



NESTCON BERHAD
[Registration No. 202001008684 (1365004-W)]
(Incorporated in Malaysia)

*ANNUAL
REPORT*
2023

NESTCON BERHAD [Registration No. 202001008684 (1365004-W)]

ANNUAL REPORT 2023

NESTCON BERHAD
[Registration No. 202001008684 (1365004-W)]
(Incorporated in Malaysia)

2-10, Jalan Kenari 13B, Bandar Puchong Jaya,
47170 Puchong, Selangor Darul Ehsan, Malaysia.

Tel: +603-8090 7988 Fax: +603-8082 7792

DEFINITIONS

The following terms in this Annual Report bear the same meaning as set out below unless otherwise defined or the context requires otherwise:

Companies within Nestcon Group	
The Company or Nestcon	Nestcon Berhad
The Group or Nestcon Group	Nestcon Berhad and its subsidiary companies
Nestcon Builders	Nestcon Builders Sdn Bhd
Nestcon Floatovoltaics	Nestcon Floatovoltaics Sdn Bhd
Nestcon Infra	Nestcon Infra Sdn Bhd
Nestcon KSJ Ventures	Nestcon KSJ Ventures Sdn Bhd
Nestcon Sustainable Solutions	Nestcon Sustainable Solutions Sdn Bhd
Nestcon Solar	Nestcon Solar Sdn Bhd
N1 Solar	N1 Solar Sdn Bhd
N2 Solar	N2 Solar Sdn Bhd
N3 Solar	N3 Solar Sdn Bhd
General	
AMLR	ACE Market Listing Requirements
ABC Policy	Anti-Bribery and Corruption Policy
AC	Audit Committee
AC Report	Audit Committee Report
AFWB Policy	Anti-Fraud and Whistleblowing Policy
AGM	Annual General Meeting
Board	Board of Directors of Nestcon
Bursa Securities	Bursa Malaysia Securities Berhad
The Act	Companies Act 2016
CCM	Companies Commission of Malaysia
CG	Corporate Governance
CG Report	Corporate Governance Report
CG Statement	Corporate Governance Overview Statement
CIDB	Construction Industry Development Board of Malaysia
CIS 7:2006	Construction Industry Standard
CO ₂	Carbon Dioxide
Code of Conduct	Code of Conduct and Ethics
EIA	Environmental Impact Assessment
Eco Asia	Eco Asia Governance Advisory Sdn Bhd
ECRL	East Coast Rail Link
EDs	Executive Directors
EESG	Economic, Environment, Social and Governance
EMP	Environmental Management Plan
EMS	Environmental Management System
EPCC	Engineering, procurement, construction and commissioning
ESG	Environment, Social and Governance
FYE	Financial year ended/ending 31 December
G7	Grade 7
GDP	Gross domestic product
GL	Gross loss
GMD	Group Managing Director

DEFINITIONS (CONT'D)

The following terms in this Annual Report bear the same meaning as set out below unless otherwise defined or the context requires otherwise: (Cont'd)

General	
GP	Gross profit
IBS	Industrialised Building System
IFRS	International Financial Reporting Standards
IMS	Integrated Management System
INEDs	Independent Non-Executive Directors
IPPF	International Professional Practices Framework
LAT	Loss after tax
LBT	Loss before tax
LSSPV	Large scale solar PV
MACC	Malaysian Anti-Corruption Commission (Amendment) Act 2018
MCCG	Malaysia Code of Corporate Governance
MFRS	Malaysian Financial Reporting Standards
MIA	Malaysian Institute of Accountants
MOF	Ministry of Finance
NA	Net assets
NBV	Net book value
NC	Nominating Committee
NETR	National Energy Transition Roadmap
OHSMS	Occupational Health and Safety Management System
OSH	Occupational Safety and Health
OSHA	Occupational Safety and Health Administration
PAT	Profit after tax
PBT	Profit before tax
PPE	Personal Protective Equipment
PV	Photovoltaic
QESH	Quality, Environment, Safety and Health
QLASSIC	Quality Assessment System in Construction
QMS	Quality Management System
RC	Remuneration Committee
SOPs	Standard Operating Procedures
SORMIC	Statement of Risk Management and Internal Control
SOU	Sustainability Oversight Unit
SRMC	Sustainability and Risk Management Committee
SSHC	Site Safety and Health Committee
Sustainability Statement	Sustainability Statement
TOR	Terms of Reference
UNSDG	United Nations Sustainable Development Goals

