		143,523		143,523		143,523
		189,571,883		189,571,883		189,571,883		189,571,883		189,571,883
TOTAL LIABILITIES		190,583,105		190,583,105		190,583,105		190,583,105		190,583,105
TOTAL EQUITY AND LIABILITIES		401,111,995		391,111,995		391,111,995		442,852,175		438,392,175
No. of shares in issue		100		100		423,911,500		500,000,000		500,000,000
Net assets (RM)		210,528,890		200,528,890		200,528,890		252,269,070		247,809,070
Net assets per share (RM)		2,105,289		2,005,289		0.473		0.505		0.496

Notes:-

** Extracted from Kumpulan Kitacon Berhad's audited combined financial statements for the 6-month financial period ended 30 June 2022.*

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KUMPULAN KITACON BERHAD

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

5. Notes to the Pro Forma Combined Statements of Financial Position as at 30 June 2022

5.1 Basis of Preparation

The Pro Forma Combined Statements of Financial Position is prepared based on the audited combined statements of financial position as at 30 June 2022 as set out in the Accountants' Report of the Group as at 30 June 2022 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with the format of financial statements and accounting policies of the Group.

The Pro Forma Combined Statements of Financial Position has been prepared solely for illustrative purposes only to show the effects of the transactions as disclosed below had the transactions been effected on 30 June 2022.

The Pro Forma Combined Statements of Financial Position are not necessarily indicative of the financial position that would have been attained had the Listing actually occurred at the respective dates.

The financial statements used in the preparation of this Pro Forma Combined Statements of Financial Position were not subject to any audit qualification or emphasis of matter.

5.2 Pro Forma I

Pro Forma I incorporates the effects of the material subsequent event on the distribution of dividend as set out in Note 2.1 of this report.

5.3 Pro Forma II

Pro Forma II incorporates Pro Forma I and the effects of the Acquisition of KSB as set out in Note 3.1 of this report.

5.4 Pro Forma III

Pro Forma III incorporates the effects of Pro Forma I, Pro Forma II and the effects of the public issue under the IPO as set out in Note 3.2 of this report ("Public Issue").

5.5 Pro Forma IV

Pro Forma IV incorporate the effects of Pro Forma I, Pro Forma II, Pro Forma III and the effects of the use of proceeds from the Public Issue.

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KUMPULAN KITACON BERHAD

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

5. Notes to the Pro Forma Combined Statements of Financial Position as at 30 June 2022

5.5 Pro Forma IV (Cont'd)

The proceeds from the Public Issue will be used in the following manner:

Purpose	Amount proceeds RM	%	Estimated time frame for utilisation (from listing date)
Purchase of construction equipment[1]			Within 36 months
- Aluminium formwork systems	18,000,000	34.8	
- Scaffoldings and cabins	6,000,000	11.6	
Purchase of land and construction of a storage and refurbishment facility[1]	20,000,000	38.7	Within 36 months
Working capital[2]	3,280,180	6.3	Within 24 months
Estimated listing expenses[3]	4,460,000	8.6	Within 1 month
	51,740,180	100.0	

(1) As at 30 November 2022, being the latest practicable date prior to the registration of the prospectus with the Securities Commission Malaysia ("LPD"), the Group has yet to enter into any purchase orders, sales and purchase agreement or contractual binding agreements for the purchase of lands, construction of a storage and refurbishment facility, and purchase of aluminum formwork systems, scaffoldings and cabins. Accordingly, such use of proceeds is not reflected in the Pro Forma Combined Statements of Financial Position.

(2) Proceeds which are earmarked for working capital are estimated to be used for payment to subcontractors and purchase of construction materials. As at the LPD, the Group has yet to issue any purchase order or enter into any other contractual binding arrangement for payment to subcontractors and purchase of construction materials. Accordingly, the use of proceeds earmarked for working capital purposes is not reflected in the Pro Forma Combined Statements of Financial Position.

(3) The estimated listing expenses comprise the following:

	RM
Professional fees	2,711,000
Fees to authorities	395,000
Underwritting, placement and brokerage fees	980,000
Miscellaneous expenses and contingencies	374,000
	4,460,000

From the estimated listing expenses of RM4,460,000, RM980,000 will be set-off against equity and the remaining RM3,480,000 will be charged out to profit or loss and this represents a one-off expenditure in conjunction with the Listing.

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KUMPULAN KITACON BERHAD

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

6. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

a) Movement in cash and cash equivalents	**RM**
Balance as at 30 June 2022	114,544,108
Effects of Pro Forma I:-	
- Distribution of dividend	(10,000,000)
Pro Forma I and II	104,544,108
Effects of Pro Forma III:-	
- Shares issued under the Public Issue	51,740,180
Pro Forma III	156,284,288
Effects of Pro Forma IV:-	
- Estimated listing expenses	(4,460,000)
Pro Forma IV	151,824,288

b) Movement in share capital	**RM**
Balance as at 30 June 2022/Pro Forma I	50
Effects of Pro Forma II:-	
- Acquisition of KSB	184,401,459
Pro Forma II	184,401,509
Effects of Pro Forma III:-	
- Shares issued under the Public Issue	51,740,180
Pro Forma III	236,141,689
Effects of Pro Forma IV:-	
- Estimated listing expenses	(980,000)
Pro Forma IV	235,161,689

c) Movement in invested equity	**RM**
Balance as at 30 June 2022/Pro Forma I	30,000,000
Effects of Pro Forma II:-	
- Acquisition of KSB	(30,000,000)
Pro Forma II, III and IV	-

d) Movement in merger deficit	**RM**
Balance as at 30 June 2022/Pro Forma I	-
Effects of Pro Forma II:-	
- Acquisition of KSB	(154,401,459)
Pro Forma II, III and IV	(154,401,459)

e) Movement in retained earnings	**RM**
Balance as at 30 June 2022	180,528,840
Effects of Pro Forma I:-	
- Distribution of dividend	(10,000,000)
Pro Forma I, II and III	170,528,840
Effects of Pro Forma IV:-	
- Estimated listing expenses	(3,480,000)
Pro Forma IV	167,048,840

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KUMPULAN KITACON BERHAD

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Kumpulan Kitacon Berhad in accordance with a resolution dated 11 NOV 2022.

For and on behalf of the Board of Directors of Kumpulan Kitacon Berhad,

Tan Ah Kee

Teow Choo Hing

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0 9 DEC 2022

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

Dear Sirs/Madam,

REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF KUMPULAN KITACON BERHAD

OPINION

We have audited the financial information contained in the Accountants' Report of Kumpulan Kitacon Berhad ("Kitacon" or the "Company") and its combining entity (collectively known as the "Kitacon Group" or "Group"), which comprise the combined statements of financial position as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years/period then ended and notes to the combined financial statements, including a summary of significant accounting policies, as set out from pages 1 to 58.

The historical financial information has been prepared for inclusion in the prospectus of Kitacon in connection with the listing of and quotation for the entire issued share capital of Kitacon on the Main Market of Bursa Malaysia Securities Berhad. This report is required by the *Prospectus Guidelines issued by the Securities Commission Malaysia* (the "Prospectus Guidelines") and is given for the purpose of complying with Chapter 10 of the Prospectus Guidelines and for no other purpose.

In our opinion, the financial information contained in the Accountants' Report gives a true and fair view of the financial position of the Group as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022, and of its financial performance and cash flows for the financial yeas/period then ended in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the Prospectus Guidelines.

BASIS FOR OPINION

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

Crowe

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

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

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial statements of the Group that give a true and fair view in accordance with MFRS and IFRS. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE COMBINED FINANCIAL STATEMENTS

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE COMBINED FINANCIAL STATEMENTS (CONT'D)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial information of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of this report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the combined financial statements of the entities or business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

The significant event subsequent to the end of the financial period ended 30 June 2022 has been disclosed in Note 35 to this report.

The comparative information for the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows and notes to the combined financial statements for the financial period ended 30 June 2021 has not been audited.

RESTRICTION ON DISTRIBUTION AND USE

Our report has been prepared for inclusion in the prospectus of the Company in connection with the listing of and quotation for the entire issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad. As such, this report should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants
Shah Alam

Ong Beng Chooi
03155/05/2023 J
CharteredAccountant

KUMPULAN KITACON BERHAD

(Incorporated in Malaysia)
Registration No : 202201006838 (1452535-V)

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
		Audited as at			
ASSETS					
NON-CURRENT ASSETS					
Investment in an associate	4	7,538,250	6,921,092	7,318,068	-
Property and equipment	5	10,486,772	9,600,082	9,580,195	11,554,058
Investment properties	6	40,272,963	42,260,290	21,027,434	5,364,901
Right-of-use assets	7	-	-	209,171	257,015
Other investments	8	23,567,748	51,020,789	47,062,928	21,762,356
Investment in club membership, at cost		144,003	144,003	85,003	85,003
Deferred tax assets	9	-	-	4,566,000	3,867,000
		82,009,736	109,946,256	89,848,799	42,890,333
CURRENT ASSETS					
Other investments	8	2,000,000	1,000,000	-	-
Receivables	10	149,259,118	164,958,708	104,833,041	86,054,587
Prepayments		-	137,265	4,760	-
Contract costs	11	1,287,872	1,337,673	5,095,860	269,707
Contract assets	12	176,828,541	171,630,675	165,672,452	155,627,517
Current tax assets		2,740,000	5,372,980	2,842,657	1,725,743
Cash and cash equivalents	13	48,365,329	43,998,150	82,917,183	114,544,108
		380,480,860	388,435,451	361,365,953	358,221,662
TOTAL ASSETS		462,490,596	498,381,707	451,214,752	401,111,995

KUMPULAN KITACON BERHAD

(Incorporated in Malaysia)
Registration No : 202201006838 (1452535-V)

COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	Audited as at 31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	14	-	-	-	50
Invested equity	14	20,000,000	20,000,000	30,000,000	30,000,000
Retained profits		224,367,241	242,068,664	154,401,476	180,528,840
TOTAL EQUITY		244,367,241	262,068,664	184,401,476	210,528,890
NON-CURRENT LIABILITIES					
Term loans	15	2,171,201	1,871,298	6,365,415	-
Lease liabilities	16	-	-	86,520	116,222
Deferred tax liability	9	344,000	483,000	440,000	895,000
		2,515,201	2,354,298	6,891,935	1,011,222
CURRENT LIABILITIES					
Payables	17	215,032,639	233,341,036	258,640,775	187,825,360
Term loans	15	575,515	617,709	1,156,012	-
Bankers' acceptance	18	-	-	-	1,603,000
Lease liabilities	16	-	-	124,554	143,523
		215,608,154	233,958,745	259,921,341	189,571,883
TOTAL LIABILITIES		218,123,355	236,313,043	266,813,276	190,583,105
TOTAL EQUITY AND LIABILITIES		462,490,596	498,381,707	451,214,752	401,111,995

KUMPULAN KITACON BERHAD

(Incorporated in Malaysia)
Registration No : 202201006838 (1452535-V)

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Audited			Unaudited	Audited
		FYE 31 December			FPE 30 June	
		2019	2020	2021	2021	2022
	Note	RM	RM	RM	RM	RM
Revenue	19	581,522,875	489,645,220	455,502,208	238,638,165	234,733,347
Cost of sales		(481,226,354)	(407,806,574)	(374,640,431)	(196,472,871)	(191,052,308)
Gross profit		100,296,521	81,838,646	80,861,777	42,165,294	43,681,039
Other income		5,193,689	6,112,913	8,864,027	2,362,200	8,328,195
Administrative and other operating expenses		(34,154,133)	(34,402,374)	(37,523,115)	(16,829,858)	(18,853,666)
Finance costs		(142,487)	(169,453)	(263,929)	(78,112)	(107,616)
Share of profit/(loss) of associate		993,482	(617,158)	396,976	198,488	782,259
Profit before taxation	20	72,187,072	52,762,574	52,335,736	27,818,012	33,830,211
Income tax expense	22	(17,393,003)	(13,561,151)	(10,502,924)	(6,478,547)	(7,702,847)
Profit for the financial year/period		54,794,069	39,201,423	41,832,812	21,339,465	26,127,364
Other comprehensive income for the financial year/period		-	-	-	-	-
Total comprehensive income for the financial year/period		54,794,069	39,201,423	41,832,812	21,339,465	26,127,364
Basic earnings per ordinary share (Sen)	28	274	196	139	107	87

The annexed notes form an integral part of these financial statements.

KUMPULAN KITACON BERHAD

(Incorporated in Malaysia)
Registration No : 202201006838 (1452535-V)

COMBINED STATEMENTS OF CHANGE IN EQUITY

	Non-distributable Invested equity RM	Distributable Retained profits RM	Total equity RM
Balance at 1 January 2019	20,000,000	247,673,172	267,673,172
Profit (representing total comprehensive income) for the financial year	-	54,794,069	54,794,069
Dividends (representing total transactions with owners) (Note 23)	-	(78,100,000)	(78,100,000)
Balance at 31 December 2019/ 1 January 2020	20,000,000	224,367,241	244,367,241
Profit (representing total comprehensive income) for the financial year	-	39,201,423	39,201,423
Dividends (representing total transactions with owners) (Note 23)	-	(21,500,000)	(21,500,000)
Balance at 31 December 2020/ 1 January 2021	20,000,000	242,068,664	262,068,664
Profit (representing total comprehensive income) for the financial year	-	41,832,812	41,832,812
Issuance of shares (Note 14)	10,000,000	-	10,000,000
Dividends (Note 23)	-	(129,500,000)	(129,500,000)
Total transactions with owners	10,000,000	(129,500,000)	(119,500,000)
Balance at 31 December 2021	30,000,000	154,401,476	184,401,476

The annexed notes form an integral part of these financial statements.

KUMPULAN KITACON BERHAD
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COMBINED STATEMENTS OF CHANGE IN EQUITY (CONT'D)

	Non-distributable		Distributable	
	Share Capital RM	Invested equity RM	Retained profits RM	Total equity RM
Balance at 1 January 2021	-	20,000,000	242,068,664	262,068,664
Profit (representing total comprehensive income) for the financial period	-	-	21,339,465	21,339,465
Dividends (Note 23)	-	-	(11,000,000)	(11,000,000)
Balance at 30 June 2021 (unaudited)	-	20,000,000	252,408,129	272,408,129
Balance at 1 January 2022	-	30,000,000	154,401,476	184,401,476
Profit (representing total comprehensive income) for the financial period	-	-	26,127,364	26,127,364
Issuance of shares (Note 14)	50	-	-	50
Balance at 30 June 2022	50	30,000,000	180,528,840	210,528,890

The annexed notes form an integral part of these financial statements.

KUMPULAN KITACON BERHAD

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COMBINED STATEMENTS OF CASH FLOWS

	Note	Audited			Unaudited	Audited
		FYE 31 December			FPE 30 June	
		2019	2020	2021	2021	2022
		RM	RM	RM	RM	RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES						
Profit before taxation		72,187,072	52,762,574	52,335,736	27,818,012	33,830,211
Adjustments for:-						
Depreciation of property and equipment		2,845,596	3,191,443	4,159,488	2,226,344	1,911,229
Depreciation of investment properties		739,024	885,113	281,778	140,889	103,088
Depreciation of right-of-use assets		-	-	71,439	-	66,835
Fair value loss/(gain) on financial instruments mandatorily measured at fair value through profit or loss		3,774	(9,932)	20,987	-	(98,672)
Impairment losses on trade receivables		-	-	516,163	-	-
Interest expense for financial liabilities measured at amortised cost		132,189	158,310	259,897	75,510	105,689
Interest expenses for lease liabilities		-	-	4,624	-	3,472
Loss on disposal of other investment		-	90,143	5,243	-	-
Loss on disposal of investment in an associate		-	-	-	-	782,259
Investment in club membership written off		-	-	59,000	-	-
Property and equipment written off		-	-	-	-	88,721
Covid-19 related rent concessions		-	-	(10,800)	-	-
Dividend income from quoted investments		(25,190)	(10,990)	-	-	-
Interest income		(3,071,791)	(2,977,282)	(2,379,137)	(1,194,293)	(802,271)
Share of (profit)/loss of associate		(993,482)	617,158	(396,976)	(198,488)	(782,259)
Gain on disposal of investment properties		-	(568,842)	(4,207,018)	(268,859)	(6,915,146)
Gain on disposal of property and equipment		(83,694)	(769,102)	(388,594)	(33,596)	(5,190)
Operating profit before working capital changes		71,733,498	53,368,593	50,331,830	28,565,519	28,287,966
Changes in:-						
Contract assets		(7,780,235)	5,197,866	5,958,223	64,139,518	10,044,935
Contract costs		2,867,654	(49,801)	(3,758,187)	(4,207,605)	4,826,153
Receivables and prepayments		(4,389,652)	(15,836,855)	59,742,009	37,280,394	18,783,214
Payables		(7,135,211)	18,308,397	(18,830,261)	(89,129,331)	(26,685,415)
Cash from operations		55,296,054	60,988,200	93,443,614	36,648,495	35,256,853
Interest paid		(132,189)	(158,310)	(264,521)	(75,510)	(109,161)
Tax paid		(22,956,003)	(16,055,131)	(12,581,601)	(6,789,480)	(5,431,933)
Net cash from operating activities and balance carried forward		32,207,862	44,774,759	80,597,492	29,783,505	29,715,759

The annexed notes form an integral part of these financial statements.

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COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

		Audited			Unaudited	Audited
		FYE 31 December			FPE 30 June	
		2019	2020	2021	2021	2022
	Note	RM	RM	RM	RM	RM
Balance brought forward		32,207,862	44,774,759	80,597,492	29,783,505	29,715,759
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES						
Dividend received		25,190	10,990	-	-	4,900,000
Interest received		3,071,791	2,977,282	2,379,137	1,194,293	701,515
(Increase)/Decrease in term deposits pledged with licensed banks		(1,093,504)	1,868,953	(789,692)	(1,043,634)	565,245
Purchase of equipment		(5,035,251)	(4,042,878)	(5,755,882)	(2,711,180)	(3,975,623)
Purchase of investment properties		(7,252,180)	(6,368,486)	(10,585,405)	(3,545,194)	(2,162,953)
Purchase of unit trusts		-	(41,911,653)	(45,891,926)	(13,700,000)	-
Proceeds from disposal of unit trusts		8,385,411	14,000,000	49,823,557	-	25,500,000
Proceeds from disposal of long-term investments		2,000,000	-	-	-	-
Proceeds from disposal of quoted investments		-	378,401	-	-	-
Proceeds from disposal of investment in an associate		-	-	-	-	2,418,068
Proceeds from disposal of property and equipment		83,700	2,507,227	1,324,875	44,200	7,000
Proceeds from disposal of investment properties		-	4,064,888	10,553,501	1,610,254	2,247,544
Repayment from holding company		33,933,323	-	-	-	-
Repayment from related parties		2,886,931	-	-	-	-
(Increase)/Decrease in short-term investments		(1,000,000)	1,000,000	1,000,000	-	-
Net cash from/(for) investing activities		36,005,411	(25,515,276)	2,058,165	(18,151,261)	30,200,796
Balance carried forward		68,213,273	19,259,483	82,655,657	11,632,244	59,916,555

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COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

		Audited			Unaudited	Audited
		FYE 31 December			FPE 30 June	
		2019	2020	2021	2021	2022
	Note	RM	RM	RM	RM	RM
Balance brought forward		68,213,273	19,259,483	82,655,657	11,632,244	59,916,555
CASH FLOWS FOR FINANCING ACTIVITIES						
Proceeds from issuance of ordinary shares		-	-	10,000,000	-	50
Drawdown of term loan	24	-	-	6,000,000	6,000,000	-
Dividends paid		(78,100,000)	(21,500,000)	(59,500,000)	(11,000,000)	(21,740,000)
Increase in bankers' acceptance		-	-	-	524,206	1,603,000
Repayments of lease liabilities		-	-	(58,736)	-	(66,008)
Repayment of term loans	24	(563,592)	(257,709)	(967,580)	(429,266)	(7,521,427)
Net cash for financing activities		(78,663,592)	(21,757,709)	(44,526,316)	(4,905,060)	(27,724,385)
Net (decrease)/increase in cash and cash equivalents		(10,450,319)	(2,498,226)	38,129,341	6,727,184	32,192,170
Cash and cash equivalents brought forward		18,830,370	8,380,051	5,881,825	5,881,825	44,011,166
Cash and cash equivalents carried forward	13	8,380,051	5,881,825	44,011,166	12,609,009	76,203,336

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in Malaysia on 24 February 2022, as a private company limited by shares under the name of Kumpulan Kitacon Sdn. Bhd.. On 23 May 2022, the Company was converted to a public limited company and assumed its present name. The registered office of the Company is located at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at No. 24, Jalan Rengas, Taman Selatan, 41200 Klang, Selangor Darul Ehsan.

Kumpulan Kitacon Berhad is principally an investment holding company.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation of Financial Statements

The Accountants' Report comprises the combined financial statements of Kitacon and its subsidiary for the financial years ended 31 December 2019, 31 December 2020, 31 December 2021 and financial periods ended 30 June 2021 and 30 June 2022.

The financial statements are prepared solely for inclusion in the prospectus of the Company in connection with the listing of and quotation for its entire issued share capital on the Main Market of Bursa Malaysia Securities Berhad.

The combined financial statements consist of the financial statements of the Company and its subsidiary, Kitacon Sdn Bhd ("KSB"), under the common control of Tan Ah Kee and Teow Choo Hing (collectively referred to as the "Controlling Shareholders").

The combined financial statements of the Group have been prepared as if the Group has been operated as a single economic entity throughout the financial years ended 31 December 2019, 31 December 2020, 31 December 2021 and financial periods ended 30 June 2021 and 30 June 2022.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain the benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The financial information as prepared in the combined financial statements may not correspond with the consolidated financial statements of the Group after incorporating or effecting the relevant acquisition as the combined financial statements reflect business combinations under common control for the purpose of the listing. Such financial information from the combined financial statements does not purport to predict the financial positions, results of operation and cash flows of the Group.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of Preparation of Financial Statements (Cont'd)

The combined financial statements of the Group for the financial years ended 31 December 2019, 31 December 2020, 31 December 2021 and financial periods ended 30 June 2021 and 30 June 2022 have been prepared in accordance with MFRS, IFRS and Prospectus Guidelines.

Since beginning of 1 January 2019, the Group had adopted Malaysian Financial Reporting Standards in accordance with MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standards'.

In subsequent financial periods, the Group has adopted the following new accounting standard and/or interpretation (including the consequential amendments, if any):-

Effective for annual periods beginning on or after 1 January 2020
Amendments to MFRS 3: *Definition of a Business*
Amendments to MFRS 4: *Extension of the Temporary Exemption from Applying MFRS 9*
Amendments to MFRS 9, MFRS 139 and MFRS 7: *Interest Rate Benchmark Reform*
Amendments to MFRS 16: *Covid-19-Related Rent Concessions*
Amendments to MFRS 101 and MFRS 108: Definition of Material
Amendments to References of the Conceptual Framework in MFRS Standards

Effective for annual periods beginning on or after 1 January 2021
Amendments to MFRS 16: *Covid-19-Related Rent Concessions beyond 30 June 2021*
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: *Interest Rate Benchmark Reform - Phase 2*

Effective for annual periods beginning on or after 1 January 2022
Amendments to MFRS 3: *Reference to the Conceptual Framework*
Amendments to MFRS 116: *Property, Plant and Equipment - Proceeds before Intended Use*
Amendments to MFRS 137: *Onerous Contracts - Cost of Fulfilling* a Contract
Annual Improvements to MFRS Standards 2018 - 2020

The adoption of the above accounting standard and/or interpretation (including the consequential amendments, if any) did not have any material impact on the Group's combined financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of Preparation of Financial Statements (Cont'd)

The Group has not applied in advance the following accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year/period:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective for annual periods beginning on or after
MFRS 17: *Insurance Contracts*	1 January 2023
Amendments to MFRS 10 and MFRS 128: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred
Amendments to MFRS 17: *Insurance Contracts*	1 January 2023
Amendment to MFRS 17: *Initial Application of MFRS 17 and MFRS 9 - Comparative Information*	1 January 2023
Amendment to MFRS 101: *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to MFRS 101: *Disclosure of Accounting Policies*	1 January 2023
Amendments to MFRS 108: *Definition of Accounting Estimates*	1 January 2023
Amendments to MFRS 112: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023

The Group will apply the above new MFRSs and amendments to MFRSs that are applicable once they become effective. The initial application of the above MFRSs is not expected to have any material impacts on the combined financial statements of the Group for both the current period and prior period.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of Combination

(a) Combining entities

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

The combining entities are entities, including structured entities under common control of the Controlling Shareholders, and are accounted for as if the Company and the combining entity are a single economic entity at the date that common control was established. The assets and liabilities of the combining entities are recognised at the carrying amounts recognised in the respective combining entities' financial statements. The components of equity of the combining entities are added to the same components with the Group's entity and any resulting gain/loss is recognised directly in equity.

The Controlling Shareholders control an entity when they are exposed, or have rights, to variable returns from their involvement with the entity and have the ability to affect those returns through their power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Controlling Shareholders also consider they have de facto power over an investee when, despite not having the majority of voting rights, they have the current ability to direct the activities of the investee that significantly affect the investee's return.

(b) Transactions eliminated on combination

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Investment in associate

An associate is an entity in which the Group has a long-term equity interest and where it exercises significant influence over the financial and operating policies.

The investment in an associate is accounted for in the combined financial statements using the equity method based on the financial statements of the associate made up to 31 December 2019, 31 December 2020 and 31 December 2021 and 14 June 2022. The Group's share of the post acquisition profits and other comprehensive income of the associate is included in the combined statements of comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's investment in the associate is carried in the combined statements of financial position at cost plus the Group's share of the post acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation. The interest in the associate is the carrying amount of the investment in the associate determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate.

Unrealised gains or losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 9. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.7.

Freehold land is not depreciated. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

Building	2%
Furniture, fittings and office equipment	20%
Motor vehicles	20%
Tools and equipment	20%
Renovation	20%
Aluminium formwork	20%

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

Fully depreciated plant and equipment are retained in the combined financial statements until they are no longer in use and no further charge for depreciation is made in respect of these plant and equipment.

2.5 Investment Properties

Investment property, being a property held to earn rentals and/or for capital appreciation, is stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.7. The right-of-use asset held under a lease contract that meets the definition of investment property is measured initially similarly as other right-of-use assets.

Investment properties under construction and freehold land are not depreciated. Other investment properties are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rate of 2%.

2.6 Investment in Club Membership

Investment in club membership is stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.7.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Impairment of Non-financial Assets

At the end of each reporting period, the Group assesses whether there is any indication that a non-financial asset, other than deferred tax asset, contract costs and contract assets, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs of disposal and its value in use, is estimated. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss.

An impairment loss on an asset is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised. The reversal is recognised in profit or loss.

2.8 Contract Assets and Contract Liabilities

A contract is presented in the combined statements of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is an entity's right to consideration in exchange for goods or services transferred to a customer when that right is conditional on something other than the passage of time. The asset is subject to impairment assessment on the same basis as trade receivables as disclosed in Note 2.10. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

2.9 Contract Costs

The incremental costs of obtaining a contract and costs incurred in fulfilling the contract are recognised as an asset if those costs are expected to be recovered. The asset is amortised on a systematic basis that is consistent with the recognition of related revenue as disclosed in Note 2.16. When the carrying amount of the asset exceeds the remaining amount of consideration expected to be received in exchange for the goods or services less the related costs that have not been recognised as expenses, the excess represents an impairment loss and is recognised in profit or loss. As a practical expedient, the incremental costs of obtaining a short-term contract of which the amortisation period is one year or less are recognised as an expense when incurred.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial Assets

Financial assets of the Group consist of other investments, receivables and cash and cash equivalents.

Initial Recognition and Measurement

A financial asset is recognised in the combined statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. A regular purchase or sale of financial assets is recognised or derecognised using settlement date accounting. Trade receivables that do not contain a significant financing component are initially recognised at their transaction price (as defined in Note 2.16). Other financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequent Measurement

(i) Amortised Cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All receivables and cash and cash equivalents are classified under this category. Any gain or loss is recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

(ii) Fair Value Through Profit or Loss

A financial asset is measured at fair value through profit or loss if it does not meet the criteria to be measured at amortised cost or fair value through other comprehensive income. Other investments are classified under this category. Any gain or loss is recognised in profit or loss.

Impairment

At each reporting date, the Group recognises a loss allowance for expected credit losses on a financial asset measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. Any adjustment to the loss allowance is recognised in profit or loss as an impairment gain or loss.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial Assets (Cont'd)

Impairment (Cont'd)

Irrespective of whether there is any significant increase in credit risk since initial recognition, the loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9: *Financial Instruments*. Such lifetime expected credit losses are calculated using a provision matrix based on historical credit loss experience and adjusted for reasonable and supportable forward-looking information that is available without undue cost or effort.

The expected credit losses for a credit-impaired financial asset are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The gross carrying amount of a credit-impaired financial asset is directly written off when there is no reasonable expectation of recovery.

Derecognition

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or all the risks and rewards of ownership are substantially transferred. A direct write-off of gross carrying amount when there is no reasonable expectation of recovering a financial asset constitutes a derecognition event.

2.11 Financial Liabilities

Financial liabilities of the Group consist of payables, bankers' acceptance, term loans and financial guarantee contracts.

Initial Recognition and Measurement

A financial liability is recognised in the combined statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value minus transaction costs.

Subsequent Measurement

All payables, bankers' acceptance and term loans are subsequently measured at amortised cost. Any gain or loss is recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

Financial guarantee contracts are subsequently measured at the higher of the amount of loss allowance and the amount initially recognised less any cumulative income recognised.

Derecognition

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Lease

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

Initial Recognition and Measurement

When the Group or the Company acts as a lessee, it recognises a right-of-use asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments) at the commencement date. The Group has elected not to apply such recognition principle to short-term leases (which have a lease term of 12 months or less) and leases of low-value assets. The lease payments associated with those leases are recognised as an expense on a straight-line basis over the lease term.

A right-of-use asset is initially recognised at cost, which comprises the initial amount of lease liability, any lease payments made at or before the commencement date (less any lease incentives), any initial direct costs and any estimated dismantling, removing and restoring costs.

A lease liability is initially recognised at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The unpaid lease payments included in the measurement of lease liability comprise fixed payments (less any lease incentives), variable lease payments linked to an index or a rate, expected amounts payable under residual value guarantees, the exercise price of a purchase option reasonably certain to be exercised and the penalties of a termination option reasonably certain to be exercised.

Subsequent Measurement

A right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any remeasurement of lease liability. The impairment policy is disclosed in Note 2.7.

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that a purchase option will be exercised, the right-of-use asset is depreciated on a straight-line basis from the commencement date to the end of its useful life. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term as follows:-

Buildings	2- 4 years

A lease liability is subsequently measured at amortised cost, and remeasured to reflect any reassessment (arising from changes to the lease payments) or lease modifications.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Functional and Presentation currency

The combined financial statements of the Group are presented in Ringgit Malaysia, which is also the Group's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the combined financial statements are measured using the functional currency.

2.14 Share Capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability, whereas dividends proposed or declared after the reporting period are disclosed in the notes to the combined financial statements.

2.15 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The valuation techniques used include the following or a combination thereof:

(i) Market approach - which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.

(ii) Cost approach - which reflects the amount that would be required currently to replace the service capacity of an asset.

(iii) Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Fair Value Measurement (Cont'd)

The inputs to valuation techniques used to measure fair value are categorised into the following levels of fair value hierarchy:

(i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

(ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

(iii) Level 3 - unobservable inputs for the asset or liability.

Any transfers between the levels of fair value hierarchy are deemed to have occurred at the date of the event or change in circumstances that caused the transfers.

Financial Assets and Financial Liabilities

The carrying amounts of receivables, cash and cash equivalents, payables, bankers' acceptance and term loans which are short-term in nature or repayable on demand are reasonable approximations of fair values. The fair values of term loans are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2).

The fair values of unit trusts are directly measured using their unadjusted closing prices in active market (i.e. Level 1).

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Revenue from Contracts with Customers

The Group recognises revenue (by applying the following steps) to depict the transfer of promised goods or services to customers at the transaction price.

(i) Step 1: Identify contract - A contract is an agreement between two or more parties that creates enforceable rights and obligations.

(ii) Step 2: Identify performance obligations - Each promise to transfer distinct goods or services is identified as a performance obligation and accounted for separately.

(iii) Step 3: Determine transaction price - The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. It is adjusted for the effects of variable consideration (e.g. discounts, rebates, incentives or penalties), significant financing component, non-cash consideration and consideration payable to customer.

(iv) Step 4: Allocate transaction price to performance obligations - The transaction price is allocated to each performance obligation on the basis of the relative (estimated) stand-alone selling prices of each distinct good or service promised in the contract.

(v) Step 5: Recognise revenue - Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). Revenue is recognised either over time or at a point in time depending on the timing of transfer of control.

Construction Contracts

The Group determines that the transfer of control of promised services generally coincides with the Group's performance as the performance creates or enhances an asset that the customer controls as the asset is created or enhanced. Accordingly, revenue from construction contract is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation using the output method. The output method recognises revenue based on the physical proportion of construction work certified by professional consultants.

2.17 Other Income

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

Operating lease income is recognised in profit or loss on a straight-line basis over the lease term.

Dividend income from investment is recognised in profit or loss when the right to receive dividend payment is established.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Employee Benefits

Short-term Employee Benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss in the period in which the associated services are rendered by the employee.

Defined Contribution Plans

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund. Contributions to defined contribution plans are recognised in profit or loss in the period in which the associated services are rendered by the employee.

2.19 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sales. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.20 Income Taxes

Income taxes for the year/period comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Income Taxes (Cont'd)

A deferred tax liability is recognised for all taxable temporary differences, whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.21 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, term deposits that are withdrawable on demand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2.22 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

2.23 Earnings per Ordinary Share

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

Diluted earnings per ordinary share is determined by adjusting the combined profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

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3. JUDGEMENTS AND ESTIMATION UNCERTAINTY

The outbreak of the COVID-19 has brought unprecedented challenges and added economic uncertainties in Malaysia, the market in which the Group operates. While the Group has considered the potential financial impact of the COVID-19 pandemic in the preparation of these financial statements, the full financial impact to the Group remains uncertain. Accordingly, there is a possibility that factors not currently anticipated by the management could occur in the future and therefore affect the recognition and measurement of the Group's assets and liabilities at the reporting date.

Judgements Made in Applying Accounting Policies

In the process of applying the accounting policies of the Group, the management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the combined financial statements.

Sources of Estimation Uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

Construction contracts

The Group considers the effects of variable consideration in determining the transaction price of a performance obligation satisfied over time, and recognises revenue accordingly by measuring the progress towards complete satisfaction of the performance obligation. These procedures involve judgements and estimation uncertainty in predicting the outcome of the performance obligation based on past experience, work of experts and continuous monitoring mechanism. Any changes in these accounting estimates will affect the carrying amounts of contract assets and contract liabilities as disclosed in Note 12 to the combined financial statements.

Impairment of contract assets and receivables

The Group recognises loss allowance for expected credit losses on contract assets and receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions. Any changes in these accounting estimates will affect the carrying amounts of contract assets as disclosed in Note 12 to the combined financial statements and receivables as disclosed in Note 10 to the combined financial statements.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences could be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the assessment of the probability only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets as at the reporting date is disclosed in Note 9 to the financial statements.

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4. INVESTMENT IN AN ASSOCIATE

	Audited as at			
	31.12.2019 RM	**31.12.2020 RM**	**31.12.2021 RM**	**30.06.2022 RM**
Unquoted shares, at cost	1,960,000	1,960,000	1,960,000	-
Share of post-acquisition changes in net assets	5,578,250	4,961,092	5,358,068	-
	7,538,250	6,921,092	7,318,068	-

The details of the associate are as follows:-

Name of Associate	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest 31.12 2019 %	31.12.2020 %	31.12.2021 %	30.06.2022 %	Principal Activity
QL Builder Sdn Bhd (formerly known as Pembinaan KSB Sdn Bhd)	Malaysia	49	49	49	-	Provision of construction services.

As detailed in Note 34(iv), the Company completed its disposal of investment in an associate on 14 June 2022.

The summarised financial information of the associate is as follows:-

	Audited as at			
	31.12.2019 RM	**31.12.2020 RM**	**31.12.2021 RM**	**30.06.2022 RM**
Non-current assets	13,321,888	13,045,506	3,332,285	-
Current assets	35,754,268	32,539,493	40,586,838	-
Non-current liability	(8,000)	(8,000)	(47,781)	-
Current liabilities	(33,683,972)	(31,452,322)	(28,936,509)	-
Net assets	15,384,184	14,124,677	14,934,833	-
Revenue	46,934,523	7,603,530	36,280,237	-
Profit/(Loss) (representing total comprehensive income/(loss)) for the financial year	2,027,514	(1,259,507)	810,156	-

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4. INVESTMENT IN AN ASSOCIATE (CONT'D)

The reconciliation of the above summarised financial information to the carrying amounts of the investment in an associate is as follows:-

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Net assets	15,384,184	14,124,677	14,934,833	-
Effective ownership interest	49%	49%	49%	0%
Carrying amount	7,538,250	6,921,092	7,318,068	-

5. PROPERTY AND EQUIPMENT

	At 1.1.2019 RM	Additions RM	Disposals/ Write-offs RM	Depreciation RM	At 31.12.2019 RM
Carrying Amount					
Freehold land and buildings	3,343,852	-	-	(74,321)	3,269,531
Furniture, fittings and office equipment	418,699	203,231	-	(195,225)	426,705
Motor vehicles	4,037,359	1,410,958	(6)	(1,764,673)	3,683,638
Tools and equipment	468,699	442,355	-	(208,507)	702,547
Renovation	28,514	19,511	-	(11,031)	36,994
Aluminium formwork	-	2,959,196	-	(591,839)	2,367,357
	8,297,123	5,035,251	(6)	(2,845,596)	10,486,772

	At 1.1.2020 RM	Additions RM	Disposals RM	Depreciation RM	At 31.12.2020 RM
Carrying Amount					
Freehold land and buildings	3,269,531	-	(1,637,699)	(36,761)	1,595,071
Furniture, fittings and office equipment	426,705	161,009	(2,080)	(197,409)	388,225
Motor vehicles	3,683,638	529,531	(98,346)	(1,512,320)	2,602,503
Tools and equipment	702,547	424,160	-	(289,524)	837,183
Renovation	36,994	-	-	(11,031)	25,963
Aluminium formwork	2,367,357	2,928,178	-	(1,144,398)	4,151,137
	10,486,772	4,042,878	(1,738,125)	(3,191,443)	9,600,082

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5. PROPERTY AND EQUIPMENT (CONT'D)

	At 1.1.2021 RM	Additions RM	Disposals RM	Depreciation RM	At 31.12.2021 RM
Carrying Amount					
Freehold land and building	1,595,071	-	(1,595,071)	-	-
Furniture, fittings and	388,225	167,511	-	(209,770)	345,966
Motor vehicles	2,602,503	395,181	(21,210)	(1,433,053)	1,543,421
Tools and equipment	837,183	754,744	-	(440,472)	1,151,455
Renovation	25,963	-	-	(11,030)	14,933
Aluminium formwork	4,151,137	4,438,446	-	(2,065,163)	6,524,420
	9,600,082	5,755,882	(1,616,281)	(4,159,488)	9,580,195

	At 1.1.2022 RM	Additions RM	Disposals RM	Written-offs RM	Depreciation RM	At 30.06.2022 RM
Carrying Amount						
Furniture, fittings and office equipment	345,966	188,545	-	-	(82,785)	451,726
Motor vehicles	1,543,421	266,275	(1,810)	(88,721)	(414,828)	1,304,337
Tools and equipment	1,151,455	87,330	-	-	(226,849)	1,011,936
Renovation	14,933	-	-	-	(5,515)	9,418
Aluminium formwork	6,524,420	3,433,473	-	-	(1,181,252)	8,776,641
	9,580,195	3,975,623	(1,810)	(88,721)	(1,911,229)	11,554,058

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5. PROPERTY AND EQUIPMENT (CONT'D)

	At cost RM	Accumulated depreciation RM	Carrying amount RM
At 31.12.2019			
Freehold land and buildings	3,715,942	(446,411)	3,269,531
Furniture, fittings and office equipment	1,533,648	(1,106,943)	426,705
Motor vehicles	11,660,199	(7,976,561)	3,683,638
Tools and equipment	1,042,535	(339,988)	702,547
Renovation	55,153	(18,159)	36,994
Aluminium formwork	2,959,196	(591,839)	2,367,357
	20,966,673	(10,479,901)	10,486,772
At 31.12.2020			
Freehold land and buildings	1,838,032	(242,961)	1,595,071
Furniture, fittings and office equipment	1,660,974	(1,272,749)	388,225
Motor vehicles	11,728,908	(9,126,405)	2,602,503
Tools and equipment	1,466,695	(629,512)	837,183
Renovation	55,153	(29,190)	25,963
Aluminium formwork	5,887,374	(1,736,237)	4,151,137
	22,637,136	(13,037,054)	9,600,082
At 31.12.2021			
Furniture, fittings and office equipment	1,588,578	(1,242,612)	345,966
Motor vehicles	11,679,295	(10,135,874)	1,543,421
Tools and equipment	2,221,439	(1,069,984)	1,151,455
Renovation	55,153	(40,220)	14,933
Aluminium formwork	10,325,820	(3,801,400)	6,524,420
	25,870,285	(16,290,090)	9,580,195
At 30.06.2022			
Furniture, fittings and office equipment	1,777,123	(1,325,397)	451,726
Motor vehicles	11,695,499	(10,391,162)	1,304,337
Tools and equipment	2,308,769	(1,296,833)	1,011,936
Renovation	55,153	(45,735)	9,418
Aluminium formwork	13,759,293	(4,982,652)	8,776,641
	29,595,837	(18,041,779)	11,554,058

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6. INVESTMENT PROPERTIES

	At 1.1.2019 RM	Additions RM	Reclassification RM	Depreciation RM	At 31.12.2019 RM
Carrying Amount					
Freehold land	1,914,762	-	-	-	1,914,762
Freehold land and buildings	24,795,240	2,960,876	2,086,400	(667,424)	29,175,092
Buildings	1,704,605	-	1,394,623	(71,600)	3,027,628
Capital work-in-progress	5,345,200	4,291,304	(3,481,023)	-	6,155,481
	33,759,807	7,252,180	-	(739,024)	40,272,963

	At 1.1.2020 RM	Additions RM	Reclassification RM	Disposals RM	Depreciation RM	At 31.12.2020 RM
Carrying Amount						
Freehold land	1,914,762	-	-	-	-	1,914,762
Freehold land and buildings	29,175,092	1,571,678	9,442,329	(3,496,046)	(813,447)	35,879,606
Buildings	3,027,628	3,302	-	-	(71,666)	2,959,264
Capital work-in-progress	6,155,481	4,793,506	(9,442,329)	-	-	1,506,658
	40,272,963	6,368,486	-	(3,496,046)	(885,113)	42,260,290

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6. INVESTMENT PROPERTIES (CONT'D)

	At 1.1.2021 RM	Additions RM	Reclassification RM	Disposals RM	Depreciation RM	At 31.12.2021 RM
Carrying Amount						
Freehold land	1,914,762	-	-	(1,914,762)	-	-
Freehold land and buildings	35,879,606	706,595	1,509,984	(26,662,457)	(281,778)	11,151,950
Buildings	2,959,264	-	-	(2,959,264)	-	-
Capital work-in-progress	1,506,658	9,878,810	(1,509,984)	-	-	9,875,484
	42,260,290	10,585,405	-	(31,536,483)	(281,778)	21,027,434

	At 1.1.2022 RM	Additions RM	Reclassification RM	Disposals RM	Depreciation RM	At 30.06.2022 RM
Carrying Amount						
Freehold land and buildings	11,151,950	-	589,162	(11,653,696)	(87,416)	-
Buildings	-	-	6,084,374	(6,068,702)	(15,672)	-
Capital work-in-progress	9,875,484	2,162,953	(6,673,536)	-	-	5,364,901
	21,027,434	2,162,953	-	(17,722,398)	(103,088)	5,364,901

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6. INVESTMENT PROPERTIES (CONT'D)

	At cost RM	Accumulated depreciation RM	Carrying amount RM
At 31.12.2019			
Freehold land	1,914,762	-	1,914,762
Freehold land and buildings	33,371,318	(4,196,226)	29,175,092
Buildings	3,580,015	(552,387)	3,027,628
Capital work-in-progress	6,155,481	-	6,155,481
	45,021,576	(4,748,613)	40,272,963
At 31.12.2020			
Freehold land	1,914,762	-	1,914,762
Freehold land and buildings	40,672,365	(4,792,759)	35,879,606
Buildings	3,583,317	(624,053)	2,959,264
Capital work-in-progress	1,506,658	-	1,506,658
	47,677,102	(5,416,812)	42,260,290
At 31.12.2021			
Freehold land and buildings	14,088,894	(2,936,944)	11,151,950
Capital work-in-progress	9,875,484	-	9,875,484
	23,964,378	(2,936,944)	21,027,434
At 30.06.2022			
Capital work-in-progress	5,364,901	-	5,364,901

	Estimated fair value at Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Freehold land	2,449,280	2,517,765	-	-
Freehold land and buildings	37,366,400	43,268,125	17,927,544	-
Buildings	3,590,664	3,968,661	-	-

6. INVESTMENT PROPERTIES (CONT'D)

The fair values of investment properties, other than those purchased in the respective financial years/period, were measured based on appraisals performed by directors using the market comparison approach at the end of the reporting periods are nil (31.12.2021 - RM17,927,544; 31.12.2020 - RM38,601,289; 31.12.2019 - RM38,762,344). The appraised values were derived from observable prices per square foot for comparable properties in similar locations (i.e. Level 2). For investment properties purchased in the respective financial year, the arm's length costs were reasonable approximations of fair values.