INSIDE THIS REPORT

ABOUT US

Section 1

Our Vision, Mission and Core Values	5
Corporate Information	6
Corporate Structure	7

PERFORMANCE REVIEW

Section 2

Five-Year Group Financial Highlights	8
Management Discussion and Analysis	9

LEADERSHIP AND PEOPLE

Section 3

Board of Directors	18
Profiles of Key Senior Management	25

SUSTAINABILITY STATEMENT

Section 4

Sustainability Statement	28
--------------------------	----

GOVERNANCE

Section 5

Corporate Governance Overview Statement	46
Audit Committee Report	62
Statement on Risk Management and Internal Control	66
Additional Compliance Information	71
Directors' Responsibility Statement	73



FINANCIAL STATEMENTS

Section 6

Financial Statements	74
----------------------	----

SHAREHOLDERS' INFORMATION AND NOTICE

Section 7

List of Properties	136
Analysis of Shareholdings	137
Notice of Fourth Annual General Meeting	139
Statement Accompanying the Notice of Fourth Annual General Meeting	145
Proxy Form	

ABOUT NESTCON

Nestled in the heart of Kuala Lumpur, **NESTCON** is a prominent group of companies based in Malaysia that delivers world-class, sustainable and novel urban development solutions, specialising in Construction and Renewable Energy Services.

Incepted as **NESTCON INFRA** which commenced operations in 2010, Nestcon Infra has progressed significantly with an impressive list of projects that underscores its ability to handle all types of civil engineering and infrastructure projects. The scope of expertise covers site preparation and earthwork, land reclamation, revetment construction, civil works, railway infrastructure works, bridges as well as elevated road and more.

As part of the Group's diversification strategy to venture into Building Construction, **NESTCON BUILDERS** was incorporated in 2013 and successfully secured its first building construction project in 2014. Since then, Nestcon Builders has grown remarkably and carries with it a solid reputation as a builder of residential, commercial and industrial properties amongst industry leaders.

Having secured a fiscally-sound future for the Group and enjoying unparalleled success in the infrastructure, building and construction sphere, the Board took the bold but carefully calculated move to scale up the Group's activities by making confident strides in the renewable energy market in 2021 by incorporating **NESTCON SUSTAINABLE SOLUTIONS** with the expressed aim of leveraging its experience and expertise in construction to provide renewable energy solutions and services.

Today, **NESTCON** with various types of construction projects underway, are the testament of its proven track record, shaping the landscapes and enriching the lives of the community. **NESTCON** envisions to be the leading construction and renewable energy service provider in Malaysia.

NESTCON, synonymous with quality and distinction in areas of its expertise, is fully committed to play a role in improving our nation's standard of living and advancing of society to a better tomorrow. **NESTCON** is fast becoming a key driver and contributor to the nation's modernisation.





OUR VISION

NESTCON aspires to become a top-tier and trusted company synonymous with quality and distinction in areas of its expertise.

NESTCON stands for our energy and passion for consistently delivering projects to the highest standards of safety, quality and integrity by embracing technological innovation and leveraging our broad knowledge base across Malaysia and beyond.



OUR MISSION

LEVERAGING on technology and innovation for higher efficiency and productivity

DELIVERING quality products and services through a culture of excellence

REALIZING buildings that enrich community living

BUILDING infrastructures that accentuate novelty and purpose



OUR CORE VALUES

N**OBLE** Honorable and ethical at all times

E**XCELLENCE** Strike for quality and superiority

S**ATISFACTION** Strike for clients and customers' satisfaction

T**RUSTWORTHY** Exhibit integrity and honesty

C**OMMITMENT** Dedicated to the success of our clients and customers

O**PTIMISTIC** Be positive in all we do

N**ETWORK** Maintain respectful relations with clients and customers

CORPORATE INFORMATION

BOARD OF DIRECTORS

MOHD NOOR BIN SETAPA

Independent Non-Executive Chairman

DATUK IR. DR. LIM JEE GIN

Group Managing Director

ONG YONG CHUAN

Executive Director

LIM JOO SENG

Finance Director

NOR AZZAM BIN ABDUL JALIL

Independent Non-Executive Director

YEOH SHEONG LEE

Independent Non-Executive Director

ROSLINDA BINTI AWANG @ MAT YAZID

Independent Non-Executive Director

AUDIT COMMITTEE

Yeoh Sheong Lee *Chairman*

Nor Azzam Bin Abdul Jalil

Roslinda Binti Awang @ Mat Yazid

REMUNERATION COMMITTEE

Nor Azzam Bin Abdul Jalil *Chairman*

Yeoh Sheong Lee

Roslinda Binti Awang @ Mat Yazid

NOMINATING COMMITTEE

Nor Azzam Bin Abdul Jalil *Chairman*

Yeoh Sheong Lee

Roslinda Binti Awang @ Mat Yazid

SUSTAINABILITY AND RISK MANAGEMENT COMMITTEE

Yeoh Sheong Lee *Chairman*

Nor Azzam Bin Abdul Jalil

Roslinda Binti Awang @ Mat Yazid

Datuk Ir. Dr. Lim Jee Gin

COMPANY SECRETARY

Teo Soon Mei

(SSM PC No. 201908000235)

(MAICSA 7018590)

PRINCIPAL PLACE OF BUSINESS

2-10, Jalan Kenari 13B

Bandar Puchong Jaya, 47170 Puchong

Selangor Darul Ehsan

Tel : 603-8090 7988

Fax : 603-8082 7792

Website : www.nestcon.my

Email address : ir@nestcon.my

REGISTERED OFFICE

No. 7-1, Jalan 109F

Plaza Danau 2

Taman Danau Desa

58100 Kuala Lumpur

Tel : 603-7982 2010

Fax : 603-7980 1242

Website : www.amerits.com.my

Email : info@amerits.com.my

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd

[Registration No. 197101000970 (11324-H)]

Unit 32-01, Level 32, Tower A

Vertical Business Suite, Avenue 3

Bangsar South

No. 8, Jalan Kerinchi

59200 Kuala Lumpur

Tel : 603-2783 9299

Fax : 603-2783 9222

Email : is.enquiry@my.tricorglobal.com

PRINCIPAL BANKERS

AmBank (M) Berhad

[Registration No. 196901000166 (8515-D)]

CIMB Bank Berhad

[Registration No. 197201001799 (13491-P)]

Hong Leong Bank Berhad

[Registration No. 193401000023 (97141-X)]

OCBC Bank (Malaysia) Berhad

[Registration No. 199401009721 (295400-W)]

United Overseas Bank (Malaysia) Bhd

[Registration No. 199301017069 (271809-K)]

AUDITORS

Morison LC PLT

[Registration No. 202206000028

(LLP0032572-LCA)] & (AF 002469)

A-11-12, Menara Avenue

Jalan PJU 1/39

Dataran Prima

47301 Petaling Jaya

Tel : 603-7660 9380

Fax : 603-7481 4288

SPONSOR

M & A Securities Sdn Bhd

[Registration No. 197301001503 (15017-H)]