Included in the investment properties of the Group at the end of the reporting period was freehold land and building with carrying amount of nil (31.12.2021 - RM8,994,308; 31.12.2020 - RM2,948,771; 31.12.2019 - RM3,042,817) pledged as collateral to a licensed bank for banking facilities granted to the Group.

The fair value of buildings under construction cannot be reliably measured due to the absence of active market for comparable partially completed building. Management expects the fair value to be reliably measureable when construction of the building is completed.

The investment properties of the Group are leased to customers under operating leases with rentals payable monthly. The leases contain an option that is exercisable by the customers to extend their leases for a period of 1 to 2 years. The leases do not include residual value guarantee and variable lease payments that depend on an index or rate.

The aggregate lease income and direct operating expenses arising from investment properties of the Group that generated lease income which was recognised in the respective financial years/period amounted to RM317,141 and RM203,646 (31.12.2021 - RM1,735,940 and RM493,549; 31.12.2020 - RM1,724,115 and RM812,682; 31.12.2019 - RM1,545,590 and RM768,471) respectively.

The direct operating expenses incurred from investment properties of the Group which did not generate lease income during the respective financial years/period amounted to RM40,386 (31.12.2021 - RM85,792; 31.12.2020 - RM302,020; 31.12.2019 - RM104,728).

7. RIGHT-OF-USE ASSETS

	At 1.1.2021 RM	Addition RM	Depreciation RM	At 31.12.2021 RM
Carrying Amount				
Buildings	-	280,610	(71,439)	209,171

	At 1.1.2022 RM	Addition RM	Modification of lease liabilities RM	Depreciation RM	At 30.06.2022 RM
Carrying Amount					
Buildings	209,171	82,253	32,426	(66,835)	257,015

7. RIGHT-OF-USE ASSETS (CONT'D)

At 31.12.2021	At cost RM	Accumulated depreciation RM	Carrying amount RM
Buildings	280,610	(71,439)	209,171
At 30.06.2022			
Buildings	395,289	(138,274)	257,015

The Group has lease contracts for office premises used in its operations. Their lease terms range from 1 to 2 (31.12.2021 - 1 to 2) years.

The Group reassesses whether it is reasonably certain to exercise the lease options if there is a significant change in circumstances within its control. During the financial period, the financial effect of revising the lease terms on certain office premises was an increase in recognised lease liabilities and right-of-use assets of RM32,426.

8. OTHER INVESTMENTS

	Audited as at			
	31.12.2019 RM	**31.12.2020 RM**	**31.12.2021 RM**	**30.06.2022 RM**
Quoted investments, at fair value	468,544	-	-	-
Unit trusts, at fair value	25,099,204	52,020,789	47,062,928	21,762,356
	25,567,748	52,020,789	47,062,928	21,762,356
Disclosed as:				
- Non-current assets	23,567,748	51,020,789	47,062,928	21,762,356
- Current assets	2,000,000	1,000,000	-	-
	25,567,748	52,020,789	47,062,928	21,762,356

The fair value of quoted investments and unit trusts are directly measured using their unadjusted closing prices in active markets (i.e. Level 1).

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9. DEFERRED TAX ASSETS/(LIABILITY)

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Balance at 1 January	(167,000)	(344,000)	(483,000)	4,126,000
Deferred tax (expense)/income recognised in profit or loss (Note 22)	(22,000)	(135,000)	3,301,000	(1,147,000)
Deferred tax assets under provided in previous year/period	-	-	1,308,000	-
Deferred tax liability under provided in previous year/period	(155,000)	(4,000)	-	(7,000)
Balance at 31 December/30 June	(344,000)	(483,000)	4,126,000	2,972,000
Disclosed as:				
- Deferred tax assets	-	-	4,566,000	3,867,000
- Deferred tax liability	(344,000)	(483,000)	(440,000)	(895,000)

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
In respect of (taxable)/deductible temporary differences on:				
- Provision of contract cost (material)	-	-	626,000	491,000
- Provision of contract cost (labour)	-	-	3,816,000	3,252,000
- Financial instruments	-	-	124,000	124,000
- Property and equipment	(344,000)	(483,000)	(440,000)	(895,000)

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10. RECEIVABLES

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Trade receivables:				
- Associate	18,185,846	16,017,601	13,229,027	-
- Unrelated parties	120,387,138	136,667,173	87,713,092	82,273,413
	138,572,984	152,684,774	100,942,119	82,273,413
- Loss allowance	-	-	(516,163)	(516,163)
	138,572,984	152,684,774	100,425,956	81,757,250
Other receivables	10,686,134	12,273,934	4,407,085	4,297,337
Total receivables	149,259,118	164,958,708	104,833,041	86,054,587

Trade Receivables

The Group determines credit risk concentrations in terms of counterparties. As at 30 June 2022, there were 3 (31.12.2021 - 6; 31.12.2020 - 3; 31.12.2019 - 6) major customers that accounted for 10% or more of the Group's trade receivables and the total outstanding balances due from these major customers amounted to RM46,567,719 (31.12.2021 - RM73,760,115; 31.12.2020 - RM68,385,972; 31.12.2019 - RM97,470,926).

Trade receivables are unsecured, non-interest bearing and generally on 30 days term.

The Group uses past due information to assess the credit risk of trade receivables. The analysis by past due status (stated at gross) is as follows:-

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Not past due	51,796,990	80,667,765	52,251,354	46,805,368
1 to 30 days past due	42,287,927	35,139,105	30,484,848	8,162,691
31 to 60 days past due	26,056,373	11,669,519	6,178,647	11,613,217
61 to 90 days past due	7,078,260	2,653,793	3,250,873	9,891,975
More than 90 days past due	11,353,434	22,554,592	8,776,397	5,800,162
	138,572,984	152,684,774	100,942,119	82,273,413

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10. RECEIVABLES (CONT'D)

Trade Receivables (Cont'd)

The Group determines that a trade receivable is credit-impaired when the customer is experiencing significant financial difficulty and has defaulted in payments. Unless otherwise demonstrated, the Group generally consider a default to have occurred when the trade receivable is more than 90 days past due with no evidence of collection subsequent to the end of the reporting period. The gross carrying amount of a credit-impaired trade receivable is directly written off when there is no reasonable expectation of recovery. This normally occurs when there is reasonable proof of customer insolvency.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. The changes in the loss allowances are as follows:-

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
At January	-	-	-	516,163
Impairment loss	-	-	516,163	-
At 31 December/30 June	-	-	516,163	516,163

The above allowance is in respect of individually assessed credit-impaired trade receivables. Based on the low historical observed default rates (adjusted for forward-looking estimates), the expected credit losses on trade receivables that are not credit-impaired are not considered to be material and hence, have not been recognised.

Other Receivables

Other receivables are unsecured and non-interest bearing. The amount owing by unrelated parties mainly consist of advances and refundable deposits which have no fixed repayment terms.

Included in other receivables are staff loans provided to persons connected to a director of the Company amounting of nil (31.12.2021 - RM457,000; 31.12.2020 - RM267,000, 31.12.2019 - RM327,000).

11. CONTRACT COST

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Costs in fulfilling contracts	1,287,872	1,337,673	5,095,860	269,707

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12. CONTRACT ASSETS

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Contract assets				
Construction contract	176,828,541	171,630,675	165,672,452	155,627,517

Contract Assets from Construction Contracts

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Balance at 1 January	177,615,702	176,828,541	171,630,675	165,672,452
Revenue recognised during the financial year/period	581,522,875	489,645,220	455,502,208	234,733,347
Progress billings during the financial year/period	(582,310,036)	(494,843,086)	(461,460,431)	(244,778,282)
Balance at 31 December/ 30 June	176,828,541	171,630,675	165,672,452	155,627,517

Included in contract assets are retention sums for contract work totalling RM81,122,196 (31.12.2021 - RM78,358,013; 31.12.2020 - RM92,679,974; 31.12.2019 - RM64,009,527).

As disclosed in Note 2.16, the Group generally satisfies its performance obligations over time during the construction period. Any excess of revenue recognised over progress billings is presented as contract asset, whereas any deficit is presented as contract liability.

The Group measures the loss allowance for contract assets at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. Based on the low historical observed default rates (adjusted for forward-looking estimates), the expected credit losses on contract assets are not considered to be material and hence, have not been recognised.

Remaining Performance Obligations

As at 30 June 2022, the aggregate transaction price allocated to the remaining performance obligations amounted to approximately RM608,280,073 (31.12.2021 - RM520,408,283; 31.12.2020 - RM537,462,072; 31.12.2019 - RM684,859,350) and the Group expects to recognise this revenue when the projects are completed within 1 to 2 (31.12.2021 - 1 to 2; 31.12.2020 - 1 to 2; 31.12.2019 - 1 to 2) years.

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13. CASH AND CASH EQUIVALENTS

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Cash and bank balances	8,380,051	5,881,825	44,011,166	76,203,336
Term deposits with licensed banks (fixed rate)	39,985,278	38,116,325	38,906,017	38,340,772
	48,365,329	43,998,150	82,917,183	114,544,108

Cash and cash equivalents are placed with reputable financial institutions with low credit risk. Accordingly, their expected credit losses are not considered to be material and hence, have not been recognised.

The term deposits of the Group amounting RM38,340,772 (31.12.2021 - RM38,906,017; 31.12.2020 - RM38,116,325, 31.12.2019 - RM39,985,278) have been pledged as security for credit facilities granted to the Group. Accordingly, these term deposits are not freely available for use.

The effective interest rates of term deposits as at 30 June 2022 ranged from 1.3% to 1.85% (31.12.2021 - 1.3% to 1.75%; 31.12.2020 - 2.55% to 3.35%; 31.12.2019 - 2.90% to 3.35%) per annum.

For the purpose of statements of cash flows, cash and cash equivalents are presented net of pledged deposits as follows:-

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Cash and cash equivalents	48,365,329	43,998,150	82,917,183	114,544,108
Term deposits pledged as security	(39,985,278)	(38,116,325)	(38,906,017)	(38,340,772)
	8,380,051	5,881,825	44,011,166	76,203,336

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14. SHARE CAPITAL AND INVESTED EQUITY

(a) Share capital

	Audited as at			
	31.12.2019	31.12.2020	31.12.2021	30.06.2022
	Number of shares			
Balance at 1 January/date of incorporation	-	-	-	100
Balance at 31 December/30 June	-	-	-	100

	Audited as at			
	31.12.2019	31.12.2020	31.12.2021	30.06.2022
	RM	RM	RM	RM
Balance at 1 January/date of incorporation	-	-	-	50
Balance at 31 December/30 June	-	-	-	50

(b) Invested equity

	Audited as at			
	31.12.2019	31.12.2020	31.12.2021	30.06.2022
	Number of shares			
Balance at 1 January	20,000,000	20,000,000	20,000,000	30,000,000
Issuance of new shares for cash	-	-	10,000,000	-
Balance at 31 December/30 June	20,000,000	20,000,000	30,000,000	30,000,000

	Audited as at			
	31.12.2019	31.12.2020	31.12.2021	30.06.2022
	RM	RM	RM	RM
Balance at 1 January	20,000,000	20,000,000	20,000,000	30,000,000
Issuance of new shares for cash	-	-	10,000,000	-
Balance at 31 December/30 June	20,000,000	20,000,000	30,000,000	30,000,000

For the purpose of this report, the total number of ordinary shares as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022 represents the aggregate number of issued shares of all entities within the Group.

The new ordinary shares issued during the respective financial years/period rank pari passu in all respects with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

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15. TERM LOANS

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Secured				
Term loans (floating rate)	2,746,716	2,489,007	7,521,427	-
Disclosed as:				
- Current liabilities	575,515	617,709	1,156,012	-
- Non-current liabilities	2,171,201	1,871,298	6,365,415	-
	2,746,716	2,489,007	7,521,427	-

The term loans are secured against certain investment properties (Note 6) and jointly and severally guaranteed by certain directors of the Group.

The effective interest rates of term loans as at 30 June 2022 was nil (31.12.2021 - ranged from 3.05% to 3.27%; 31.12.2020 - 3.05%; 31.12.2019 - 4.30%) per annum.

Term loans are repayable over 5 years. The repayment analysis is as follows:-

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Gross loan installments:				
- within 1 year	600,262	693,624	1,397,868	-
- later than 1 year and not later than 2 years	626,074	693,624	1,397,868	-
- later than 2 years and not later than 5 years	1,638,488	1,156,040	2,690,752	-
- later than 5 years	-	-	3,051,724	-
Total contractual undiscounted cash flows	2,864,824	2,543,288	8,538,212	-
Future finance charges	(118,108)	(54,281)	(1,016,785)	-
Present value of term loans:				
- within 1 year	575,515	617,709	1,156,012	-
- later than 1 year and not later than 2 years	600,262	636,550	1,192,412	-
- later than 2 years and not later than 5 years	1,570,939	1,234,748	2,283,708	-
- later than 5 years	-	-	2,889,295	-
	2,746,716	2,489,007	7,521,427	-

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15. TERM LOANS (CONT'D)

The fair value of term loans were measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair value measured is considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximated to the effective interest rates of term loans.

16. LEASE LIABILITIES

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Gross lease liabilities:				
- Within 1 year	-	-	129,600	149,760
- Later than 1 year and not later than 5 years	-	-	88,560	120,060
Total contractual undiscounted cash flows	-	-	218,160	269,820
Future interest charges	-	-	(7,086)	(10,075)
Present value of lease liabilities	-	-	211,074	259,745
Disclosed as:				
- Current liabilities	-	-	124,554	143,523
- Non-current liabilities	-	-	86,520	116,222
	-	-	211,074	259,745

The incremental borrowing rate applied to lease liabilities as at 30 June 2022 was 3.27% (31.12.2021 - 3.27%; 31.12.2020 - nil; 31.12.2019 - nil) per annum.

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17. PAYABLES

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Trade payables	197,150,977	219,481,501	187,187,542	167,431,760
Provision of contract cost (material)	1,230,719	1,021,903	2,608,438	2,045,809
Provision of contract cost (labour)	5,458,594	4,435,476	15,902,441	13,551,855
Other payables	11,192,349	8,402,156	8,812,354	4,795,936
Dividend payables	-	-	44,130,000	-
	215,032,639	233,341,036	258,640,775	187,825,360

Trade and other payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

Trade Payables

Included in trade payables are retention sums for contract work amounting RM10,645,124 (31.12.2021 - RM9,038,375; 31.12.2020 - RM16,093,168; 31.12.2019 - RM12,098,567).

Included in trade payables as at 30 June 2022 is an amount of RM78,512,508 (31.12.2021 - RM85,019,697; 31.12.2020 - RM89,500,550; 31.12.2019 - RM89,677,633) representing accrued contract costs.

Trade payables are unsecured, non-interest bearing and generally on 30 to 120 days terms.

Provision of contract cost for material and labour is in respect of estimated costs to be incurred during the defect liability period for completed projects.

Other Payables

Other payables are unsecured and non-interest bearing. The amounts owing to unrelated parties mainly consist of sundry payables and accruals for operating expenses which are generally due within 30 to 90 days.

18. BANKERS' ACCEPTANCE

The bankers' acceptance are secured by way of legal charges over the term deposits of the Group and are jointly and severally guaranteed by the directors of the Group.

The effective interest rate of banker's acceptance outstanding as at 30 June 2022 was 3.8% (31.12.2021 - nil; 31.12.2020 - nil; 31.12.2019 - nil) per annum.

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19. REVENUE

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2019	2020	2021	2021	2022
	RM	RM	RM	RM	RM
Revenue from contracts with customers:					
- Construction contracts	581,522,875	489,645,220	455,502,208	238,638,165	234,733,347
Timing of revenue recognition:					
- Over time	581,522,875	489,645,220	455,502,208	238,638,165	234,733,347

Information about other disaggregation of revenue has not been disclosed as the Group generates revenue principally from construction of commercial and residential properties within Malaysia.

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20. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):-

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2019	2020	2021	2021	2022
	RM	RM	RM	RM	RM
Auditors' remuneration:					
- Current year/period	40,000	42,000	50,000	25,000	25,000
- Previous year/period	4,000	22,000	-	-	-
Depreciation of property and equipment	2,845,596	3,191,443	4,159,488	2,226,344	1,911,229
Depreciation of investment properties	739,024	885,113	281,778	140,889	103,088
Depreciation of right-of-use assets	-	-	71,439	-	66,265
Employee benefits expense (Note 21)	27,667,378	27,142,473	29,334,523	12,780,891	11,214,165
Fair value loss/(gain) on financial instruments mandatorily measured at fair value through profit or loss	3,774	(9,932)	20,987	-	(98,672)
Interest expense for financial liabilities measured at amortised cost	132,189	158,310	259,897	75,510	105,689
Interest expense of lease liabilities	-	-	4,624	-	3,472
Impairment losses on trade receivables	-	-	516,163	-	-
Investment in club membership written off	-	-	59,000	-	-
Loss on disposal of other investments	-	90,143	5,243	-	-
Lease expense	95,040	99,360	51,082	58,326	2,862
Property and equipment written off	-	-	-	-	88,721
Covid-19 related-rent concession	-	-	(10,800)	-	-
Dividend income from quoted investments in Malaysia	(25,190)	(10,990)	-	-	-
Gain on disposal of investment properties	-	(568,842)	(4,207,018)	(268,859)	(6,915,146)
Gain on disposal of property and equipment	(83,694)	(769,102)	(388,594)	(33,596)	(5,190)
Interest income for financial assets measured at amortised cost	(2,063,188)	(1,592,502)	(1,158,083)	(150,659)	(701,515)
Interest income for financial assets measured at fair value through profit and loss	(1,008,603)	(1,384,780)	(1,221,054)	(1,043,634)	(100,756)
Operating lease income from investment properties	(1,545,590)	(1,724,115)	(1,735,940)	(758,220)	(317,141)

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21. EMPLOYEE BENEFITS EXPENSE

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2019 RM	2020 RM	2021 RM	2021 RM	2022 RM
Directors:					
- Fee	684,000	630,000	600,000	300,000	303,000
- Other short-term employee benefits	6,396,829	6,380,829	7,980,593	3,613,847	1,465,296
- Defined contribution plans	763,200	765,600	957,600	408,000	175,800
	7,844,029	7,776,429	9,538,193	4,321,847	1,944,096
Other employees:					
- Short-term employee benefits	17,674,752	17,632,908	18,086,239	7,651,019	8,256,670
- Defined contribution plans	2,148,597	2,133,936	2,209,614	808,025	1,013,399
- Government grants under Wage Subsidy Programme	-	(400,800)	(499,523)	-	-
	19,823,349	19,366,044	19,796,330	8,459,044	9,270,069
	27,667,378	27,142,473	29,334,523	12,780,891	11,214,165

The estimated monetary value of benefits-in-kind provided by the Group to certain directors amounted to approximately RM8,700 as at 30 June 2022 (31.12.2021 - RM17,400; 31.12.2020 - RM17,400; 31.12.2019 - RM17,400).

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22. INCOME TAX EXPENSE

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2019 RM	2020 RM	2021 RM	2021 RM	2022 RM
Tax based on results for the year:					
- Current tax	17,260,000	12,553,000	14,727,000	6,481,347	6,031,000
- Deferred tax (Note 9)	22,000	135,000	(3,301,000)	(80,000)	1,147,000
	17,282,000	12,688,000	11,426,000	6,401,347	7,178,000
Tax under/(over) provided in prior years:					
- Current tax	(43,997)	814,020	(196,676)	-	47,447
- Deferred tax (Note 9)	155,000	4,000	(1,308,000)	2,000	7,000
	111,003	818,020	(1,504,676)	2,000	54,447
Real Property Gains Tax	-	55,131	581,600	75,200	470,400
Income tax expense	17,393,003	13,561,151	10,502,924	6,478,547	7,702,847

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the respective financial years/period is as follows:-

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2019 RM	2020 RM	2021 RM	2021 RM	2022 RM
Profit before taxation	72,187,072	52,762,574	52,335,736	27,818,012	33,830,211
Tax at the applicable tax rate of 24%	17,324,897	12,663,018	12,560,576	6,676,323	8,119,251
Non-deductible expenses	512,851	563,185	451,904	163,651	953,988
Non-taxable income	(317,313)	(686,321)	(1,491,206)	(390,990)	(1,707,497)
Share of (profit)/loss of associate	(238,435)	148,118	(95,274)	(47,637)	(187,742)
Real Property Gains Tax	-	55,131	581,600	75,200	470,400
Tax (over)/under provided in prior years:					
- Current tax	(43,997)	814,020	(196,676)	-	47,447
- Deferred tax	155,000	4,000	(1,308,000)	2,000	7,000
Income tax expense	17,393,003	13,561,151	10,502,924	6,478,547	7,702,847

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (31.12.2021 - 24%; 31.12.2020 - 24%; 31.12.2019 - 24%) of the estimated assessable profit for the respective financial years/period.