45-11, The Boulevard

Mid Valley City

Lingkar Syed Putra

59200 Kuala Lumpur

Tel : 603-2284 2911

Fax : 603-2284 2718

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad

Stock Name : NESTCON

Stock Code : 0235

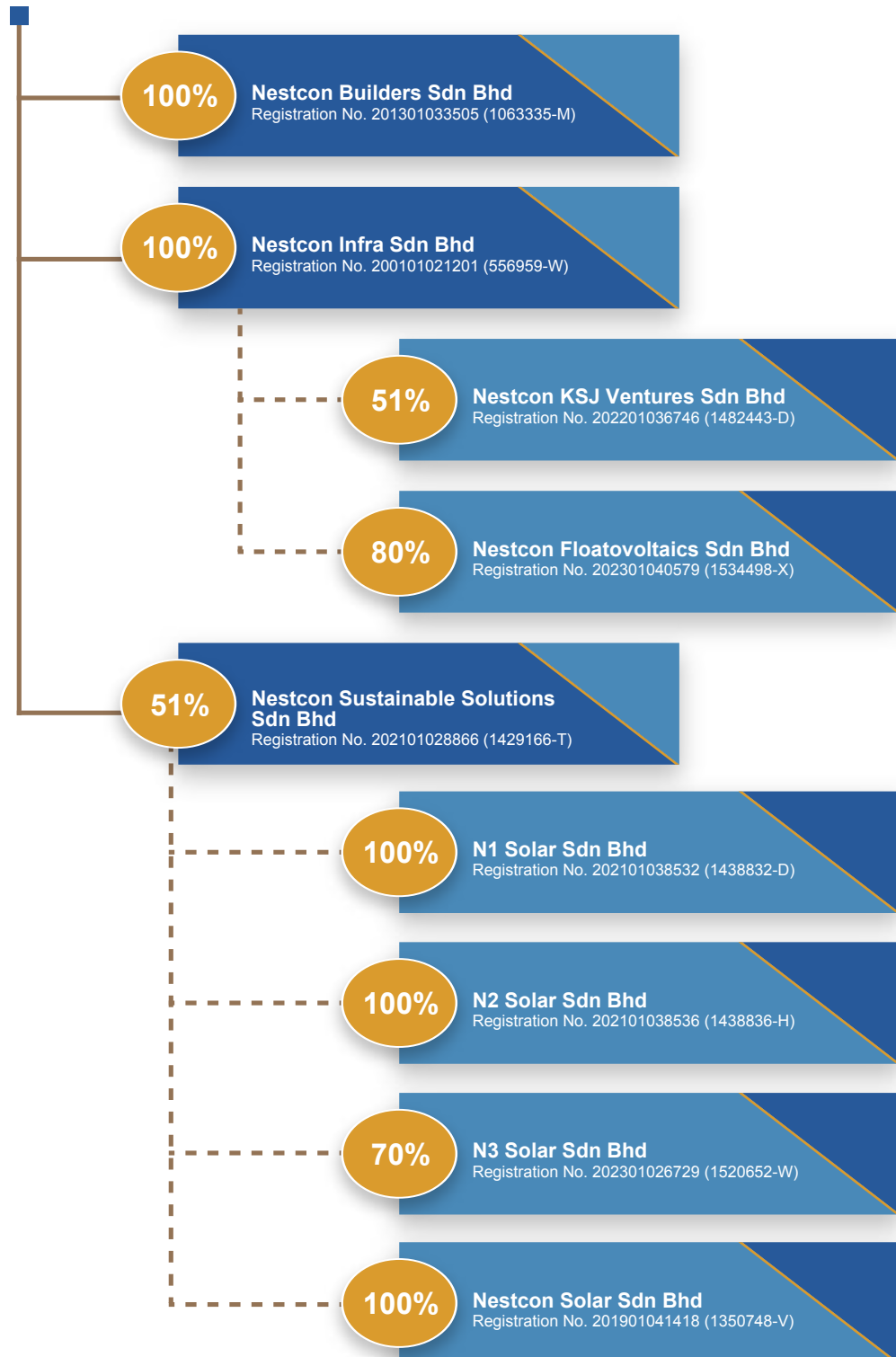
Sector : Construction

CORPORATE STRUCTURE

AS AT 31 December 2023



Nestcon Berhad
Registration No. 202001008684 (1365004-W)



FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

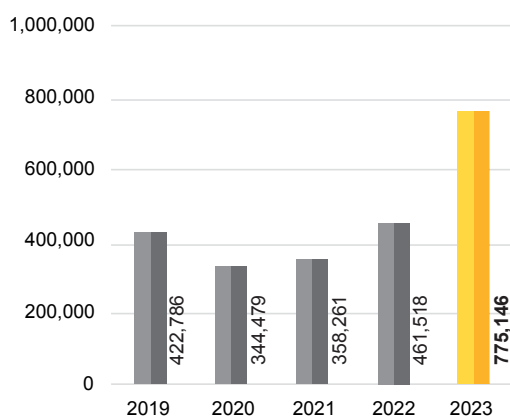
Financial Year Ended 31 December	(¹)2019 RM'000	(¹)2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
FINANCIAL RESULTS					
Revenue	422,786	344,479	358,261	461,518	775,146
GP/(GL)	37,876	33,283	28,522	(407)	28,314
PBT/(LBT)	22,182	19,211	12,803	(18,674)	5,367
PAT/(LAT)	15,767	14,301	12,211	(15,560)	3,901
Net profit/(loss) attributable to the Owners of the Company	14,587	14,301	12,211	(15,348)	3,492
FINANCIAL POSITION					
Non-current assets	93,437	106,969	65,071	89,913	95,216
Current assets	234,477	235,561	338,462	432,449	610,778
Total assets	327,914	342,530	403,533	522,362	705,994
Non-current liabilities	36,480	36,145	13,356	38,891	43,224
Current liabilities	233,490	234,140	262,636	361,448	529,781
Total liabilities	269,970	270,285	275,992	400,339	573,005
Total equity	57,944	72,245	127,541	122,023	132,989
FINANCIAL RATIOS					
Basic earnings/(loss) per share (sen) ⁽²⁾	2.3	2.2	1.9	(2.3)	0.5
Net assets per share (sen) ⁽²⁾	9.0	11.2	19.8	18.2	19.5

Notes:

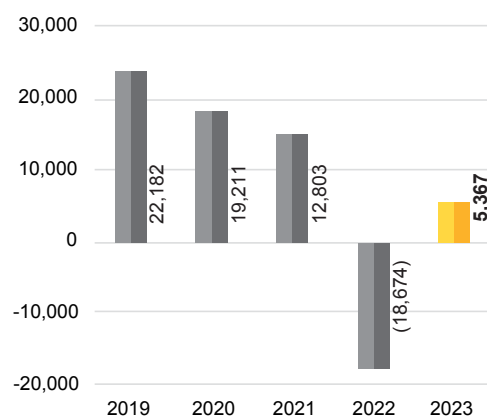
(¹) Based on the combined financial information as disclosed in our prospectus dated 8 June 2021.

(²) Calculated based on the Company's number of ordinary shares as at 31 December 2023 of 682,072,000 shares (31 December 2022: 669,072,000 shares; prior to 31 December 2022: 643,822,000 shares).

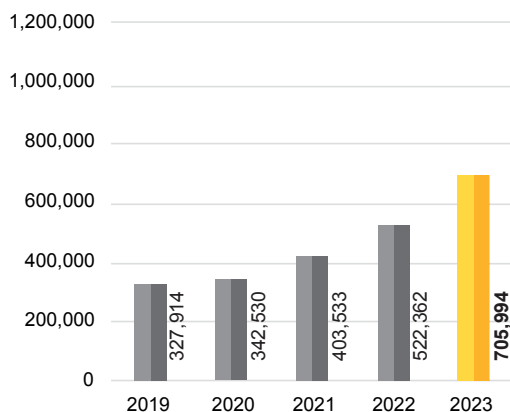
Revenue (RM'000)



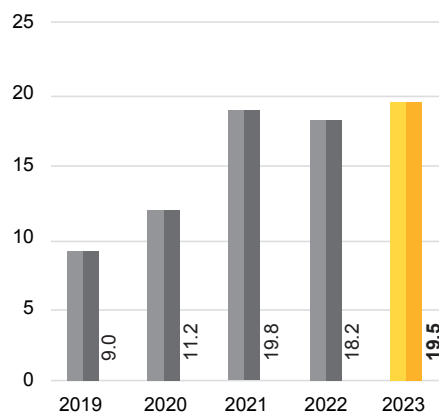
PBT/(LBT) (RM'000)



Total Assets (RM'000)



Net Assets Per Share (sen)



MANAGEMENT DISCUSSION AND ANALYSIS



OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

Nestcon is one of the leading group of companies that offers world-class, sustainable and novel urban development solutions. The Group focuses in civil engineering and infrastructure projects, specialising in earthworks, land reclamation, roadworks, railway and bridge infrastructure as well as building construction in residential, commercial and industrial properties.