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23. DIVIDENDS

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2019 RM	2020 RM	2021 RM	2021 RM	2022 RM
In respect of the financial year ended 31 December 2019:					
- First interim single tier dividend of 37.5 sen per ordinary share	7,500,000	-	-	-	-
- Second interim single tier dividend of 30 sen per ordinary share	6,000,000	-	-	-	-
- Third interim single tier dividend of 75 sen per ordinary share	15,000,000	-	-	-	-
- Fourth interim single tier dividend of 90 sen per ordinary share	18,000,000	-	-	-	-
- Fifth interim single tier dividend of 90 sen per ordinary share	18,000,000	-	-	-	-
- Sixth interim single tier dividend of 68 sen per ordinary share	13,600,000	-	-	-	-
In respect of the financial year ended 31 December 2020:					
- First interim single tier dividend of 22.5 sen per ordinary share	-	4,500,000	-	-	-
- Second interim single tier dividend of 20 sen per ordinary share	-	4,000,000	-	-	-
- Third interim single tier dividend of 40 sen per ordinary share	-	8,000,000	-	-	-
- Fourth interim single tier dividend of 25 sen per ordinary share	-	5,000,000	-	-	-
Sub-total carried forward	78,100,000	21,500,000	-	-	-

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23. DIVIDENDS (CONT'D)

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2019 RM	2020 RM	2021 RM	2021 RM	2022 RM
Sub-total brought forward	78,100,000	21,500,000	-	-	-
In respect of the financial year ended 31 December 2021:					
- First interim single tier dividend of 35 sen per ordinary share	-	-	7,000,000	7,000,000	-
- Second interim single tier dividend of 20 sen per ordinary share	-	-	4,000,000	4,000,000	-
- Third interim single tier dividend of approximately 23 sen per ordinary share	-	-	4,500,000	-	-
- Fourth interim single tier dividend of RM2 per ordinary share	-	-	40,000,000	-	-
- Fifth interim single tier dividend of RM4 for every 30 ordinary shares	-	-	4,000,000	-	-
- Sixth interim single tier dividend of RM7 for every 6 ordinary shares	-	-	35,000,000	-	-
- Seventh interim single tier dividend of RM7 for every 6 ordinary shares	-	-	35,000,000	-	-
	78,100,000	21,500,000	129,500,000	11,000,000	-

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24. NOTES TO STATEMENTS OF CASH FLOWS

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2019	2020	2021	2021	2022
	RM	RM	RM	RM	RM
Term Loans					
Balance at 1 January	3,310,308	2,746,716	2,489,007	2,489,007	7,521,427
Drawdowns	-	-	6,000,000	6,000,000	-
Repayments	(563,592)	(257,709)	(967,580)	(429,266)	(7,521,427)
Balance at 31 December/ 30 June	2,746,716	2,489,007	7,521,427	8,059,741	-
Lease Liailities					
Balance at 1 January	-	-	269,810	-	211,074
Additions	-	-	-	-	82,253
Modification of lease liabilities	-	-	-	-	32,426
Repayments	-	-	(58,736)	-	(66,008)
Balance at 31 December/ 30 June	-	-	211,074	-	259,745

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25. RELATED PARTY DISCLOSURES

Significant transactions with related parties for the respective financial years/period other than those disclosed elsewhere in the combined financial statements are as follows:-

	Audited			Unaudited	Unaudited
	FYE 31 December			FPE 30 June	
	2019 RM	2020 RM	2021 RM	2021 RM	2022 RM
Disposal of a investment property to a director	-	-	929,480	-	-
Disposal of properties to related parties[(a)(b)]	-	-	1,958,175	-	-
Disposal of investment properties to related parties[(a)(b)]	-	4,064,888	31,962,206	-	24,637,544
Rental charged by related parties[(a)]	420,000	444,500	630,000	357,000	-
Progress billings raised on contract services provided to related parties[(a)]	28,957,308	17,609,346	8,120,394	5,660,740	13,582,657
Progress billings raised on contract services provided to an associate	60,991,264	10,534,940	33,741,895	12,199,228	19,070,777

[(a)] *Being companies in which certain directors of the Company have substantial financial interests.*

[(b)] *The sales proceeds from these disposal of properties and investment properties amounting to RM22,390,000 (31.12.2021 - RM25,870,000) were being set-off against dividend declared during FYE 31 December 2021.*

26. CONTRACTUAL COMMITMENT

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2019 RM	2020 RM	2021 RM	2021 RM	2022 RM
Purchase of investment properties	9,199,910	13,151,305	3,884,779	9,143,171	1,786,002

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27. FINANCIAL GUARANTEE CONTRACTS

The Group has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to certain related parties up to a total limit of nil (31.12.2021 - RM14,849,000; 31.12.2020 - RM14,849,000; 31.12.2019 - RM14,849,000). The total utilisation of these credit facilities as at 30 June 2022 amounted to nil (31.12.2021 - RM3,183,909; 31.12.2020 - RM4,834,536; 31.12.2019 - RM5,527,770).

The aforementioned financial guarantee contracts should have been recognised in the combined statements of financial position in accordance with the recognition and measurement policies as stated in Note 2.11. After considering that the probability of the related parties defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material and have been discharged subsequently on 22 February 2022.

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2019	2020	2021	2021	2022
	RM	RM	RM	RM	RM
Carrying Amount	5,527,770	4,834,536	3,183,909	4,011,827	-
Contractual Undiscounted Cash Flows - Over 5 years	5,527,770	4,834,536	3,183,909	4,011,827	-

28. EARNINGS PER SHARE

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2019	2020	2021	2021	2022
Profit for the financial years/period attributable to the owners of the Company (RM)	54,794,069	39,201,423	41,832,812	21,339,465	26,127,364
Number of ordinary shares in issue at 1 January	20,000,000	20,000,000	20,000,000	20,000,000	30,000,000
Issuance of shares	-	-	10,000,000	-	100
Number of ordinary shares in issue at 31 December/30 June	20,000,000	20,000,000	30,000,000	20,000,000	30,000,100
Basic earnings per ordinary share (sen)	274	196	139	107	87

The diluted earnings per share equals the basic earnings per share as the Company did not have any dilutive potential ordinary shares for the respective financial years/period.

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29. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Managing Director as its chief operating decision maker in order to allocate resources to segments and to assess their performance on a quarterly basis. For management purposes, the Group is organised into business units based on their products and services provided.

Business Segment and Geographical Information

Information on operating segment has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely provision of construction services.

Information about geographical areas has not been reported separately as the Group is primarily involved in business operations in Malaysia.

Major Customers

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

	Revenue				
	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2019	2020	2021	2021	2022
	RM	RM	RM	RM	RM
Customer A	98,643,431	105,597,889	104,709,043	53,279,149	59,270,437
Customer B	89,930,334	62,138,084	86,540,120	42,448,038	34,787,417
Customer C	48,902,694	47,458,182	51,869,433	30,635,481	23,907,615
Customer D	115,164,516	38,864,843	18,687,576	^	^
Customer E	^	^	^	^	26,803,020

Note:
^ less than 10%

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30. COMBINING ENTITY

Details of the combining entity are as follows:-

Name of combining entity	Country of incorporation/ Principal place of business	Effective ownership interest and voting interest 31.12.2019 %	31.12.2020 %	31.12.2021 %	30.06.2022 %	Principal activity
Kitacon Sdn. Bhd. ("KSB")	Malaysia	100	100	100	100	Provision of construction services.

31. FINANCIAL RISK MANAGEMENT

The activities of the Group are exposed to certain financial risks, including credit risk, liquidity risk, and interest rate risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged throughout the respective financial years/period.

Credit Risk

The Group's exposure to credit risk arises mainly from receivables and term deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the combined statements of financial position. The Group is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain related parties. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 27.

As the Group only deals with reputable financial institutions, the credit risk associated with deposits placed with them is minimal. The Group manages its credit risk exposure of receivables by assessing counterparties financial standings on an on-going basis, setting and monitoring counterparties limits and credit terms. The quantitative information about such credit risk exposure is disclosed in Note 10.

Liquidity Risk

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

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31. FINANCIAL RISK MANAGEMENT (CONT'D)

Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely term deposits, term loans and lease liabilities.

The Group observes the movements in interest rates and always strive to obtain the most favourable rates available for new financing or during repricing. It is also the Group's policy to maintain a mix of fixed and floating rate financial instruments as follows:-

	Audited as at			
	31.12.2019 RM	**31.12.2020 RM**	**31.12.2021 RM**	**30.06.2022 RM**
Fixed rate instruments				
Financial assets	39,985,278	38,116,325	38,906,017	38,340,772
Financial liabilities	-	-	211,074	1,862,745
Floating rate instruments				
Financial liabilities	2,746,716	2,489,007	7,521,427	-

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss, any changes in interest rates at the end of each reporting period would not affect its profit or loss (and equity). For floating rate financial instruments measured at amortised cost, the following table demonstrates the sensitivity of profit or loss and equity to changes in interest rates that were reasonably possible at the end of each reporting period, with all other variables held constant:-

	(Decrease)/ Increase in Profit	(Decrease)/ Increase in Profit	(Decrease)/ Increase in Profit	(Decrease)/ Increase in Profit
	Audited as at			
	31.12.2019 RM	**31.12.2020 RM**	**31.12.2021 RM**	**30.06.2022 RM**
Increase in interest rates by 100 basis points	(20,875)	(18,916)	(57,163)	-
Decrease in interest rates by 100 basis points	20,875	18,916	57,163	-

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32. CAPITAL MANAGEMENT

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to shareholders and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity and total interest-bearing debts to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, issue new shares, sell assets, raise or redeem debts, where necessary to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total interest-bearing debts divided by total equity as follows:-

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Term loans	2,746,716	2,489,007	7,521,427	-
Bankers' acceptance	-	-	-	1,603,000
Lease liabilities	-	-	211,074	259,745
Total interest-bearing debts	2,746,716	2,489,007	7,732,501	1,862,745
Total equity	244,367,241	262,068,664	184,401,476	210,528,890
Total capital	247,113,957	264,557,671	192,133,977	212,391,635
Debt-to-equity ratio	0.0112	0.0095	0.0419	0.0088

The aforementioned capital management objective, policies and processes have remained unchanged throughout the respective financial years/period.

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33. FINANCIAL INSTRUMENTS

33.1 Classification of Financial Instruments

	Audited as at			
	31.12.2019	31.12.2020	31.12.2021	30.06.2022
	RM	RM	RM	RM
Financial Assets				
Amortised Cost				
Receivables	149,259,118	164,958,708	104,833,041	86,054,587
Cash and cash equivalents	48,365,329	43,998,150	82,917,183	114,544,108
	197,624,447	208,956,858	187,750,224	200,598,695
Fair Value Through Profit or Loss				
Other investments	25,567,748	52,020,789	47,062,928	21,762,356
Financial Liabilities				
Amortised Cost				
Payables	208,343,326	227,883,657	240,129,896	172,227,696
Bankers' acceptance	-	-	-	1,603,000
Term loans	2,746,716	2,489,007	7,521,427	-
	211,090,042	230,372,664	247,651,323	173,830,696

33.2 Fair Value Information

The method used in determining the fair values of financial instruments recognised on the combined statements of financial position are disclosed in their respective notes to the combined financial statements.

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34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEARS/PERIOD

(i) The World Health Organisation declared the novel coronavirus ("COVID-19") as a global pandemic on 11 March 2020. Following the declaration, the Government of Malaysia has on 18 March 2020 imposed the Movement Control Order ("MCO") and subsequently entered into various phases of the MCO to curb the spread of the COVID-19 pandemic in Malaysia.

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

As at the date of authorisation of the financial statements, the COVID-19 pandemic situation is still evolving and remain uncertain. The Group will continue to actively monitor and manage its funds and operations to minimise any impact arising from the COVID-19 pandemic. Nevertheless, with the Group's past focus on cost efficiency, strong cash position, resilient fundamentals, the Group expects to sustain its operational and financial performance for the financial year ending 31 December 2022.

(ii) During the respective financial years/period, the Group disposed:

<u>In the FYE 31 December 2020</u>

(a) 2 properties to third parties for a total cash consideration of RM2,485,000.

(b) An investment property to a related party for a cash consideration of RM4,064,888.

<u>In the FYE 31 December 2021</u>

(a) A property to a related party for a consideration of RM680,000 by a way of settlement with the dividend declared during the financial year.

(b) A property to a related party for a cash consideration of RM1,278,175.

(c) 3 investment properties to third parties for a total cash consideration of RM2,851,814.

(d) 13 investment properties to related parties for a total consideration of RM25,190,000 by a way of settlement with the dividend declared during the financial year.

(e) 6 investment properties to related parties for a total cash consideration of RM6,772,207.

(f) An investment property to a director for a cash consideration of RM929,480.

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34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEARS (CONT'D)

(ii) During the respective financial years/period, the Group disposed (Cont'd):

In the FPE 30 June 2022

(a) An investment property to a related party for a cash consideration of RM2,247,544.

(b) 7 investment properties to related parties for a total consideration of RM22,390,000 by a way of settlement with the dividend declared in the previous financial year.

(iii) On 18 March 2022, QL Builder Sdn Bhd (formerly known as Pembinaan KSB Sdn Bhd) declared an interim dividend of RM2.50 per ordinary share amounting to RM10,000,000 in respect of the financial year ending 31 December 2022.

(iv) On 6 May 2022, KSB entered into a Share Sale Agreement with a third party for the disposal of its 49% equity interest of QL Builder Sdn Bhd (formerly known as Pembinaan KSB Sdn Bhd) comprising of 1,960,000 ordinary shares for a cash consideration of RM2,418,068. The disposal of associate was completed on 14 June 2022. The consideration agreed between the parties was based on the results and equity of QL Builder Sdn Bhd up to and as at 31 December 2021.

(v) On 11 May 2022, the Company entered into a Conditional Share Sale Agreement with the existing shareholders of KSB for the acquisition of the entire equity interest in KSB comprising 30,000,000 ordinary shares for a purchase consideration of RM184,401,459 which will be satisfied by way of the issuance of 423,911,400 new ordinary shares in the Company at an issue price of RM0.435 each to the existing shareholders of KSB. The acquisition of KSB was completed on 21 October 2022.

35. SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

Prior to the listing, the Directors of the Company intends to declare an interim dividend of RM 10,000,000 for the financial year ending 31 December 2022. The dividend was subsequently paid in 19 October 2022.

36. CONTINGENT LIABILITIES

	Audited as at			
	31.12.2019	**31.12.2020**	**31.12.2021**	**30.06.2022**
	RM	**RM**	**RM**	**RM**
Performance and tender bonds granted to contract customers	75,447,616	77,988,700	67,614,562	68,244,567

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STATEMENTS BY DIRECTORS

We, Mr Tan Ah Kee and Mr Teow Choo Hing, being two of the directors of Kumpulan Kitacon Berhad, state that, in the opinion of the directors, the combined financial statements set out on pages 1 to 58 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Prospectus Guidelines issued by the Securities Commission Malaysia so as to give a true and fair view of the financial position of Kumpulan Kitacon Berhad and its combining entity as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022, and of their financial performance and cash flows for the relevant reporting periods ended on those dates.

Signed in accordance with a resolution of the directors dated 11 NOV 2022

For and on behalf of the Board of Directors of Kumpulan Kitacon Berhad.

Tan Ah Kee **Teow Choo Hing**

14. ADDITIONAL INFORMATION

14.1 EXTRACTS OF OUR CONSTITUTION

The following provisions are extracted from our Constitution and are qualified in its entirety by the remainder of our Constitution and by applicable law. The words and expressions appearing in the following provisions shall bear the same meanings used in our Constitution unless otherwise defined or the context otherwise requires:

14.1.1 Remuneration, voting and borrowing powers of Directors

(i) Directors' Remuneration

Clause 110 - The fees and any benefits payable to the Directors of the Company and its subsidiary(ies) including any compensation for loss of employment of Director or former Director shall be approved by an Ordinary Resolution of the Company in general meeting annually and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine provided always that:

(a) fee payable to non-executive Directors shall be a fixed sum, and not by a commission on or percentage of profits or turnover and which shall not exceed the amount approved by the shareholders in general meeting;

(b) remuneration and other emoluments (including bonus, benefits or any other emoluments) payable to executive Directors who hold an executive office in the Company pursuant to a contract of service need not be determined by the Company in general meeting but such remuneration and emoluments may not include a commission on or percentage of turnover. Nothing herein shall prejudice the powers of the Directors to appoint any of their members to be the employee or agent of the Company at such remuneration and upon such terms as they think fit provided that such remuneration shall not include commission on or percentage of turnover;

(c) fees of Directors and any benefits payable to Directors shall be subject to annual shareholders' approval at a general meeting;

(d) any fee paid to an Alternate Director shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter; and

(e) the fees and/or benefits payable to non-executive Directors who is also Director of the subsidiary(ies) includes fees, meeting allowances, travelling allowances, benefits, gratuity and compensation for loss of employment of Director or former Director of the Company provided by the Company and subsidiary(ies), but does not include insurance premium or any issue of securities.

Clause 111 - The Company may repay to any Directors all such reasonable expenses as he may incur in attending and returning from meetings of the Directors, or any committee of the Directors or general meeting of the Company or in connection with the business of the Company, whether within or outside his country of domicile or residence.

Clause 112 - The Directors may grant special remuneration to Director who (on request by the Director) is willing to render any special or extra services to the Company.

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

(ii) Voting of Directors

Clause 125 - Every Director shall declare his interest in the Company and his interest in any contract or proposed contract with the Company as may be required by law. Subject to Section 222 of the Act, a Director shall not participate in any discussion or vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest and if he shall do so, his vote shall not be counted. A Director shall, notwithstanding his interest, provided that none of the other directors present disagree, be counted in the quorum for any meeting where a decision is to be taken upon any contract or proposed contract or arrangement in which he is in any way interested provided always that he has complied with Section 221 of the Act and all other relevant provisions of the Act and this Constitution.

Clause 126 - Subject to Clause 125 hereof, a Director may vote in respect of:

(a) any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company;

(b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of security;

(c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;

(d) any proposal concerning any other company in which he is interested directly or indirectly and whether as an officer or Member or otherwise howsoever, but is not the holder of or beneficially interested in 1% or more of the issued shares of any class of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interested being deemed for the purpose of this Clause to be a material interest in all circumstances); or

(e) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the relevant authorities for taxation purposes.

(iii) Borrowing powers of Directors

Clause 121(1) - Subject to the Act, the Directors may exercise all the powers of the Company to obtain financing and to mortgage or charge its undertaking, property, and uncalled capital or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability, or obligation of the Company or of any related third party. The Directors may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon with power to the Directors to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or hypothecation of or charge upon any property and asset of the Company or otherwise.

Clause 121(2) - The Directors shall not obtain financing or mortgage or charge any of the Company or the subsidiaries' undertaking, property or any uncalled capital, or issue any debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

14.1.2 Changes to share capital

Clause 57 - The Company may from time to time, whether all the Shares for the time being issued or all the Shares for the time being issued shall have been fully paid up or not, by Ordinary Resolution increase its share capital by the creation and issuance of new Shares, such new capital to be of such amount to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may direct in the resolution authorising such increase.

Clause 58 - Except so far as otherwise provided by the condition of issue, any capital raised by the creation of new Shares shall be considered as part of the original share capital of the Company. All new Shares shall be subject to the provisions herein contained with reference to allotments, the payment of calls and instalments, transmission, forfeiture, lien or otherwise. Unless otherwise provided in accordance with this Constitution, the new Shares shall be ordinary shares. New capital will be considered as part of the current share capital of the Company.

Clause 60 - The Company may alter its share capital in any one or more of the following ways by passing as Ordinary Resolution to:

(a) consolidate and divide all or any of its share capital into shares of larger amount than its existing Shares;

(b) subdivide its share capital or any part thereof into shares of smaller amount than is fixed by this Constitution by subdivision of its existing Shares or any of them, subject nevertheless to the provision of the Act and so that as between the resulting Shares, one or more of such Shares may, by the resolution by which such subdivision is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the others or any of such other Shares;

(c) cancel Shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the Shares so cancelled; and

(d) subject to the provision of this Constitution and the Act, convert and/or re-classify any class of Shares into any other class of Shares.

Clause 61 - The Company may by Special Resolution, reduce its share capital in any manner permitted or authorised under and in compliance with the applicable laws.

14.1.3 Transfer of securities

Clause 32 - Subject to the restrictions imposed by this Constitution, the Listing Requirements and the provisions of any written law and all rules and regulations made thereunder including the SICDA and the Rules of Bursa Depository (with respect to the transfer of Deposited Security), Shares shall be transferable, but every transfer must be in writing and in such form prescribed and approved by Bursa Securities, or such form as may from time to time be prescribed under the Act or approved by Bursa Securities or such authorities of the stock exchange on which the Shares are listed.

Clause 34 - The transfer of any listed securities or class of listed securities of the Company which have been deposited with Bursa Depository, shall be by way of book entry by Bursa Depository in accordance with the Rules of Bursa Depository and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to subsection 148(2) of the Act and any exemption that may be made from compliance with subsection 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such listed securities.

14. ADDITIONAL INFORMATION (CONT'D)

Clause 35(1) - Subject to the restrictions imposed by this Constitution and the provisions of any other law, there shall be no restrictions on the transfer of fully paid securities. No shares shall be in any circumstances be knowingly transferred to any infant, bankrupt or person of unsound mind. In case of Deposited Securities, Bursa Depository may refuse to register any transfer that does not comply with the SICDA and the Rules of Bursa Depository.

14.1.4 Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

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

(a) in the case of shares other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution and in the resolution creating the same;

(b) no issue of shares shall be made which will have the effect of transferring a controlling interest in the Company to any person or corporation without the prior approval of the Members in general meeting; and

(c) except in the case of an issue of securities on a pro rata basis to shareholders or pursuant to a back-to-back placement undertaken in compliance with the Listing Requirements, no Director, major shareholder, chief executive or person connected with any of them shall participate in a scheme that involves a new issuance of shares or other convertible securities unless the Members in a general meeting have approved the specific allotment to be made to such Director, major shareholder, chief executive or person connected with any of them.

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

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

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

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

14.2 LIMITATION ON THE RIGHTS TO OWN SECURITIES

Save for Clauses 72 and 83 which have been reproduced below from our Constitution, there is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares:

Clause 72(3) - Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 (where applicable), a depositor shall not be regarded as a Member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.

Clause 83 - Subject to any special rights or restrictions for the time being attached to any Shares or classes of Shares, at meetings of Members or classes of Members, on a show of hands, each Member who:

(a) being an individual, is present in person or by proxy or by attorney; or

(b) being a corporation, is present by a duly authorised representative or by proxy or by attorney,

shall have 1 vote and on a poll every Member shall have 1 vote for each share he holds.

Clause 86 - Subject to the provision in Clauses 72 and 83, a Member shall be entitled to be present and to vote at any general meeting or at a meeting of any class of members in respect of any Share or Shares upon which all calls or other sums presently payable by him due to the Company have been paid. No Member shall be entitled to be present or to vote on any question either personally or otherwise by proxy or attorney at any general meeting or at a meeting of any class of members or upon a poll to be reckoned in the quorum in respect of any Shares upon which calls are undue or unpaid, and/or the instrument of proxy, the power of attorney or other authority, if any, naming another person /party (other than the said Member) as proxy, attorney, or person/party authorised to so act has not been deposited with the Company in accordance with Clause 91 hereof.

14.3 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his/her Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer the Shares to the Minister of Finance, Inc. and such Shares may not be traded on Bursa Securities.

Dealing in our Shares deposited with Bursa Depository may only be effected by a depositor by means of entries in the securities account of that depositor.

A depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be our shareholder and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

14.4 SHARE CAPITAL

(i) Save as disclosed in this Prospectus, no securities will be allotted or issued on the basis of this Prospectus later than 6 months after the date of issue of this Prospectus.

(ii) As at the date of this Prospectus, we have only 1 class of shares, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.

(iii) Save as disclosed in this Prospectus, no shares, stocks, or debentures of our Company have been issued or proposed to be issued as fully or partly paid-up in cash or otherwise, within 2 years immediately preceding the date of this Prospectus.

(iv) None of the share capital of our Company or our subsidiary is under option or agreed conditionally or unconditionally to be put under option as at the date of this Prospectus.

(v) Save for the ESOS and the Issue Shares reserved for subscription by the Eligible Persons as disclosed in Section 4.1.1(ii) of this Prospectus and subject to our Listing as disclosed in Section 4 of this Prospectus, there is currently no other scheme involving our Directors and employees in the share capital of our Company or our subsidiary.

(vi) As at the date of this Prospectus, neither our Company nor our subsidiary have any outstanding warrants, options, convertible securities or uncalled capital.

(vii) Save as disclosed in this Prospectus, and save as provided for under our Constitution and the Act, there are no other restrictions upon the holding or voting or transfer of our Shares or the interests in any of our Company or our subsidiary or upon the declaration or payment of any dividend or distribution thereon.

14.5 PUBLIC TAKE-OVERS

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

(i) public take-over offers by third parties in respect of our Shares; and

(ii) public take-over offers by us in respect of other company's shares.

14.6 REPATRIATION OF CAPITAL, REMITTANCE OF PROFIT AND TAXATION

All corporations in Malaysia are required to adopt a single-tier dividend. All dividends distributed by Malaysian resident companies under a single-tier dividend are not taxable. Further, the Government does not levy withholding tax on dividends payment. Therefore, there is no withholding tax imposed on dividends paid to non-residents by Malaysian companies. There is no Malaysian capital gains tax arising from the disposal of listed shares.

As at the date of this Prospectus, we do not have any foreign subsidiary or associated company which requires repatriation of capital and remittance of profits by or to our Group.

14.7 MATERIAL CONTRACTS

Save as disclosed below, our Group has not entered into any other material contract, which is not in the ordinary course of our business, during the Financial Years/Period Under Review up to the date of this Prospectus:

(i) conditional share sale agreement dated 11 May 2022 entered into between Tan Ah Kee, Teow Choo Hing, Suan Neo Capital and Lembah Reka (collectively as the vendors) and Kitacon (as purchaser) for the Acquisition of KSB. The Acquisition of KSB has been completed on 21 October 2022. Further details of the Acquisition of KSB are set out in Section 6.1.1 of this Prospectus;

(ii) conditional share sale agreement dated 6 May 2022 entered into between Pembinaan Lembah Reka Sdn Bhd and KSB (collectively as the vendors) and Lim Peng Hong (as purchaser) for the disposal by KSB and Pembinaan Lembah Reka Sdn Bhd of their 49.0% and 51.0% equity interest in QLB respectively for a total cash consideration of RM4,934,833. This transaction has been completed on 14 June 2022 and the change of name of QLB took effect on 13 July 2022;

(iii) Underwriting Agreement. Further details of the Underwriting Agreement are set out in Section 4.6 of this Prospectus;

<u>Acquisition of properties by KSB</u>

(iv) sale and purchase agreement dated 26 August 2019 entered into between Sime Darby Property Berhad (as developer), KSB (as purchaser) and Highlands & Lowlands Berhad (as proprietor) for the acquisition of all that piece of land held under HS(D) 316749, PT 35842, Mukim Damansara, District of Petaling, State of Selangor measuring approximately 359.3 sq m in area together with a double-storey semi-detached house erected thereon bearing postal address of No. 15, Jalan Mimbar U8/2C, Bukit Jelutong, Seksyen U8, 40150 Shah Alam, Selangor for a cash consideration of RM2,673,888. This transaction has been completed as at the LPD. Please refer to Section 14.7(xiii) of this Prospectus for further information on this property;

(v) sale and purchase agreements dated 6 March 2020 entered into between Worldwide Holdings Berhad (as developer) and KSB (as purchaser) for the acquisition of the following properties:

(a) all that piece of land held under HS(D) 319149, PT 39436, Mukim Bukit Raja, District of Petaling, State of Selangor measuring approximately 334.0 sq m in area together with a double-storey semi-detached house erected thereon bearing postal address of No. 9, Jalan Gunung Tahan U11/44F, Bukit Bandaraya, 40170 Shah Alam, Selangor for a cash consideration of RM1,531,000; and

(b) all that piece of land held under HS(D) 319150, PT 39437, Mukim Bukit Raja, District of Petaling, State of Selangor measuring approximately 334.0 sq m in area together with a double-storey semi-detached house bearing postal address of No. 11, Jalan Gunung Tahan U11/44F, Bukit Bandaraya, 40170 Shah Alam, Selangor for a cash consideration of RM1,531,000.

The above transactions have been completed as at the LPD. Please refer to Section 14.7(xv) of this Prospectus for further information on these properties;

(vi) sale and purchase agreements dated 26 November 2020 entered into between Tropicana Aman Sdn Bhd (as vendor) and KSB (as purchaser) for the acquisition of the following properties:

(a) a 2-storey shop office known as "Parcel No. TA6-122" measuring approximately 156.1 sq m in area bearing postal address of No. 45-G and No. 45-1, Jalan Aman Tiara 2, Bandar Tropicana Aman, 42500 Telok Panglima Garang, Selangor for a cash consideration of RM2,250,800; and

(b) a 2-storey shop office known as "Parcel No. TA6-121" measuring approximately 156.1 sq m in area bearing postal address of No. 47-G and No. 47-1, Jalan Aman Tiara 2, Bandar Tropicana Aman, 42500 Telok Panglima Garang, Selangor for a cash consideration of RM2,250,800,

all held under master title HS(D) 42122, PT 44813 (formerly held under HS(D) 39234, PT 41253), Mukim Tanjong Duabelas, District of Kuala Langat, State of Selangor. The above transactions have been completed as at the LPD. Please refer to Sections 14.7(xiv)(c) and (d) of this Prospectus for further information on these properties;

(vii) sale and purchase agreements dated 30 November 2020 entered into between Paragon Pinnacle Sdn Bhd (as vendor) and KSB (as purchaser) for the acquisition of the following properties:

(a) all that piece of land held under HS(D) 299928, PT 45051, Mukim Ijok, District of Kuala Selangor, State of Selangor measuring approximately 10,871.6 sq ft in area together with a semi-detached factory known as "Lot No. B50291, Phase 3A05" erected thereon bearing postal address of No. 13, Jalan Eco Perindustrian 1/5D, Eco Perindustrian 5, 42300 Bandar Puncak Alam, Selangor for a cash consideration of RM3,282,000; and

(b) all that piece of land held under HS(D) 299927, PT 45050, Mukim Ijok, District of Kuala Selangor, State of Selangor measuring approximately 10,871.6 sq ft in area together with a semi-detached factory known as "Lot No. B50290, Phase 3A05" erected thereon bearing postal address of No. 15, Jalan Eco Perindustrian 1/5D, Eco Perindustrian 5, 42300 Bandar Puncak Alam, Selangor for a cash consideration of RM3,282,000.

The above transactions are pending completion as at the LPD;

Disposal of properties by KSB

(viii) sale and purchase agreement dated 10 December 2020 between KSB (as vendor) and Kireka Resources (as purchaser) for the disposal of all that piece of land held under HS(D) 139807, PT 69355, Mukim Kapar, District of Klang, State of Selangor measuring approximately 1,944.0 sq m in area together with a 1½-storey semi-detached factory erected thereon bearing postal address of No. 18, Jalan Astana 1F/KU2, Bandar Bukit Raja, 41050 Klang, Selangor for a cash consideration of RM4,064,888. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 30 December 2020;

(ix) sale and purchase agreements dated 24 December 2021 entered into between KSB (as vendor) and Terang Pertiwi (as purchaser) for the disposal of the following properties:

(a) all that piece of land held under Geran 338183/L76, Lot 125696, Mukim Dengkil, District of Sepang, State of Selangor together with a 2-storey strata terrace house erected thereon measuring approximately 183.0 sq m in area bearing postal address of No. 1, Jalan AP 3, Andira Park, Bandar Bukit Puchong 2, 47120 Puchong, Selangor for a cash consideration of RM781,524. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 28 June 2022;

(b) all that piece of land held under Geran 338183/L75, Lot 125696, Mukim Dengkil, District of Sepang, State of Selangor together with a 2-storey strata terrace house erected thereon measuring approximately 107.0 sq m in area bearing postal address of No. 3, Jalan AP 3, Andira Park, Bandar Bukit Puchong 2, 47120 Puchong, Selangor for a cash consideration of RM628,002. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 28 June 2022;

(c) all that piece of land held under HS(D) 280883, PT 29552, Mukim Bukit Raja, District of Petaling, State of Selangor measuring approximately 287.0 sq m in area together with a 3-storey link house erected thereon bearing postal address of No. 9, Jalan Elektron U16/101B, Denai Alam, Seksyen U16, 40160 Shah Alam, Selangor for a cash consideration of RM1,278,174.66. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 2 March 2022; and

(d) all that piece of land held under HS(D) 173053, PT 15662, Mukim Beranang, District of Ulu Langat, State of Selangor measuring approximately 178.0 sq m in area together with a 2-storey commercial shop office erected thereon bearing postal address of No. 25, Jalan Eco Majestic 10/1A Eco Majestic, 43500 Semenyih, Selangor for a cash consideration of RM1,906,200. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 2 March 2022;

(x) sale and purchase agreements dated 24 December 2021 entered into between KSB (as vendor) and Benteng Etika (as purchaser) for the disposal of the following properties:

(a) a condominium unit known as "Parcel No. 20-12B" measuring approximately 126.9 sq m in area together with accessory parcel bearing postal address of No. 1088-20-12B, Jalan Paya Terubung, Eco Terraces, 11060 Pulau Pinang held under master title Geran 169448, Lot 20365 (formerly known as HS(D) 19266, PT 4052), Mukim 13, District of Timor Laut, State of Pulau Pinang for a cash consideration of RM940,120;

(b) a condominium unit known as "Parcel No. 21-12B" measuring approximately 126.9 sq m in area together with accessory parcel bearing postal address of No. 1088-21-12B, Jalan Paya Terubung, Eco Terraces, 11060 Pulau Pinang held under master title Geran 169448, Lot 20365 (formerly known as HS(D) 19266, PT 4052), Mukim 13, District of Timor Laut, State of Pulau Pinang for a cash consideration of RM944,680; and

(c) a condominium unit known as "Parcel No. 02 (Type A)" measuring approximately 1,850.0 sq ft in area together with accessory parcel bearing postal address of No. 7A-07-02, Persiaran Sungai Emas 1, 11100 Batu Ferringhi, Pulau Pinang held under master title Geran 84387, Lot 904 Seksyen 2, Bandar Batu Ferringgi, District of Timor Laut, State of Pulau Pinang for a cash consideration of RM1,571,680.

The above transactions have been completed as at the LPD and the properties were assigned to the purchaser on 6 January 2022;

(xi) sale and purchase agreements dated 29 December 2021 entered into between KSB (as vendor) and Kiharta (as purchaser) for the disposal of the following properties:

(a) all that piece of land held under HS(D) 44394, PT 45124, Mukim Tanjong Duabelas, District of Kuala Langat, State of Selangor measuring approximately 145.0 sq m in area together with a 2-storey shop office erected thereon bearing postal address No. 15, Jalan Aman Sinaria 1, Bandar Tropicana Aman (Sinaria), 42500 Telok Panglima Garang, Selangor for a cash consideration of RM1,400,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 10 May 2022;

(b) a 4-storey shop office measuring approximately 811.0 sq m in area bearing postal address No. 3D-01-GR, 3D-01-01, 3D-01-02 and 3D-01-03, Jalan Wangsa Delima 10, Pusat Bandar Wangsa Maju, 53300 Wilayah Persekutuan Kuala Lumpur and held under Pajakan Negeri 38589/M1/1/2, Pajakan Negeri 38589/M1/2/4, Pajakan Negeri 38589/M1/3/6 and Pajakan Negeri 38589/M1/4/8, all of Lot 29853, Mukim Setapak, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur for a total cash consideration of RM2,800,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 21 April 2022;

(c) all that piece of land held under HS(D) 174629, PT 86666, Mukim Kajang, District of Ulu Langat, State of Selangor measuring approximately 185.0 sq m in area together with a 3-storey shop office erected thereon bearing postal address No. 1, Jalan Seri Putra 1/5A, Bandar Seri Putra, 43000 Kajang, Selangor for a cash consideration of RM1,800,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 4 April 2022;

(d) all that piece of land held under HS(D) 317875, PT 39658, Mukim Bukit Raja, District of Petaling, State of Selangor measuring approximately 279.0 sq m in area together with a 3-storey shop office erected thereon bearing postal address No. 2, No. 2-1 and No. 2-2, Jalan Eco Ardence C U12/36C, Eco Ardence, Seksyen U12, 40170 Shah Alam, Selangor for a cash consideration of RM4,340,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 15 August 2022;

(e) all that piece of land held under HS(D) 290818, PT 39667, Mukim Ijok, District of Kuala Selangor, State of Selangor measuring approximately 639.0 sq m in area together with a bungalow erected thereon bearing postal address No. 7, Jalan BSC 4B/1, Presint 4, Bandar Seri Coalfields, 47000 Sungai Buloh, Selangor for a cash consideration of RM1,720,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 28 April 2022;

(f) all that piece of land held under HS(D) 278468, PT 29483, Mukim Bukit Raja, District of Petaling, State of Selangor measuring approximately 234.8 sq m in area together with a 3-storey shop office erected thereon bearing postal address No. 15, Jalan Elektron J U16/J, Denai Alam. Seksyen U16, 40160 Shah Alam, Selangor for a cash consideration of RM2,990,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 4 April 2022;

(g) all that piece of land held under HS(D) 278420, PT 29436, Mukim Bukit Raja, District of Petaling, State of Selangor measuring approximately 312.6 sq m in area together with a 3-storey shop office erected thereon bearing postal address No. 23, Jalan Elektron E U16/E, Denai Alam, 40160 Shah Alam, Selangor for a cash consideration of RM3,455,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 4 April 2022;

(h) all that piece of land held under HS(D) 275488, PT 26383, Mukim Ijok, District of Kuala Selangor, State of Selangor measuring approximately 403.0 sq m in area together with a double-storey terrace house erected thereon bearing postal address No. 55, Jalan BSC 1A/6, Presint 1, Bandar Seri Coalfields, 47000 Sungai Buloh, Selangor for a cash consideration of RM680,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 4 April 2022;

(i) all that piece of land held under Geran 318278, Lot 83506, Mukim Klang, District of Klang, State of Selangor measuring approximately 157.0 sq m in area together with a 3-storey shop office erected thereon bearing postal address No. 66, Jalan Anggerik Vanilla Z 31/Z, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor for a cash consideration of RM1,350,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 4 April 2022; and

(j) all that piece of land held under HS(D) 47075, PT 39208, Mukim Kajang, District of Ulu Langat, State of Selangor measuring approximately 342.0 sq m in area together with a 4-storey shop office erected thereon bearing postal address No. 68, Jalan Seri Putra 1/4, Bandar Seri Putra, Kajang, 43000 Kajang, Selangor for a cash consideration of RM2,800,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 4 April 2022;

(xii) sale and purchase agreements dated 29 December 2021 entered into between KSB (as vendor) and Kiharta Development (as purchaser) for the disposal of the following properties:

(a) all that piece of vacant land held under Geran 187470, Lot 34865, Bandar Baru Enstek, District of Seremban, State of Negeri Sembilan measuring approximately 521.0 sq m in area bearing postal address No. 145, Lengkuk 11, Jentayu @ Enstek, Bandar Enstek, 71760 Seremban, Negeri Sembilan for a cash consideration of RM255,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 28 July 2022;

(b) all that piece of vacant land held under Geran 187471, Lot 34866, Bandar Baru Enstek, District of Seremban, State of Negeri Sembilan measuring approximately 528.0 sq m in area bearing postal address No. 146, Lengkuk 11, Jentayu @ Enstek, Bandar Enstek, 71760 Seremban, Negeri Sembilan for a cash consideration of RM260,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 28 July 2022;

(c) all that piece of vacant land held under Geran 289664, Lot 62554, Bandar Sri Damansara, District of Petaling, State of Selangor measuring approximately 465.0 sq m in area bearing postal address No. 16 (PT. 41), Jalan Kenanga SD9/1G, Sri Damansara, 52200 Petaling Jaya, Selangor for a cash consideration of RM1,000,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 18 April 2022; and

(d) all that piece of vacant land held under Geran 289665, Lot 62555, Bandar Sri Damansara, District of Petaling, State of Selangor measuring approximately 474.0 sq m in area bearing postal address No. 12A (PT. 42), Jalan Kenanga SD9/1G, Sri Damansara, 52200 Petaling Jaya, Selangor for a cash consideration of RM1,020,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 5 April 2022;

(xiii) sale and purchase agreement dated 10 March 2022 entered into between KSB (as vendor), and Tan Kow, Tan Kuan Yong and Tan Kok Xiang (collectively, as purchasers) for the disposal of all that piece of land held under HS(D) 316749, PT 35842, Mukim Damansara, District of Petaling, State of Selangor measuring approximately 441.0 sq m in area together with a double-storey semi-detached house erected thereon bearing postal address of No. 15, Jalan Mimbar U8/2C, Bukit Jelutong, Seksyen U8, 40150 Shah Alam, Selangor for a cash consideration of RM2,247,544.20. This transaction has been completed as at the LPD and the property was transferred to the purchasers on 12 April 2022;

(xiv) sale and purchase agreements dated 29 April 2022 entered into between KSB (as vendor) and Kiharta (as purchaser) for the disposal of the following properties:

(a) all that piece of land held under Geran 318409, Lot 83638, Mukim Klang, District of Klang, State of Selangor measuring approximately 575.0 sq m in area together with a 6-storey shop office erected thereon bearing postal address No. 1, Jalan Anggerik Vanilla X31/X, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor for a cash consideration of RM7,000,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 27 July 2022;

(b) all that piece of land held under HS(D) 284615, PT 2972, Bandar Glenmarie, District of Petaling, State of Selangor measuring approximately 1,128.5 sq m in area together with a 2-storey semi-detached factory erected thereon bearing postal address No. 12, Jalan Pelukis U1/46B, 40150 Shah Alam, Selangor for a cash consideration of RM8,680,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 29 July 2022;

(c) a 2-storey shop office known as "Parcel No. TA6-122" measuring approximately 156.1 sq m in area bearing postal address No. 45-G and No. 45-1, Jalan Aman Tiara 2, Bandar Tropicana Aman, 42500 Telok Panglima Garang, Selangor and held under master title HS(D) 42122, PT 44813, Mukim Tanjong Duabelas, District of Kuala Langat, State of Selangor for a cash consideration of RM1,680,000. This transaction has been completed as at the LPD and the property was assigned to the purchaser on 27 July 2022;

(d) a 2-storey shop office known as "Parcel No. TA6-121" measuring approximately 156.1 sq m in area bearing postal address No. 47-G and No. 47-1, Jalan Aman Tiara 2, Bandar Tropicana Aman, 42500 Telok Panglima Garang, Selangor and held under master title HS(D) 42122, PT 44813, Mukim Tanjong Duabelas, District of Kuala Langat, State of Selangor for a cash consideration of RM1,680,000. This transaction has been completed as at the LPD and the property was assigned to the purchaser on 27 July 2022; and

(e) all that piece of land held under HS(D) 176129, PT 44108, Mukim Semenyih, District Ulu Langat, State of Selangor measuring approximately 153.0 sq m in area together with a 2-storey terrace house erected thereon bearing postal address No. 11, Jalan Serene 3/5, Serene Heights, 43500 Semenyih Selangor for a cash consideration of RM590,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 23 August 2022; and

(xv) sale and purchase agreements dated 12 May 2022 entered into between KSB (as vendor) and Kiharta (as purchaser) for the disposal of the following properties:

(a) all that piece of land held under HS(D) 319149, PT 39436, Mukim Bukit Raja, District of Petaling, State of Selangor measuring approximately 334.0 sq m in area together with a double-storey semi-detached house erected thereon bearing postal address of No. 9, Jalan Gunung Tahan U11/44F, Bukit Bandaraya, 40170 Shah Alam, Selangor for a cash consideration of RM1,380,000. This transaction has been completed as at the LPD and the property is pending registration of the title or transfer of ownership in favour of the purchaser; and

(b) all that piece of land held under HS(D) 319150, PT 39437, Mukim Bukit Raja, District of Petaling, State of Selangor measuring approximately 334.0 sq m in area together with a double-storey semi-detached house erected thereon bearing postal address of No. 11, Jalan Gunung Tahan U11/44F, Bukit Bandaraya, 40170 Shah Alam, Selangor for a cash consideration of RM1,380,000. This transaction has been completed as at the LPD and the property is pending registration of the title or transfer of ownership in favour of the purchaser.

14.8 MATERIAL LITIGATION

As at the LPD, our Group is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, and our Directors confirm that there are no proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect our financial or business position.