The major subsidiaries of Nestcon, namely Nestcon Infra and Nestcon Builders, are both registered as a G7 contractors with the CIDB. As a G7 contractor, the Group is able to tender and execute any construction projects of unlimited size and value throughout Malaysia and also participate in the government contract.

Through its subsidiary companies, Nestcon is also involved in owning and operating solar PV assets, and the provision of EPCC of solar PV systems and project management of all kind of renewable energy activities, focusing on solar PV rooftop system for residential, commercial and industrial as well as LSSPV.

Completed Contracts

As at 31 December 2023, the Group have completed a total of 65 contracts with a cumulative contract value amounting to RM1,787.67 million. This includes RM1,360.42 million from 15 contracts in the building construction division, RM410.87 million from 25 contracts in the civil engineering and infrastructure division and RM16.38 million from 25 contracts in the renewable energy division.

Some of our notable completed projects during FYE 2023 are as follows:

Business Division	Project Details	Contract Value (RM'000)
Building Construction	<ul style="list-style-type: none"> Panorama Residences Construction works for a 30-storey serviced apartments located at Mukim Petaling, Selangor. 	93,000
	<ul style="list-style-type: none"> Embayu Damansara West Construction works of 2 blocks of 15-storey apartments and 1 block 10-storey apartment located at Shah Alam, Selangor. 	125,398
Civil Engineering and Infrastructure	<ul style="list-style-type: none"> Infrastructure and subgrade works for Gemas-Johor Bahru Electrified Double-Tracking Project Section 1.2. 	224,194

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS (CONT'D)

On-going Contracts

As at 31 December 2023, we have 62 on-going contracts with a total contract value of RM3,007.05 million and unbilled order book of RM1,609.84 million as follows:

Business Division	No of Contract	Total Contract Value (RM'000)	Unbilled Amount (RM'000)
Building Construction	11	1,888,252	1,073,590
Civil Engineering and Infrastructure	21	1,084,411	512,758
Renewable Energy	30	34,390	23,489
Total	62	3,007,053	1,609,837

These on-going construction contracts are expected to be completed in the next two (2) to three (3) financial years. It is expected that the unbilled order book will contribute positively to the Group in the coming financial years.

Notable on-going contracts during FYE 2023 from each division are as follows:

Business Division	Contract Details	Estimated Completion Date
Building Construction	<ul style="list-style-type: none"> Alamanda Residence <p>Main building and infrastructure works for the construction of a 38-storey residence apartment located at Mukim Kuala Lumpur, Kuala Lumpur.</p>	November 2024
	<ul style="list-style-type: none"> D'Clover Residence <p>Earthworks, foundation, sub-structure, main building and infrastructure works for the construction of a 46-storey service apartments and other facilities located at Mukim Sungai Buloh, Selangor.</p>	December 2024
	<ul style="list-style-type: none"> D'ivo Residence <p>Turnkey contract for the construction of an apartment suites and retail space located at Old Klang Road, Kuala Lumpur.</p>	January 2025
Civil Engineering and Infrastructure	<ul style="list-style-type: none"> Phase 2 construction and completion of remaining earthworks for Senai Airport City in Johor Bahru, Johor. 	April 2024
	<ul style="list-style-type: none"> Provision of infrastructure works for the construction and completion of subgrade works for Section 1-2 of the ECRL project in Kota Bharu, Kelantan. 	May 2024
	<ul style="list-style-type: none"> Provision of site clearance, earthwork and ancillary works in Mukah Division, Sarawak. 	October 2024
	<ul style="list-style-type: none"> Provision of civil and associated works for Nenggiri Hydroelectric project at Mukim Ulu Nenggiri, Kelantan. 	April 2026

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS (CONT'D)

On-going Contracts (Cont'd)

Business Division	Contract Details	Estimated Completion Date
Renewable Energy	• Commercial and industrial project in Senai, Johor – Installation of PV rooftop system (812.00kWp)	March 2024
	• Commercial and industrial project in Subang Jaya, Selangor – Installation of PV rooftop system (923.36kWp)	July 2024
	• Commercial and industrial project in Bandar Baru Bangi, Selangor – Installation of PV rooftop system (1,660.54kWp)	November 2024

Tender Books

As at 31 December 2023, we have 39 pending tenders awaiting award/decision for our building construction as well as civil engineering and infrastructure segments, with a combined tender sum of RM2,806.17 million, as listed below:

Business Division	Number of Tenders	Tender Sum RM'000
Building Construction	9	1,452,424
Civil Engineering and Infrastructure	30	1,353,747
Total	39	2,806,171

FINANCIAL REVIEW

Financial Performance Review

	FYE 2023 RM'000	FYE 2022 RM'000	Variance RM'000	%
Financial Indicators				
Revenue	775,146	461,518	313,628	68.0
GP/(GL)	28,314	(407)	28,721	> 100.0
PBT/(LBT)	5,367	(18,674)	24,041	> 100.0
PAT/(LAT)	3,901	(15,560)	19,461	> 100.0
Financial Ratios				
GP/(GL) margin (%)	3.7	(0.1)	-	3.8
PBT/(LBT) margin (%)	0.7	(4.0)	-	4.7
PAT/(LAT) margin (%)	0.5	(3.4)	-	3.9

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

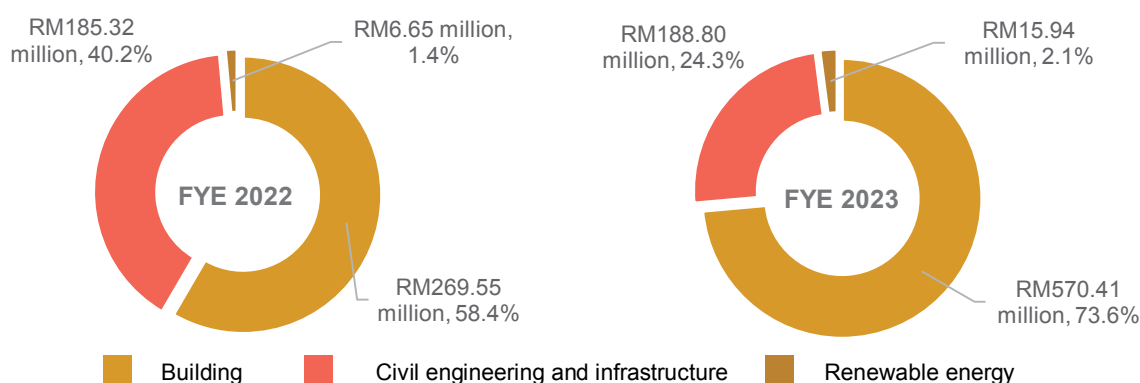
FINANCIAL REVIEW (CONT'D)

Financial Performance Review (Cont'd)

Revenue

The Group recorded revenue of RM775.15 million in FYE 2023, marking a notable increase of RM313.63 million or 68.0% as compared to RM461.52 million in FYE 2022. The increase was mainly attributable to the higher revenue generated from building construction division which contributed an increase of RM300.85 million during the financial year.

Our revenue segmentation by business division for FYE 2022 and FYE 2023 are as follows:



The Group's revenue was mainly derived from the building construction division, representing 73.6% of the Group's total revenue in FYE 2023. Revenue from building construction division has increased by 111.6% as compared to the revenue in FYE 2022 primarily due to higher construction activities undertaken during the year including various on-going projects such as Kuchai Central Mixed Development, Alamanda Residence, D'Clover Residence and D'Ivo Residence. The overall increase in revenue from the building construction division was also bolstered by the commencement of new contracts awarded during the year such as Hugoz Suites KLCC, Nestree Residence and Arte Solaris Residence.

Revenue from the civil engineering and infrastructure division is the Group's second highest revenue contributor, representing 24.3% of the total revenue in FYE 2023. The revenue from civil engineering and infrastructure division increased by RM3.48 million or 1.9% as compared to the previous financial year mainly due to higher level of construction activities from on-going projects such as Mukah project, Nenggiri Hydroelectric project and ECRL project as well as a new contract awarded during the year in relation to the provision of earthworks in Senai airport.

As the Group ventured into the renewable energy business in 2021, its contribution to the Group's revenue has been comparatively modest, representing only 2.1% of the Group's total revenue in FYE 2023. However, the revenue contributed from renewable energy division has increased by RM9.29 million or 139.7% as compared to RM6.65 million in FYE 2022, mainly due to higher number of contracts being secured and completed during FYE 2023.