14.9 CONSENTS

The written consents of our Principal Adviser, Sole Underwriter, Sole Placement Agent, Solicitors, Issuing House, Share Registrar and Company Secretaries as set out in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names and all references thereto in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of our Auditors and Reporting Accountants for the inclusion of their name, Accountants' Report and Reporting Accountants' Report on the Compilation of Pro Forma Combined Statements of Financial Position as at 31 December 2021, and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of our Independent Business and Market Research Consultants for the inclusion of its name, the IMR Report and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

14.10 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor during normal business hours for a period of at least 6 months from the date of issue of the Prospectus:

(i) our Constitution;

(ii) the audited financial statements of Kitacon for the financial period from incorporation to 30 June 2022 and KSB for the Financial Years/Period Under Review;

(iii) the IMR Report as set out in Section 8 of this Prospectus;

(iv) the Reporting Accountants' Report on the Compilation of Pro Forma Combined Statements of Financial Position as at 30 June 2022 as set out in Section 12.8 of this Prospectus;

(v) Accountants' Report as set out in Section 13 of this Prospectus;

(vi) our material contracts referred to in Section 14.7 of this Prospectus;

(vii) the letters of consent given by parties as disclosed in Section 14.9 of this Prospectus; and

(viii) the By-Laws as set out in Section 15 of this Prospectus.

14.11 RESPONSIBILITY STATEMENTS

Our Directors, Promoter and Offerors have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

RHB Investment Bank, being our Principal Adviser, Sole Underwriter and Sole Placement Agent in relation to our IPO, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

15. BY-LAWS

KUMPULAN KITACON BERHAD
EMPLOYEES' SHARE OPTION SCHEME

This ESOS will be called the Kitacon's Employees' Share Option Scheme.

1. DEFINITIONS AND INTERPRETATIONS

In this Scheme, the words herein shall bear the following meanings namely:

Act	:	Companies Act 2016, as amended from time to time and any re-enactment thereof
Adviser	:	means a recognised principal adviser under the Licensing Handbook issued by the Securities Commission Malaysia
Available Balance	:	Unissued share capital of the Company which is available for Offer subject to the Maximum Limit and after deducting all Shares under the Options which have been granted
Board	:	The Board of Directors of the Company for the time being
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	:	Bursa Malaysia Securities Berhad
By-Laws	:	The terms and conditions of the Scheme as amended, modified and/or supplemented from time to time
CDS Account	:	A Central Depository System account opened with Bursa Depository for the recording of dealings and withdrawal of securities and dealings in such securities by a depositor, being a holder of a CDS Account
Constitution	:	means the constitution of the Company
Company	:	means Kumpulan Kitacon Berhad (Registration No. 202201006838 (1452535-V)), a public company limited by shares and incorporated in Malaysia
Date of Allocation	:	A date to be determined by the ESOS Committee for which an Eligible Person is deemed eligible to participate in the Scheme
Date of Expiry	:	The last day of the Duration of the Scheme or any extended period pursuant to By-Law 20
Date of Offer	:	The date on which an Offer (including subsequent offers) is made by the ESOS Committee in writing to any Eligible Person to participate in the Scheme
Directors	:	Means a natural person who holds a directorship in Kitacon and shall have the meaning ascribed to it in the Listing Requirements
Duration of the Scheme	:	Period of ten (10) years from the Effective Date subject to extension or early termination in accordance with By-Laws 20.1 and 20.2

15. BY-LAWS (CONT'D)

Effective Date	:	The date on which the Scheme comes into force as provided in By-Law 20.3
Eligible Companies	:	The Company and its Eligible Subsidiaries
Eligible Persons	:	Employees or Directors who meets the criteria of eligibility for participation in the Scheme as set out in By-Law 4
Eligible Subsidiaries	:	Subsidiaries within the Group which are eligible to participate in the Scheme as determined by the ESOS Committee but excluding the subsidiaries which are dormant
Employee	:	A natural person who is employed by and on the payroll of any company in the Group
Entitlement Date	:	The date as at the close of business on which the names of the shareholders of Kitacon must be registered as a member and whose name appear in the record of depositors maintained with Bursa Depository in order to be entitled to participate in any right, dividend, allotment and/or other forms of distribution
ESOS or **Scheme**	:	The employees' share option scheme for the benefit of the Eligible Persons to subscribe for new Shares at the Option Price according to the terms of these By-Laws
ESOS Committee	:	The committee appointed by the Board to administer the Scheme
Executive Director	:	Any executive director of the Group (excluding dormant subsidiaries) whom, on the date of the Offer Letter, is on the payroll of the Company and/or the Eligible Subsidiaries and is involved in the day-to-day management of the Company and/or the Eligible Subsidiaries
Grantee	:	A Selected Employee who has accepted the Offer by the ESOS Committee in accordance with the provisions of By-Law 7
Group	:	means the Company and its subsidiaries (excluding dormant subsidiaries) and "Group Company" shall mean any one of them
Listing Requirements	:	The Main Market Listing Requirements of Bursa Securities, as amended from time to time
Market Day	:	Any day between Monday to Friday (inclusive) which is not a public holiday and on which Bursa Securities is open for trading in securities
Maximum Allowable Allocation	:	The maximum number of new Shares that can be offered and allotted to a Selected Employee to be determined by the ESOS Committee in accordance with the provisions of By-Law 5
Maximum Limit	:	15% of the total number of issued shares of the Company (excluding treasury shares, if any) at the point in time during the existence of the Scheme
Notice of Allotment	:	A notice confirming the allotment of Shares to the Grantee in accordance with By-Law 10.7

15. BY-LAWS (CONT'D)

Offer	:	An offer made in writing by the ESOS Committee in accordance with the provisions or in the manner indicated in By-Law 6 to an Eligible Person
Offer Letter	:	The written offer document made by the ESOS Committee to a Selected Employee to participate in the Scheme as set out in By-Law 6.4
Options	:	The right of a Grantee to subscribe for Shares at the Option Price pursuant to the contract constituted by acceptance in the manner indicated in By-Law 7 of any Offer made in accordance with the terms of the Scheme and where the context so requires, means any part of the Options as shall remain unexercised
Option Period	:	A period commencing from the Date of Offer made by the ESOS Committee to a Selected Employee pursuant to By-Law 6 until the expiry date and/or termination of the Scheme or such date as may be specifically stated in such Offer for an Eligible Person to exercise the Options **PROVIDED ALWAYS** that the Option Period shall not extend beyond the Duration of the Scheme referred to in By-Law 20
Option Price	:	The price at which the Grantee, who has been allotted with the Options, shall be entitled to subscribe for new Shares as set out in By-Law 8
Person Connected	:	Has the same meaning as that assigned to "Person Connected" in Paragraph 1.01 of the Listing Requirements
Selected Employee	:	An Eligible Person who has been selected by the ESOS Committee and to whom an Offer has been made by the ESOS Committee in accordance with the terms of the Scheme
Senior Management	:	Any Employee of the Group who falls within the grading as determined by the ESOS Committee from time to time
Shares or **Kitacon Shares**	:	Ordinary shares in the Company

In these By-Laws:

(i) Any reference to a statutory provision shall include any subordinate legislation made from time to time under the provision and any listing requirements, policies and/or guidelines of Bursa Securities and/or any other relevant regulatory authority (whether or not having the force of law) but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed to by Bursa Securities and/or any other relevant regulatory authority.

(ii) Any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of these By-Laws so far as such modification or re-enactment applies or is capable of applying to any Options offered and accepted prior to the expiry of the Scheme and shall include also any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly been replaced.

(iii) Words denoting the masculine gender shall include the feminine gender and vice-versa, and the singular includes the plural and vice-versa.

(iv) The headings in these By-Laws are for convenience only and shall not be taken into account in the interpretation of these By-Laws.

(v) Any liberty or power which may be exercised or any determination which may be made hereunder by the ESOS Committee may be exercised at the ESOS Committee's discretion.

(vi) If an event occurs on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day **PROVIDED ALWAYS** if such date shall fall beyond the Duration of the Scheme, then the stipulated day shall be taken to be the preceding Market Day.

2. OBJECTIVE AND ADMINISTRATION OF THE KITACON ESOS

2.1 The Kitacon ESOS is a share incentive scheme. The purpose of the Kitacon ESOS is to provide an opportunity for the Director and Employees who are eligible to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance and to give recognition to those who have contributed significantly to the growth and performance of the Group.

2.2 The Kitacon ESOS is proposed on the basis that it is important to recognise the fact that the services of such Eligible Persons are important to the success, continued well-being and future growth of the Group. At the same time, it will give such Eligible Persons an opportunity to have a direct participation in the equity of the Company and will also assist to achieve the following positive objectives:

(i) the motivation of Eligible Persons to optimise performance standards and efficiency and to maintain a high level of contribution;

(ii) the retention of Employees whose contributions are important to the long-term growth and development of the Group;

(iii) the attainment of harmonious employer-employee relation;

(iv) to align the interest of the Eligible Persons with the interests of the shareholders of the Company; and

(v) the development of a participatory style of management which promotes greater commitment and dedication among the Eligible Persons and instils loyalty and a stronger sense of identification with long term growth of the Group.

2.3 This Scheme shall be administered by the ESOS Committee comprising of such number of persons as shall be appointed by the Board from time to time. The Board shall have the discretion as it deems fit to rescind the appointment of any member of the ESOS Committee and may appoint replacement members to the ESOS Committee.

2.4 The Board shall have the power to determine all matters pertaining to the ESOS Committee, including without limitation setting the terms of reference for the ESOS Committee, composition, duties, powers and limitations. The Board is entitled at any time and from time to time to change the terms of reference of the ESOS Committee.

2.5 The ESOS Committee shall administer the Scheme in such manner as it shall in its discretion deems fit and within such powers and duties as are conferred upon it by the Board, subject to these By-Laws, including but not limited to the followings:

(i) construe and interpret the Scheme and Options granted under it, to define the terms therein and to recommend to the Board to establish, amend and revoke rules and regulations relating to the Scheme and its administration. The ESOS Committee in the exercise of this power may correct any defect, supply any omission, or reconcile any inconsistency in the Scheme or in any agreement providing for an Option in a manner and to the extent it shall deem necessary to expedite and make the Scheme fully effective; and

(ii) determine all questions of policy and expediency that may arise in the administration of the Scheme and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interests of the Company.

3. MAXIMUM NUMBER OF NEW KITACON SHARES AVAILABLE UNDER THE SCHEME

3.1 The maximum number of new Shares which may be made available under the Scheme shall not exceed in aggregate fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time when the Offer is made or any limit prescribed by any guidelines, rules and regulations of the relevant authorities during the Duration of the Scheme.

3.2 Notwithstanding provision of By-Law 3.1 or any other provisions herein contained, in the event the maximum number of new Shares comprised in the Options (including Shares that have been issued under the Scheme) exceeds the aggregate of fifteen percent (15%) limit as a result of the Company purchasing its own Shares in accordance with the provisions of Section 127 of the Act or undertaking any other corporate proposals, thereby reducing its total number of issued shares, the Options granted prior to the adjustment of the total number of issued shares of the Company shall remain valid and exercisable in accordance with the provisions of these By-Laws. However, in such an event, the ESOS Committee shall not make any further Offer until such time that the number of Shares under the subsisting Options fall below fifteen percent (15%) of the total number of issued shares (excluding treasury shares, if any) of the Company.

3.3 The Company will within the Duration of the Scheme keep available sufficient unissued Shares in the capital of the Company to satisfy all outstanding Options, which may be exercised in accordance with these By-Laws.

3.4 Each Option shall be exercisable into one (1) new Share, in accordance with the provisions of these By-Laws.

4. ELIGIBILITY

4.1 An Employee or Director who fulfils the following criteria as at the Date of Offer shall be eligible for participation in the Scheme:

(a) a Malaysian citizen who has attained eighteen (18) years of age;

(b) is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

(c) he/she has been confirmed in service on a full-time basis and has served at least one (1) year of employment in the Eligible Company (unless the ESOS Committee under certain circumstances and at its sole discretion reduces the period of one (1) year to a lesser period as it deems fit);

(d) where he/she is under an employment contract, the contract is for a duration of at least two (2) years and shall have not expired within six (6) months from the Date of Offer;

(e) where he/she has attained the mandatory retirement age of sixty (60) years old, such person shall have served for a continuous period of at least one (1) year in any corporation within the Group prior to attaining the said mandatory retirement age, and subsequently offered continued employment with such corporation for a minimum period of one (1) year and at the time of consideration for the Offer, he/she continues to be employed;

(f) in the event the director or employee of a corporation which is acquired by the Group during the Duration of the Scheme and such corporation becomes a subsidiary of the Company upon completion of such acquisition, the director or employee must have completed a continuous period of employment of at least one (1) year in the Group from the date of confirmation of employment (which for the avoidance of doubt, shall exclude any probation period) following the date that such corporation becomes or is deemed to be a subsidiary of the Company (unless the ESOS Committee under certain circumstances and at its sole discretion reduces the period of one (1) year to a lesser period as it deems fit); and

(g) must have complied with any other criteria imposed by the ESOS Committee from time to time,

PROVIDED ALWAYS that the selection of any Eligible Person for participation in the Scheme shall be at the discretion of the ESOS Committee and the decision of the ESOS Committee shall be final and binding. Other eligibility and allocation criteria shall be determined by the Board after recommendation from the ESOS Committee.

4.2 The eligibility, however, does not confer on an Eligible Person a claim or right to participate or a right to claim in or any rights whatsoever under the Scheme and an Eligible Person does not acquire or have any rights over or in connection with the Options unless an Offer has been made in writing by the ESOS Committee to the Eligible Persons and the Eligible Person has accepted the Offer in accordance with these By-Laws.

4.3 For the avoidance of doubt, Eligible Persons who are employed by or on the payroll of the Eligible Subsidiaries are also eligible to participate in the Scheme provided that they fulfil the abovementioned selection criteria and provided further that the Eligible Subsidiaries are not dormant. Employees of the holding company of the Company, associated companies and joint ventures of the Group shall not be entitled to participate in the Scheme.

4.4 Subject to the provisions of By-Law 23, no Eligible Person shall participate at any time in more than one (1) employees' share option scheme implemented by any company within the Group during the Duration of the Scheme.

4.5 A Grantee under the Scheme shall not be entitled to participate in any other employees' share option scheme, which may be implemented by any other company within the Group during the Duration of the Scheme.

5. BASIS OF ALLOTMENT AND MAXIMUM ALLOWABLE ALLOCATION OF SHARES

5.1 Subject to any adjustments which may be made under By-Law 15, the aggregate number of new Shares that may be offered and allotted to any Selected Employee under the Scheme shall be at the discretion of the ESOS Committee, after taking into consideration, among others and where relevant, the performance, contribution, employment grade, seniority, length of service and fulfilment of the eligibility criteria under By-Law 4 of the Selected Employee in the Eligible Companies or such other matters which the ESOS Committee may in its sole discretion deems fit, subject to the following:

(a) the Directors and Senior Management of the Group shall not be allowed to participate in the deliberation or discussion of their own allocations of Options under the Scheme;

(b) any Offer, allocation of Options under the Scheme and the related allotment of Shares to any person who is a Director, major shareholder or chief executive officer of the Company or its holding company or Persons Connected to such Director, major shareholders or chief executive officer shall require the prior approval of the shareholders of the Company in a general meeting. The foregoing persons and Persons Connected to them shall not vote on the resolution approving the said Offer, allocation and allotment;

(c) the aggregate number of Shares comprised in the Options made available under the Scheme shall not exceed the amount stipulated in By-Law 3.1, but the ESOS Committee shall not be obliged in any way to offer a Selected Employee an Option for all the specified maximum number of Shares;

(d) not more than ten percent (10%) of the Shares available under the Scheme at the point when the Offer is made shall be allocated to any individual Selected Employees who, either singly or collectively through Persons Connected with such Selected Employees holds twenty percent (20%) or more of the total number of issued Kitacon Shares (excluding treasury shares, if any);

(e) at any point in time when an Offer is made, not more than seventy percent (70%) of the Shares made available under the Scheme shall be allocated, in aggregate, to the Directors and Senior Management of the Group; and

(f) that any performance target to be achieved before the Options can be granted and/or exercised by an Eligible Person shall be determined by the ESOS Committee. The ESOS Committee also has the discretion to determine whether the Options are subject to any vesting period and if so the vesting conditions, which may include, among others, the achievement of relevant service objectives and specific performance targets of the Eligible Person and/or Group as measured by both qualitative and quantitative key performance indicators (as determined by the ESOS Committee) during the Duration of the Scheme.

5.2 A Grantee who is promoted during the tenure of the Scheme may be eligible for consideration of new additional Shares under the Scheme at the discretion of the ESOS Committee up to the Maximum Allowable Allocation to be determined by the ESOS Committee for the category to which he has been promoted to. A Grantee who is demoted to a lower employment category for whatever reason shall only be entitled to the allocation of that lower category unless an Offer has been made and accepted by him before such demotion.

5.3 An Employee or Directors who, during the Duration of the Scheme, becomes an Eligible Person may be eligible to participate in the Scheme, the number of new Shares of which is to be decided by the ESOS Committee at its discretion subject to any Maximum Allowable Allocation for the category to be determined by the ESOS Committee. Any Selected Employee holding more than one (1) position in the Eligible Companies and thereby falling within more than one (1) category of Selected Employees in the Eligible Companies shall only be entitled to the Maximum Allowable Allocation of the higher category.

5.4 The allotment of Shares arising from By-Law 5.3 above shall be made from the balance of new Shares available under the Scheme including those from Offers and Options which have lapsed or terminated.

5.5 The allocation of Options pursuant to the Scheme shall be verified by the Audit and Risk Management Committee of the Company, as being in compliance with the criteria set out in these By-Laws (where relevant) at the end of each financial year of the Company.

5.6 The decision as to whether to stagger the allocation of the Options over the Duration of the Scheme will be determined by the ESOS Committee at a later date.

6. OFFER

6.1 The ESOS Committee may at its discretion at any time and from time to time as it deems fit make an Offer to any Selected Employee whom the ESOS Committee may in its discretion select, to subscribe for new Shares, in accordance with the terms of the Scheme.

6.2 The actual number of new Shares which may be offered to a Selected Employee shall be at the discretion of the ESOS Committee and shall not be less than one hundred (100) new Shares but no more than the Maximum Allowable Allocation and shall be in multiples of hundred (100) shares.

Nothing herein shall prevent the ESOS Committee from making more than one (1) Offer during the Duration of the Scheme to each Selected Employee after the first Offer was made **PROVIDED ALWAYS** the aggregate Options offered to each Selected Employee (including Options already offered under previous Offers, if any) shall not exceed the Maximum Allowable Allocation of such Selected Employee at the time the subsequent Offer (if any) is made.

6.3 The ESOS Committee has the discretion not to make further additional Offers regardless of the amount of Available Balance.

6.4 The ESOS Committee will in its Offer Letter to a Selected Employee state, among others, the following information, if applicable:

(a) the number of Shares that can be subscribed under the Offer;

(b) the Option Price determined in accordance with the provisions of By-Law 8; and

(c) the closing date for acceptance of the Offer.

6.5 Such Offer is personal to the Selected Employee and cannot be assigned, transferred, encumbered or otherwise disposed of in any other manner whatsoever.

6.6 The Offer shall automatically lapse and thereafter be rendered null and void in the event of the death of the Selected Employee or the Selected Employee ceasing to be employed by an Eligible Company for any reason whatsoever prior to the acceptance of the Offer by the Selected Employee in the manner set out in By-Law 7.

6.7 The Company shall keep and maintain at its expense, a register of Grantees and shall enter in that register the names and addresses of the Grantees, the Maximum Allowable Allocation, the number of Options offered, the number of Options exercised, the Date of Offer and the Option Price.

6.8 The Company shall, on the Date of Offer, announce the following to Bursa Securities upon the Options offered under the Scheme:

(a) Date of Offer;
(b) Option Price;
(c) number of Options offered;
(d) market price of Kitacon Shares on the Date of Offer;
(e) number of Options offered to each Director, if any; and
(f) vesting period of the Options offered.

6.9 In the event of any error or omission on the part of the Company or the ESOS Committee in respect of the Offer, the ESOS Committee shall do all such things and acts to rectify such error or omission and if necessary, issue a supplemental Offer to amend or rectify the error or omission within such period as may be reasonable prior to the acceptance of the Offer by an Eligible Person.

7. ACCEPTANCE OF OFFER

7.1 An Offer made under By-Law 6, shall be valid for a period of thirty (30) days from the Date of Offer or such longer period as may be determined by the ESOS Committee on a case-to-case basis at its discretion and may be accepted within this prescribed period by the Selected Employee by written notice to the ESOS Committee in the form prescribed by the ESOS Committee, accompanied by a payment to the Company of a nominal non-refundable sum of Ringgit Malaysia One (RM1.00) only as consideration for the grant of the Option.

7.2 If the Offer is not accepted in the manner aforesaid, such Offer shall, upon the expiry of the aforesaid period, automatically lapse and thereafter be null and void and of no further effect, and the Kitacon Shares comprised in such Options may, at the discretion of the ESOS Committee, be re-offered to other Eligible Persons.

7.3 Within thirty (30) days of the date of acceptance of an Offer or such longer period as may be determined by the ESOS Committee, the ESOS Committee shall issue to each of the Grantees, a certificate ("**Option Certificate**") in such form as may be determined by the ESOS Committee, for all valid acceptances of the Offer in accordance with the provisions of this By-Law.

8. OPTION PRICE

Subject to any adjustments made under these By-Laws and pursuant to the Listing Requirements, the Option Price shall be determined by the ESOS Committee and in any case, shall be based on the five (5)-day volume weighted average market price of Kitacon Shares, as quoted on Bursa Securities, immediately preceding the Date of Offer of the Options, **PROVIDED ALWAYS** that the discount shall not exceed ten percent (10%) or such other percentage of discount as may be permitted by Bursa Securities and/or any other relevant authorities from time to time at the discretion of the ESOS Committee.

The Option Price as determined in the manner set out above shall be conclusive and binding on the Grantee.

9. NON-ASSIGNABLE

An Option is personal to the Grantee. Save and except as provided in By-Law 18.5, an Option shall be non-assignable and non-transferable.

10. EXERCISE OF OPTION

10.1 An Option granted to a Grantee under the Scheme, subject to the provisions of By-Law 19, may be exercised by the Grantee,

(a) during his lifetime;

(b) whilst he is in the employment of the Group; and

(c) within the Option Period,

in full or in part on such time and working days as the ESOS Committee may notify the Grantee from time to time.

10.2 The ESOS Committee may, pursuant to By-Law 16, at any time and from time to time, before or after an Option is granted, limit the exercise of the Option to a maximum number of new Kitacon Shares and/or such percentage of total new Kitacon Shares comprised in the Option during such periods within the Option Period and impose any other terms and/or conditions deemed appropriate by the ESOS Committee in its sole discretion including amending or varying any terms and conditions imposed earlier.

10.3 The Grantee shall notify the Company in writing of his intention to exercise an Option in such form as the ESOS Committee may prescribe or approve ("**Notice of Exercise**"), which will be attached to the letter of offer. Every Notice of Exercise shall state the number of new Shares the Grantee intends to subscribe and be accompanied with the remittance for the full amount of the subscription monies payable in respect thereof and the Option Certificate which is the prima facie proof of a Grantee's entitlement to the Options set out therein.

10.4 Any partial exercise of the Option shall not preclude the Grantee from exercising the Option as to the balance of the Shares of his entitlement under the Scheme (if any) prior to the expiry of the Grantee's employment contract or prior to the expiry of the Option Period, whichever is the earlier.

10.5 When an Option is exercised only in part, a new Option Certificate for the balance of the Options not exercised shall be issued accordingly by the ESOS Committee to the Grantee within thirty (30) Days after receipt by the Company of notice of the partial exercise together with the requisite remittance as required by By-Law 10.3.

10.6 An Option may be exercised in respect of such lesser number of new Shares as the Grantee may decide to exercise provided that the number shall be in multiples of and not less than one hundred (100) new Shares save and except that in the event a Grantee's balance of new Shares exercisable under the option is less than one hundred (100), the said balance shall, if exercised, be exercised in a single tranche. Such partial exercise of an Option shall not preclude the Grantee from exercising the Option as to the balance of any new Shares, if any, which he is entitled to subscribe under the Offer.

10.7 The Grantee shall state his CDS Account number in the Notice of Exercise and the Company shall within eight (8) Market Days after the receipt of the valid Notice of Exercise and remittance from the Grantee or such other period as may be prescribed by Bursa Securities:

(a) issue and/or allot the relevant number of Shares to the Grantee;

(b) deliver a notice of allotment to the Grantee; and

(c) make an application for the quotation of such number of Shares.

No physical share certificates will be delivered to the Grantee.

10.8 The ESOS Committee shall have the discretion to reject any incomplete or inaccurate Notice of Exercise. The ESOS Committee shall inform the Grantee of the rejection by notice in writing within fourteen (14) days from the date of rejection and the Grantee shall then be deemed not to have exercised his Options.

10.9 Notwithstanding anything to the contrary herein contained in these By-Laws, the ESOS Committee shall have the right in its discretion by notice in writing to that effect:

(i) to suspend the right of any Grantee who is found to have contravened the written policies and guidelines of the Group (whether or not such contravention may give rise to a disciplinary proceeding being instituted) to exercise his Option. In addition to this right of suspension, the ESOS Committee may impose such terms and conditions as the ESOS Committee shall deem appropriate in its discretion, on the right of exercise of the Option having regard to the nature of the contravention **PROVIDED ALWAYS** that in the event such contravention would result in the dismissal or termination of service of such Grantee, the Option shall immediately cease without notice, upon pronouncement of the dismissal or termination of service of such Grantee; or

(ii) to suspend the right of any Grantee who is being subjected to disciplinary proceedings (whether or not such disciplinary proceedings may give rise to a dismissal or termination of service of such Grantee) to exercise his Option pending the outcome of such disciplinary proceedings. In addition to this right of suspension, the ESOS Committee may impose such terms and conditions as the ESOS Committee shall deem appropriate in its discretion, on the right of exercise of the Option having regard to the nature of the charges made or brought against such Grantee **PROVIDED ALWAYS** that:

(a) in the event such Grantee is found not guilty of the charges which gave rise to such disciplinary proceedings, the ESOS Committee shall reinstate the right of such Grantee to exercise his Option;

(b) in the event such Grantee is found guilty resulting in the dismissal or termination of service of such Grantee, all unexercised and partially exercised Options of the Grantee shall immediately cease without notice and become null and void, upon the pronouncement of such dismissal or termination of service of such Grantee; or

(c) in the event such Grantee is found guilty but is not dismissed or termination of service is not recommended, the ESOS Committee shall have the right to determine in its discretion whether or not the Grantee may continue to exercise his Option and if so, to impose such terms and conditions as it deems appropriate, upon such exercise.

11. RIGHTS OF A GRANTEE

11.1 The Options shall not carry any right to vote at any general meeting of the Company.

11.2 A Grantee shall not be entitled to any dividends, rights or other entitlements on his unexercised Options.

12. RIGHTS ATTACHING TO THE NEW KITACON SHARES

The new Kitacon Shares to be issued and allotted and pursuant to the exercise of the Option shall, upon issuance and allotment, rank pari passu in all respects with the then existing Shares of the Company, save and except that the new Shares will not be entitled to any dividends, rights, allotments and/or other distributions, which may be declared, made or paid, of which the Entitlement Date is prior to the date of allotment and issuance of the new Shares. The new Shares will be subject to all the provisions of the Constitution of the Company relating to transfer, transmission or otherwise.

13. RETENTION PERIOD

The Shares to be issued and allotted to a Grantee pursuant to the exercise of an Option under the Scheme will not be subject to any retention period or restriction on transfer. Notwithstanding the above, an eligible Director who is a non-executive Director shall not sell, transfer or assign the new Shares obtained through the exercise of the Options within one (1) year from the Date of Offer.

14. LISTING OF AND QUOTATION FOR THE NEW SHARES

14.1 If at the time of the allotment of the new Kitacon Shares pursuant to the exercise of the Options, the then existing issued Shares are quoted on Bursa Securities, the Company shall make an application to Bursa Securities within eight (8) Market Days after the receipt of notice of exercise and remittance from the Grantee or such other period as may be prescribed by Bursa Securities, for the listing of and quotation for such new Kitacon Shares and use its best endeavours to obtain such approval unless a blanket approval for the listing of and quotation for the new Kitacon Shares arising from the ESOS has been obtained.

14.2 The Company and the ESOS Committee shall not under any circumstances be held liable for any costs, losses and damages whatsoever and howsoever relating to the delay on the part of the Company in issuing and allotting Shares or in procuring Bursa Securities to list the Shares for which the Grantee is entitled to subscribe.

15. ALTERATION OF SHARE CAPITAL AND ADJUSTMENT

15.1 Subject to By-Law 15.3, in the event of any alteration in the capital structure of the Company during the Option Period, whether by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of shares or reduction of capital or otherwise howsoever, the Company shall cause such adjustment to be made to:

(i) the number of Options granted to each Grantee (excluding Options already exercised);

(ii) the Option Price; and

(iii) the number of Options and/or Option Price comprised in an offer which is open for acceptance (but has yet to be accepted in accordance with the terms and conditions of the Offer and the ESOS),

as shall be necessary to give a Grantee, the same proportion of the issued share capital of the Company as that to which he was entitled prior to the event giving rise to such adjustment (i.e not taking into account Options already exercised).

The computation for the adjustment to the number of Options granted to each Grantee and/or the Option Price is set out in Appendix A to these By-Laws.

15.2 By-Law 15.1 shall not be applicable where an alteration in the capital structure of the Company arises from any of the following:

(i) an issue of Shares upon the exercise of Options pursuant to the Scheme;

(ii) an issue of Shares arising from the conversion of securities with a right of conversion into Shares;

(iii) an issue of securities as consideration for an acquisition;

(iv) an issue of securities as a private placement or restricted issue;

(v) an issue of securities as a special issue approved by the relevant governmental authorities;

(vi) a share buy-back by the Company pursuant to Section 127 of the Act; or

(vi) an issue of future option to Selected Employees under these By-Laws.

The following provisions shall be applicable in relation to a share buy-back by the Company under By-Law 15.2 (vi) above:

(a) if the number of Shares in respect of the Options granted by the Company as at the date of designation of the Shares so purchased as treasury shares or cancellation of such Shares is greater than fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares, if any) after such designation or cancellation, the ESOS Committee shall not make any further Offers; and

(b) if the number of Shares in respect of the Options granted by the Company as at the date of designation of the Shares so purchased as treasury shares or cancellation of such Shares is less than fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares, if any) after such designation or cancellation, the ESOS Committee may grant further Offers only until the total number of Options granted by the Company is equivalent to fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares, if any) after such designation or cancellation.

15.3 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Subdivision 2 of Division 7 of Chapter III of the Act, By-Law 15.1 shall be applicable in respect of such parts of the scheme which involves any alterations in the capital structure of the Company to which By-Law 15.1 is applicable, provided that By-Law 15.1 shall not be applicable in respect of such parts of the scheme which involves any alterations in the capital structure of the Company to which By-Law 15.2 is applicable.

15.4 An adjustment pursuant to By-Law 15.1 shall be made at the following times:

(i) in the case of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of Shares or capital reduction, on the Market Day immediately following the Entitlement Date in respect of such issue; or

(ii) in the case of any other variation of capital, on the Market Day immediately following the date of allotment of new shares of the Company in respect of such consolidation, subdivision or reduction.

Upon any adjustment being made, the ESOS Committee shall within fifteen (15) Market Days from the adjustment date give notice in writing to the Grantee or his legal or personal representatives where the Grantee is deceased, of the adjustment and the event giving rise thereto.

15.5 In the event of a fraction of a Share arising from the adjustments referred to in this By-Law would otherwise be required to be issued upon the exercise of an Option by the Grantee, the Grantee's entitlement shall be rounded down to the nearest whole number.

15. BY-LAWS (CONT'D)

15.6 All adjustments, other than on a bonus issue, subdivision or consolidation of shares must be confirmed in writing by an external auditor of the Company or the Adviser of Kitacon or such other persons as allowed by Bursa Securities (who shall act as an expert and not as an arbitrator), to be in his opinion fair and reasonable. In addition, the Company shall, at the request of any Grantee, furnish such Grantee with a copy of the certificate from an external auditor or such other persons as allowed by Bursa Securities to the effect that in the opinion of such auditor or persons, acting as an expert and not as an arbitrator, an adjustment is fair and reasonable, either generally or as regards such Grantee, and such certification shall be final and binding on all parties. For the purpose of this By-Law, an external auditor shall have the meaning given in the Act and the Listing Requirements.

15.7 Notwithstanding the provisions referred to in this By-Law, the ESOS Committee may exercise its discretion to determine whether any adjustments to the Option Price and/or the number of Options be calculated on a different basis or date or should take effect on a different date or that such adjustments be made to the Option Price and/or the number of Options notwithstanding that no such adjustment formula has been explicitly set out in this By-Law.

16. AMENDMENT AND/OR MODIFICATION TO THE SCHEME

16.1 Subject to the compliance with the Listing Requirements and any other relevant authorities, the ESOS Committee may at any time and from time to time recommend to the Board any additions, modifications or amendments to or deletion of these By-Laws as it shall in its discretion thinks fit and the Board shall have the power by resolution to add, amend or delete all or any of these By-Laws upon such recommendation **PROVIDED THAT** no additions or amendments to or deletion of these By-Laws shall be made which will:

(a) prejudice any rights then accrued to the Grantee of the Company without his prior consent or sanction of that Grantee;

(b) increase the number of Kitacon Shares available under the Scheme beyond the maximum imposed by the Maximum Allowable Allocation; or

(c) alter to the advantage to any Eligible Persons in respect of any matters which are required to be contained in these By-Laws by virtue of Appendix 6E of the Listing Requirements,

without the prior approval of the Company's shareholders in a general meeting unless allowed by the provision of the Listing Requirements.

16.2 The Company shall be required to submit to Bursa Securities, each time a modification or change is made, a confirmation letter that the modification or change does not contravene any of the relevant provisions of the Listing Requirements on employee share options scheme and the Rules of Bursa Depository no later than five (5) Market Days after the effective date of such amendment and/or modification.

16.3 The ESOS Committee shall within reasonable time furnish a written notification to all Grantees and the Company shall make all necessary announcements to Bursa Securities in respect of such amendments and/or modifications.

16.4 Any amendments/modifications to the By-Laws shall not contravene any of the provisions of the guidelines on the employees' share option scheme as stipulated under the Listing Requirements and/or any other relevant regulatory authority in relation to the ESOS.

17. TAKE-OVER AND MERGERS

Notwithstanding By-Law 10 and subject to the provisions of any applicable statutes, rules, regulations and/or conditions issued by the relevant authorities, in the event of:

17.1 a take-over offer being made for the Company, under the Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the Securities Commission Malaysia, to acquire the Shares of the Company (or such part thereof not at the time held by person making the take-over offer) ("**Offeror**") or any persons acting in concert with the Offeror, any unexercised Options shall remain in force and be exercisable until the expiry of the exercise period applicable thereto; and

17.2 the Offeror becoming entitled or bound to exercise the rights of compulsory acquisition of the new Kitacon Shares under the provisions of the Capital Markets and Services Act 2007 and gives notice to the Grantee that it intends to exercise such rights on a specific date ("**Specific Date**"), the Option shall remain exercisable by the Grantee until the expiry of the Specific Date.

In the foregoing circumstance, if the Grantee fails to exercise his Option or elects to exercise only in respect of a portion of such Shares by the Specific Date, then the Option, or as the case may be, the Option in relation to such balance Shares, shall automatically lapse after the Specific Date and be null and void.

18. TERMINATION OF OPTIONS

18.1 In the event of cessation or termination of employment or appointment of a Grantee with the Group for whatever reason prior to the full exercise of an Option or part thereof, such Option or the balance thereof, as the case may be, shall cease immediately unless otherwise determined by the ESOS Committee in its sole discretion.

18.2 The ESOS Committee may in its discretion, allow any unvested Options to remain exercisable during the Option Period on such terms and conditions as it shall deem fit if such cessation occurs by reason of:

(i) his retirement at or after attaining normal retirement age under the Group's retirement policy;

(ii) retirement before the normal retirement age (with the consent of the ESOS Committee);

(iii) ill-health, injury or physical or mental disability;

(iv) redundancy or retrenchment, pursuant to the acceptance by that Grantee of a voluntary separation scheme offered by the Group; or

(v) any other reasons which are acceptable to the ESOS Committee.

18.3 If a Grantee ceases his employment or appointment with an Eligible Company by reason of his resignation or for reasons other than those stated in By-Law 18.2, his remaining unexercised Options, shall cease with immediate effect on the date of such cessation. For the avoidance of doubt, the date of termination of employment of the Grantee or tender by the Grantee of his resignation, shall be deemed to be the date on which a Grantee ceases his employment or appointment with such Eligible Company unless approval was given by the ESOS Committee to extend the Options for a predefined period of time or before the expiration of the Options, whichever is earlier.

18.4 An Option shall immediately become void and of no further force and effect upon the Grantee being adjudicated a bankrupt.

18.5 (i) In the event where a Grantee dies before the expiration of the Option Period and at the time of his death holds unexercised Options, such Options shall cease immediately on the date of his death without any claim against the Company **PROVIDED ALWAYS** that subject to the written approval of the ESOS Committee in its discretion, such unexercised Options may be exercised in full by the legal or personal representatives of the Grantee after the date of his death within the Option Period.

(ii) Notwithstanding By-Law 18.5(i), the Grantee may, during his lifetime, nominate any of his immediate family members who have attained the age of eighteen (18) years at the time of nomination to exercise the Option or Options (which are unexercised at the time of the death of the deceased Grantee) after the death of the deceased Grantee but in any event during the Option Period. The Options exercised pursuant to the provision of this By-Law 18.5(ii) may be for the benefit of the estate of the Grantee or for the personal benefit of the nominated person. The nomination as aforesaid shall be made by the Grantee during his lifetime and shall be in the prescribed form approved by the ESOS Committee and the Shares to be allotted and issued will be in the name of the deceased Grantee's estate or in the name of the nominated person as the Grantee shall elect in his lifetime. In the event no nomination is made by the Grantee during his lifetime, his unexercised Options shall only be exercised by his legal personal representatives pursuant to By-Law 18.5(i) above.

(iii) For the purposes of By-Law 18.5(ii) above, the term "immediate family members" shall include the spouse, parent, child (including legally adopted child but excluding step child), brother and sister of the Grantee.

18.6 Any Options which have been offered by the ESOS Committee but have not been accepted in the manner prescribed in By-Law 7.1 arising from an Eligible Person's death or the cessation or termination of his employment with an Eligible Company, as the case may be, shall become null and void and of no further force and effect.

19. WINDING-UP

In the event of a members' winding-up and a resolution is passed for the winding-up or liquidation of the Company, all unexercised or partially exercised Options shall automatically lapse and be null and void and of no further force and effect from the date of the members' resolution for such winding-up or liquidation of the Company.

In the event a petition is presented in Court for the winding-up or liquidation of the Company, all rights to exercise the Options shall automatically be suspended from the date of the presentation of the petition. If a court order winding-up the Company pursuant to the petition for winding-up is made, all unexercised Options shall automatically lapse and be null and void and of no further force and effect from the date of the court order. Conversely, if the petition for winding-up is dismissed in Court, the right to exercise the Options shall accordingly be unsuspended.

20. DURATION & TERMINATION OF THE SCHEME

20.1 The Scheme shall be in force for a period of ten (10) years commencing from the Effective Date of the implementation of the Scheme ("**Option Period**"), **PROVIDED ALWAYS** that on or before the expiry thereof, where the maximum duration of the share issuance scheme allowed by the relevant authorities is more than 10 years, the Board shall have the sole discretion upon the recommendation of the ESOS Committee, without the Company's shareholders' approval in general meeting, to extend in writing the duration of the Scheme (as many times as the ESOS Committee may deem fit) for up to another five (5) years or such shorter period as it deems fit immediately from the expiry of the Option Period **PROVIDED ALWAYS** that the ESOS shall not in aggregate exceed the maximum duration as may be allowed by the relevant authorities.

20.2 Unless otherwise required by the relevant authorities, no further approvals shall be required for the extension of the ESOS provided that the Company shall serve appropriate notices to the Grantees and make all necessary announcements to Bursa Securities (if required) prior to the proposed extension of the Scheme.

20.3 The Effective Date shall be the date of full compliance with the last of all the requirements as follows:

(i) the submission to Bursa Securities of the final copy of these By-Laws together with a letter of compliance pursuant to Paragraph 6.42 of the Listing Requirements and a checklist showing compliance with Appendix 6E of the Listing Requirements;

(ii) receipt of approval for the listing of and quotation for the new Kitacon Shares to be issued under the Scheme from Bursa Securities;

(iii) procurement of shareholders' approval for the Scheme;

(iv) receipt of approval of any other relevant authorities, where applicable; and

(v) fulfilment of all conditions attached to the above approvals, if any.

20.4 The Adviser of the Company will be required to submit a confirmation letter to Bursa Securities of full compliance of By-Law 20.3 and state the Effective Date together with a certified true copy of the relevant resolution passed by the shareholders of the Company in a general meeting. The submission of the confirmation letter must be made no later than five (5) Market Days after the Effective Date.

20.5 Offers can only be made during the Duration of the ESOS before the Date of Expiry, which date shall be at the end of the ten (10) years from the Effective Date, or if the ESOS shall be extended, at the end of such extended term.

20.6 Notwithstanding anything to the contrary, all unexercised Options shall lapse at 5.00 p.m. on the Date of Expiry.

20.7 Subject to compliance with the requirements of Bursa Securities and any other relevant regulatory authorities, the Company may at any time before the Date of Expiry, at its sole discretion without obtaining the approvals or consents from the Grantees and/or the shareholders, terminate the continuation of this Scheme by way of passing a board resolution and no further Offers shall be made by the ESOS Committee.

All Offers outstanding but not yet accepted by the Selected Employees at the date of the said board resolution shall automatically lapse or cease to have effect as at the date of the board resolution and the Options yet to be exercised shall automatically lapse or cease to have effect.

20.8 The Company shall immediately upon the termination of the Scheme before the Date of Expiry announce to Bursa Securities:

(a) the effective date of termination;

(b) the number of options exercised or shares vested; and

(c) the reasons for termination.

20.9 Notwithstanding anything to the contrary, all unexercised Options shall lapse on the Date of Expiry.

20.10 Subject to the relevant approvals being obtained, the Company may implement a new employees' share option scheme after the expiration or termination of the Scheme pursuant to By-Law 20.8, subject to the relevant approvals being obtained.

21. DISPUTES/DIFFERENCES

In the case of any dispute or difference that may arise between the ESOS Committee and Grantee as to any provisions contained in the By-Laws, the ESOS Committee shall determine such dispute or difference by a written decision given to the Eligible Person.

In the event the Grantee shall dispute the same by written notice to the ESOS Committee within fourteen (14) days of the receipt of the written decision, then such dispute or difference shall be referred to the Board, whose decision shall be final and binding in all respects, provided that any Director of the Company who is also in the ESOS Committee shall abstain from voting and no person shall be entitled to dispute any decision or certification which is stated to be final and binding under these By-Laws.

22. COSTS AND EXPENSES

All fees, costs and expenses incurred in relation to preparation and/or operation of the Scheme including but not limited to the fees, costs and expenses relating to the issuance and allotment of new Shares pursuant to the exercise of any Option shall be borne by the Company. The Grantee shall bear the fees, costs and any taxes (including income tax) and stamp duty, if any, arising from the exercise of any Options under the Scheme (including all brokerage fees, commission and such other incidental costs arising from the sale of the shares).

23. TRANSFERS FROM OTHER COMPANIES TO KITACON GROUP

In the event:

(i) a Director or Employee who was employed in a company which is related to the Company pursuant to Section 7 of the Act, (that is to say, a company which does not fall within the definition of "**the Group**") and is subsequently transferred from such company to an Eligible Company; or

(ii) a Director or Employee who was in the employment of a company which subsequently becomes an Eligible Company as a result of a restructuring or divestment exercise or otherwise involving the Company and/or any company within the Group with any of the first mentioned company stated in sub-clause (i) above:

(The first mentioned company in By-Laws 23.1(i) and 23.1(ii) above are hereinafter referred to as the "**Previous Company**"), such Director or Employee of the Previous Company (the "**Affected Employee**" or "**Affected Director**") shall, if the Affected Employee or Affected Director satisfies all the conditions of the By-Laws hereunder, be eligible to participate in the Scheme on the following conditions:

(a) the Affected Employee or Affected Director shall be entitled to continue to exercise all such unexercised options which were granted to him under the employees' share option scheme (if any) in which he was participating (the "**Previous ESOS**") whilst the Affected Employee or Affected Director was in the employment of the Previous Company in accordance with the By-Laws of such Previous ESOS but he shall not, upon such restructuring or divestment as the case may be, be eligible to participate for further options of such Previous ESOS;

(b) the Affected Employee or Affected Director shall only be eligible to participate in the Scheme for its remaining duration thereof; and

(c) if the Affected Employee or Affected Director has participated in the Previous ESOS, the number of Shares to be offered to such Affected Employee Affected Director under the Scheme shall be in the discretion of the ESOS Committee.

24. DIVESTMENT FROM THE KITACON GROUP

If a Grantee who was in the employment of a company in the Group which was subsequently divested wholly or in part, from the Group, resulting in such company no longer be a subsidiary of Kitacon, then such Grantee:

(a) will notwithstanding such divestment and subject to the provisions of By-Laws 10 and 18.3 be entitled to continue to exercise all such unexercised Options which were granted to him under the Scheme within a period of three (3) months from the date of such divestment and within the Option Period, failing which the right of such Employee or Director to subscribe for the number of new Shares or any part thereof granted under such unexercised Options shall automatically lapse and be null and void and of no further force and effect; and

(b) shall not be eligible to participate for further Offers under the Scheme.

In the event a Grantee was in the employment of a company in the Kitacon Group and that the company was subsequently partially divested but remained as a subsidiary of Kitacon pursuant to Section 4 of the Act, then such Grantee shall continue to be entitled to all his/her rights in relation to the unexercised Options and he/she shall be eligible for further participations of the Options under the ESOS.

25. SCHEME NOT A TERM OF EMPLOYMENT

This Scheme does not form part of or constitute and shall not in any way be construed as a term or condition of employment of an Eligible Person.

26. COMPENSATION

26.1 Notwithstanding any provisions of these By-Laws:

(i) this Scheme shall not form part of any contract of employment between an Eligible Company of the Group and any Employee or Director of the Eligible Company or afford such Grantee any additional rights to compensation or damages in consequence of the termination of office or employment for any reason and the rights of any Grantee under the terms of his office and employment with the Eligible Company shall not be affected by his participation in the Scheme;

(ii) this Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Option themselves) against the Eligible Company directly or indirectly or give rise to any cause of action at law or in equity against the Eligible Company or the Group; and

(iii) a Grantee who ceases to hold office or employment shall not be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the Scheme which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful or unfair dismissal or other breach of contracts or by way of compensation for loss of office.

26.2 No Grantee or his legal or personal representatives shall bring any claim, action or proceedings against the Company or the ESOS Committee or any party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his rights to exercise his Options or his Options ceasing to be valid pursuant to the provisions of these By-Laws as may be amended from time to time in accordance with By-Law 16 or termination of the Scheme in accordance with By-law 20.

27. CONSTITUTION OF THE COMPANY

Notwithstanding the terms and conditions contained herein, if a situation of conflict should arise between the Scheme and the Constitution of the Company, the provisions of the Constitution shall at all times prevail.

28. INSPECTION OF THE AUDITED FINANCIAL STATEMENTS

All Grantees are entitled to inspect, during normal office hours from 9.30 a.m. to 4.30 p.m., Mondays to Fridays (except all public holidays declared in Malaysia) or as otherwise specified by the ESOS Committee, the latest audited financial statements of the Company at the registered office of the Company.

29. SUBSEQUENT EMPLOYEE'S SHARE OPTION SCHEME

29.1 Subject to the approval of the relevant authorities and compliance with the requirements of the relevant authorities, the Company may establish a new ESOS after the Date of Expiry or upon termination of this Scheme. Where this Scheme has been renewed (subject to By-Law 20), the new ESOS may be established upon expiry of the renewed Scheme, if any.

29.2 The Company may establish more than one (1) Scheme **PROVIDED ALWAYS** that the aggregate number of Shares available under the ESOS does not exceed fifteen per centum (15%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time during the Duration of the Scheme as provided by By-Law 20.1.

30. TAXES

All taxes (including income tax), if any, arising from the exercise of any Option under the Scheme shall be borne by the Grantee.

31. SEVERABILITY

Any term, condition, stipulation or provision in these By-Laws which is illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation and provision herein contained.

32. GOVERNING LAW AND JURISDICTION

32.1 The Scheme shall be governed by and construed in accordance with the laws of Malaysia. The Grantee, by accepting the Options in accordance with the By-Laws and terms of the Scheme, irrevocably submits to the exclusive jurisdiction of the courts of Malaysia.

32.2 In order to facilitate the making of any Offer under this Scheme, the Board may provide for such special terms to the Eligible Person(s) who are employed by any corporation in the Group or is a Director of any corporation in the Group in a particular jurisdiction as the Board may consider necessary or appropriate for the purposes of complying with differences in local law, tax, policy or custom of that jurisdiction. The Board may further approve such supplements to or amendments, restatements or alternative versions of the Scheme as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Scheme as in effect for any other purpose, and the appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as the Scheme. No such special terms, supplements, amendments or restatements, however, shall include any provisions that are inconsistent with the terms of this Scheme, as then in effect, unless this Scheme has been amended to eliminate such inconsistency. Notwithstanding the above, any Offer made to such Eligible Person(s) pursuant to the Scheme shall be valid strictly in Malaysia only unless specifically mentioned otherwise by the ESOS Committee in the Offer.

33. NOTICE

33.1 Any notice or request which the Company is required to give, or may desire to give, to any Eligible Person or the Grantee pursuant to the Scheme shall be in writing and shall be deemed to be sufficiently given:

(a) if it is sent by ordinary post by the Company to the Eligible Person or the Grantee at the last address known to the Company as being his address, such notice shall be deemed to have been received three (3) Market Days after posting;

(b) if it is given by hand to the Eligible Person or the Grantee, such notice or request shall be deemed to have been received on the date of delivery; or

(c) if it is sent by electronic media, including but not limited to electronic mail, to the Eligible Person or the Grantee, such notice or request shall be deemed to have been received upon confirmation or notification received after the sending of notice or request by the Company.

Any change of address of the Eligible Person or the Grantee shall be communicated in writing to the Company and the ESOS Committee.

33.2 Any certificate, notification or other notice required to be given to the Company or the ESOS Committee shall be delivered to its business address or any other address which may be notified in writing by the ESOS Committee from time to time.

33.3 Where any notice which the Company or the ESOS Committee is required to give, or may desire to give, in relation to the matter which may affect all the Eligible Employees or all the Grantee pursuant to the Scheme, the Company or the ESOS Committee may give such notice through an announcement to all employee of the Group to be made in such manner deemed appropriate by the ESOS Committee. Upon making such announcement, the notice to be made under By-Laws 33.1 shall be deemed to be sufficiently given, served or made to all affected Eligible Employee or Grantee.

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APPENDIX A

(By-Law 15 – Alteration of Share Capital and Adjustment)

The Option Price and/or the number of Options in respect of the right to subscribe for new Shares so far as unexercised to which a Grantee may be entitled from time to time be adjusted, calculated or determined by the ESOS Committee and certified by the external auditor of the Company or such other persons allowed by Bursa Securities in accordance with the following relevant provisions in consultation with the Adviser and/or the external auditor:

(a) If and whenever a consolidation, subdivision (including bonus issue of new shares without capitalisation) or conversion of Share occurs, the Option Price and/or the additional number of Options to be issued shall be adjusted, calculated or determined in the following manner:

$$\text{New Option Price} = \left[\frac{A}{B}\right] \times S$$

For consolidation of Shares

$$\text{Number of additional Options} = T \times \left[\frac{B}{A}\right]$$

For subdivision (including bonus issue of new shares without capitalisation) of Shares

$$\text{Number of additional Options} = T \times \left[\frac{B}{A}\right] - T$$

Where:

A = the aggregate number of issued Shares immediately before such consolidation, subdivision or conversion;

B = the aggregate number of new Shares immediately after such consolidation, subdivision or conversion;

S = existing Option Price; and

T = existing number of Options that remains unexercised.

Each such adjustment will be effective from the commencement of the next Market Day following the Entitlement Date for the consolidation, subdivision or conversion.

(b) If and whenever the Company shall make an issue of new Shares to shareholders by way of bonus issue or capitalisation of profits or reserves (whether of a capital or income nature), the Option Price shall be adjusted in the following manner:

$$\text{New Option Price} = S \times \left[\frac{A}{A + B}\right]$$

Whilst the number of additional Options to be issued shall be calculated in the following manner:

$$\text{Number of additional Options} = T \times \left[\frac{A + B}{A}\right] - T$$

Where:

A = the aggregate number of issued Shares immediately before such bonus issue or capitalisation issue;

B = the aggregate number of new Shares to be issued pursuant to any allotment to shareholders of the Company by way of bonus issue or capitalisation of profits or reserves (whether of a capital or income nature);

S = S as in By-Law 15(a) above; and

T = T as in By-Law 15(a) above.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for such issue.

(c) If and whenever the Company shall make:

(i) a Capital Distribution (as defined below) to its ordinary shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets);

(ii) any offer or invitation to its ordinary shareholders where they may acquire or subscribe for Shares by way of rights; or

(iii) any offer or invitation to its ordinary shareholders by way of rights where they may acquire or subscribe for securities convertible into Shares or securities with rights to acquire or subscribe for Shares,

then and in any such case, the Option Price shall be adjusted in the following manner:

$$\text{New Option Price} = S \times \left[\frac{C - D}{C}\right]$$

and in any such case referred to in By-Laws 15(c)(ii) and (iii) above, the number of additional Options to be issued shall be calculated as follows:

$$\text{Number of additional Options} = T \times \left[\frac{C}{C - D^*}\right] - T$$

Where:

S = S as in By-Law 15(a) above;

T = T as in By-Law 15(a) above;

C = the prevailing market price at the close of business on the Market Day immediately preceding the date on which the Capital Distribution, or as the case may be, the offer or invitation is publicly announced or (failing any such announcement), immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation; and

D = (A) In the case of an offer or invitation to acquire or subscribe for the Shares under By-Law 15(c)(ii) above or for securities convertible into Shares or securities with rights to acquire or subscribe for the Shares under By-Law 15(c)(iii) above, the value of rights attributable to one (1) Share; or

15. BY-LAWS (CONT'D)

(B) In the case of any other transaction falling within By-Law 15(c) above, the fair market value, as determined (with the concurrence of the external auditor of the Company) by an investment bank or universal broker, of that portion of the Capital Distribution attributable to one (1) Share.

For the purpose of "D" above, the "value of rights attributable to one (1) Share" shall be calculated in accordance with the following formula:

$$\frac{C - E}{F + 1}$$

Where:

C = C as in By-Law 15(c) above;

E = the subscription price of one (1) additional Share under the terms of such offer or invitation to acquire or one (1) additional Shares upon conversion of the convertible securities or exercise of such rights to acquire or subscribe for one (1) Share under the offer or invitation;

F = the number of Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or security convertible into rights to acquire or subscribe for one (1) additional Share; and

D* = the value of rights attributable to one (1) Share.

For the purpose of D* above, the "value of the rights attributable to one (1) Share" shall be calculated in accordance with the following formula:

$$\frac{C - E^*}{F^* + 1}$$

Where:

C = C as in By-Law 15(c) above;

E* = the subscription price of one (1) additional Share under the terms of such offer or invitation to acquire or subscribe for one (1) Share; and

F* = the number of Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share.

For the purpose of By-Law 15(c) above, "Capital Distribution" shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of Shares (other than an issue falling under By-Law 15(b) above) or other securities issued by way of capitalisation of profits or reserves (whether of a capital or income nature). Any dividend charged or provided for in the accounts of any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the ordinary shareholders of the Company as shown in the audited consolidated statement of comprehensive income of the Company.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for the above transaction.

15. BY-LAWS (CONT'D)

(d) If and whenever the Company makes any allotment to its ordinary shareholders as provided in By-Law 15(b) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Laws 15(c)(ii) or (c)(iii) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose for the offer or invitation, the Option Price shall be adjusted in the following manner:

$$\text{New Option Price} = S \times \left[\frac{(G \times C) + (H \times I)}{(G + H + B) \times C} \right]$$

and where the Company makes any allotment to its ordinary shareholders as provided in By-Law 15(b) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Laws 15(c)(ii) or (c)(iii) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose for the offer or invitation, the number of additional Options shall be calculated in the following manner:

$$\text{Number of additional Options} = T \times \left[\frac{(G + H^* + B) \times C)}{(G \times C) + (H^* \times I^*)} \right] - T$$

Where:

B = B in By-Law 15(b) above;

C = C in By-Law 15(c) above;

G = the aggregate number of issued Shares on the Entitlement Date;

H = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into Shares or with rights to acquire or subscribe for Shares, as the case may be;

H* = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights;

I = the subscription price of one (1) additional Share under an offer or invitation to acquire or subscribe for Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share, as the case may be;

I* = the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares;

S = S as in By-Law 15(a) above; and

T = T as in By-Law 15(a) above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for such issue.

(e) If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for Shares as provided in By-Law 15(c)(ii) above together with an offer or invitation to acquire or subscribe for securities convertible into Shares or securities with rights to acquire or subscribe for Shares as provided in By-Law 15(c)(iii) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose for the offer or invitation, the Option Price shall be adjusted in the following manner:

$$\text{New Option Price} = S \times \left[\frac{(G \times C) + (H^* \times I^*) + (J \times K)}{(G + H^* + J) \times C} \right]$$

and the number of additional Options shall be calculated in the following manner:

$$\text{Number of additional Options} = T \times \left[\frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

Where:

C = C as in By-Law 15(c) above;

G = G as in By-Law 15(d) above;

H = H as in By-Law 15(d) above;

H* = H* as in By-Law 15(d) above;

I = I as in By-Law 15(d) above;

I* = I* as in By-Law 15(d) above;

J = the aggregate number of Shares to be issued to its ordinary shareholders upon conversion of such securities or exercise of such rights to subscribe for Shares by the ordinary shareholders;

K = the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share;

S = S as in By-Law 15(a) above; and

T = T as in By-Law 15(a) above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for such issue.

(f) If and whenever the Company makes an allotment to its ordinary shareholders as provided in By-Law 15(b) above and also makes an offer or invitation to acquire or subscribe for Shares to its ordinary shareholders as provided in By-Law 15(c)(ii) above, together with rights to acquire or subscribe for securities convertible into or with rights to acquire or subscribe for Shares as provided in By-Law 15(c)(iii) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of offer or invitation, the Option Price shall be adjusted in the following manner:

$$\text{New Option Price} = S \times \left[\frac{(G \times C) + (H^* \times I^*) + (J \times K)}{(G + H^* + J + B) \times C} \right]$$

and the number of additional Options shall be calculated in the following manner:

$$\text{Number of additional Options} = T \times \left[\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

Where:

B = B as in By-Law 15(b) above;

C = C as in By-Law 15(c) above;

G = G as in By-Law 15(d) above;

H = H as in By-Law 15(d) above;

H* = H* as in By-Law 15(d) above;

I = I as in By-Law 15(d) above;

I* = I* as in By-Law 15(d) above;

J = J as in By-Law 15(e) above;

K = K as in By-Law 15(e) above;

S = S as in By-Law 15(a) above; and

T = T as in By-Law 15(a) above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for such issue.

(g) If and whenever (otherwise than pursuant to a rights issue available to all ordinary shareholders of the Company and requiring an adjustment under By-Laws 15(c)(ii), (c)(iii), (d), (e) or (f) above), the Company shall issue either any Shares or any securities convertible into Shares or with rights to acquire or subscribe for Shares, and in any such case the Total Effective Consideration per Share (as defined below) is less than ninety per centum (90%) of the Average Price of a Share (as defined below) or, as the case may be, the price at which the Shares will be issued and/or transferred upon conversion of such securities or exercise of such rights is determine, the Option Price shall be adjusted in the following manner:

$$\text{New Option Price} = S \times \frac{L + M}{L + N}$$

Where:

L = the number of Shares in issue at the close of business on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;

M = the number of Shares which the Total Effective Consideration (as defined below) would have purchased at the Average Price of a Share (as defined below) (exclusive of expenses);

N = the aggregate number of Shares which so issued or, in the case of securities convertible into Shares or securities with rights to acquire or subscribe for Shares, the maximum number (assuming no adjustment of such rights) of Shares issuable upon full conversion of such securities or the exercise in full of such rights; and

S = S as in By-Law 15(a) above.

For the purposes of By-Law 15(g) above, the "Total Effective Consideration" shall be determined by the Board with the concurrence of an external auditor of the Company and/or the Adviser and shall be:

(i) in the case of the issue of Shares, the aggregate consideration receivable by the Company on payment in full for such Shares;

(ii) in the case of the issue by the Company of securities wholly or partly convertible into new Shares, the aggregate consideration receivable by the Company on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by the Company upon full conversion of such securities (if any); or

(iii) in the case of the issue by the Company of securities with rights to acquire or subscribe for Shares, the aggregate consideration attributable to the issue of such rights together with the total amount receivable by the Company upon full exercise of such rights,

in each case without any deduction of any commission, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the "Total Effective Consideration per Share" shall be the Total Effective Consideration divided by the number of new Shares issued as aforesaid or, in the case of securities convertible into new Shares, by the maximum number of new Shares issuable on full conversion of such securities or on exercise in full of such rights.

For the purpose of By-Law 15(g) above, the Average Price of a Share shall be the average price of one (1) Share as derived from either the last transacted price or average transacted price for one (1) or more board lots of Shares as quoted on Bursa Securities on the Market Days comprised in the period used as a basis upon which the issue price of such Shares is determined.

Each such adjustment will be calculated (if appropriate, retroactively) from the close of business on Bursa Securities on the Market Day immediately following the date on which the issue is announced, or (failing any such announcement) on the next Market Day immediately following the date on which the Company determines the offering price of such Shares. Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the Market Day immediately following the completion of the above transaction.

(h) For the purpose of By-Laws 15(c), (d), (e) and (f) above, the current market price in relation to one (1) existing Share for any relevant day shall be the either the volume weighted average market price for the five (5) consecutive Market Days before such date or during such other period as many be determined in accordance with any guidelines issued, from time to time, by the relevant authorities.

The foregoing provisions on adjustment of the Option Price shall be subject to the following:

(i) on any such adjustment, the resultant Option Price shall be rounded up to the nearest one (1) sen and in no event shall any adjustment involve an increase in the Option Price or reduce the number of Options so far as unexercised to which the Grantee is already entitled to;

(ii) no adjustment shall be made to the Option Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions of "would be less than one (1) sen" or the number of Options so far as unexercised is less than one (1) Share and any adjustment that would otherwise be required then to be made will not be carried forward;

(iii) if an event giving rise to any such adjustment shall be capable of falling within any two (2) or more of paragraphs (i) to (ii) of By-Law 15.1 (both inclusive) or if such event is capable of giving rise to more than one (1) adjustment, the adjustment shall be made in such manner as the directors of the Company and the external auditor of the Company may agree;

(iv) if for any reason an event giving rise to an adjustment to the Option Price and/or the number of Options so far as unexercised to which a Grantee may be entitled to is cancelled, revoked or not completed, the adjustment shall not be required to be made or shall be reversed with effect from such date and in such manner as the directors of the Company and the external auditor of the Company may agree; and

(v) in determining a Grantee's entitlements to subscribe for Shares, any fractional entitlements will be disregarded.

If an event that is not set out in By-Laws(a) to (g) above occurs or if the application of any of the formulae to an event results in a manifest error, the ESOS Committee in its discretion, may agree to an adjustment subject to the provision of By-Law 15.1 provided that the Grantees shall be notified of the adjustment through an announcement to all Grantees to be made in such manner deemed appropriate by the ESOS Committee.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

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

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

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

16.1 OPENING AND CLOSING OF APPLICATION PERIOD

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 28 DECEMBER 2022

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 9 JANUARY 2023

In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia, and make an announcement on the website of Bursa Securities.

Late Applications will not be accepted.

16.2 METHODS OF APPLICATION

16.2.1 Application of our IPO Shares under the Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application and category of investors	Application Method
Applications by the Eligible Persons	Pink Application Form only
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

16.2.2 Application of our IPO Shares under the Institutional Offering

Types of Application	Application Method
Applications by:	
(a) Institutional and selected investors	Our Sole Placement Agent will contact the investors directly. They should follow the Sole Placement Agent's instructions.
(b) Bumiputera investors approved by the MITI	MITI will contact the Bumiputera investors directly. They should follow MITI's instructions.

16.3 ELIGIBILITY

16.3.1 General

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

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

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

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

16.3.2 Application by the Malaysian Public

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

(i) You must be one of the following:

   (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares;

   (b) a corporation/ institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/ trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

   (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

(iii) You must submit Applications by using only one of the following methods:

   (a) White Application Form;

   (b) Electronic Share Application; or

   (c) Internet Share Application.

16.3.3 Application by Eligible Persons

The Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation.

The Eligible Persons who have made applications using the Pink Application Form may still apply for our IPO Shares allocated to the Malaysia Public using the White Application Form or through the Electronic Share Application or the Internet Share Application.

16.4 APPLICATION BY WAY OF APPLICATION FORMS

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

The **FULL** amount payable is RM0.68 for each IPO Share.

Payment must be made out in favour of "**MIH SHARE ISSUE ACCOUNT NO. 625**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address.

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

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

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

or

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

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

so as to arrive not later than 5.00 p.m. on 9 January 2023 or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

16.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATMs of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

16.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

16.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board, reserves the right to:

(i) reject Applications which:

   (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

   (b) are illegible, incomplete or inaccurate; or

   (c) are accompanied by an improperly drawn up, or improper form of, remittance; or

(ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 16.9 below.

   If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

16.8 OVER/UNDER-SUBSCRIPTION

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our Issue Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the Issuing House to the SC, Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website (www.mih.com.my) within 1 business day after the balloting event.

Pursuant to the Listing Requirements, we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 1,000 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or Eligible Persons, subject to the clawback and reallocation as set out in Section 4.1.5 of this Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Sole Underwriter based on the terms of the Underwriting Agreement.

16.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

16.9.1 For applications by way of Application Forms

(i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your registered or correspondence address last maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

(ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).

(iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by ordinary post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

16.9.2 For applications by way of Electronic Share Application and Internet Share Application

(i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

(ii) You may check your account on the 5th Market Day from the balloting date.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

16.10 SUCCESSFUL APPLICANTS

If you are successful in your application:

(i) Our IPO Shares allotted to you will be credited into your CDS account.

(ii) A notice of allotment will be despatched to you at your registered or correspondence address last maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. Consequently, our IPO Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.

(iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

16.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House's Services Telephone at telephone no. +6(03) 7890 4700
Electronic Share Application	Participating Financial Institution
Internet Share Application	The relevant Internet Participating Financial Institution and Authorised Financial Institution

You may also check the status of your Application by calling your respective ADA during office hours at the telephone number as set out in the list of ADAs Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of this Prospectus on the website of Bursa Securities or the Issuing House at the telephone no. (603) 7890 4700 between 5 to 10 Market Days (during office hours only) after the final ballot day.