GP and GP margin

In FYE 2023, the Group achieved a GP of RM28.31 million, a significant improvement compared to the GL of RM0.41 million in FYE 2022. The GP margin also improved to 3.7%, compared to negative margin of 0.1% in FYE 2022. This improvement was mainly attributable to overall increase in revenue as well as better cost control measures in place to manage the significant fluctuations of building materials cost.

PBT and PBT margin

In FYE 2023, the Group's PBT experienced a significant upswing of RM24.04 million, to RM5.37 million while our PBT margin improved to 0.7%. The increase was mainly driven by higher revenue generated as a result of the higher level of construction activities and the commencement of new contracts for both building construction division and civil engineering and infrastructure division in FYE 2023. The increase was partially offset by the increase in finance cost due to higher utilisation of banking facilities for working capital purpose.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL REVIEW (CONT'D)

Financial Position Review

	FYE 2023 RM'000	FYE 2022 RM'000	Variance RM'000	%
Non-current assets	95,216	89,913	5,303	5.9
Current assets	610,778	432,449	178,329	41.2
Total assets	705,994	522,362	183,632	35.2
Non-current liabilities	43,224	38,891	4,333	11.1
Current liabilities	529,781	361,448	168,333	46.6
Total liabilities	573,005	400,339	172,666	43.1
Total equity	132,989	122,023	10,966	9.0
Financial Ratio				
Net assets per share	0.19	0.18	0.01	5.6
Current ratio (times)	1.2	1.2	-	-
Gearing ratio (times)	1.8	1.5	0.3	20.0

The Group's total assets increased by RM183.63 million or 35.2% from RM522.36 million as at 31 December 2022 to RM705.99 million as at 31 December 2023. The increase was mainly due to an increase in contract assets by RM88.06 million as a result of timing difference in revenue recognised based on the cost incurred method compared to the certified progress billings issued to our clients. The increase was further contributed by the increase in trade receivables by RM66.91 million, in line with the overall increase in our revenue as higher retention sum retained by our clients and more billings issued towards the final quarter of FYE 2023, as well as the increase in fixed deposits with financial institutions by RM14.64 million.

Concurrently, the Group's total liabilities have increased by RM172.67 million or 43.1%, from RM400.34 million as at 31 December 2022 to RM573.01 million as at 31 December 2023. The increase was primarily attributed to higher balance of trade payables by RM113.09 million due to the increase in new contracts undertaken in FYE 2023, which in turn resulting in an increase in our bank borrowings by RM51.69 million due to net drawdown of term loan coupled with higher utilisation of short-term banking facilities such as bank overdrafts, factoring payables and invoice financing during the financial year.

As at 31 December 2023, the Group's current ratio is relatively constant at 1.2 times while the Group's gearing ratio has slightly increased to 1.8 times due to higher utilisation of bank borrowings. The Group's total equity has increased to RM132.99 million with net assets per share of RM0.19 as at 31 December 2023.

Review of Cash Flows

	FYE 2023 RM'000	FYE 2022 RM'000
Net cash used in operating activities	(18,429)	(79,244)
Net cash used in investing activities	(1,316)	(2,848)
Net cash (used in)/generated from financing activities	(7,792)	44,991
Net decrease in cash and cash equivalents	(27,537)	(37,101)
Cash and cash equivalents at the beginning of the financial year	27,042	64,143
Cash and cash equivalents at the end of the financial year	(495)	27,042

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL REVIEW (CONT'D)

Review of Cash Flows (Cont'd)

In FYE 2023, the Group recorded a net cash used in operating activities of RM18.43 million as compared to a net cash used in operating activities of RM79.24 million in FYE 2022. This was primarily contributed by the significant increase in our PBT by RM24.04 million as well as better working capital management.

The Group's net cash used in investing activities amounting to RM1.32 million in FYE 2023 was primarily attributed to the purchase of property, plant and equipment amounting to RM4.28 million, mainly consisting of machineries, building equipment and motor vehicles to facilitate the higher level of construction activities during the financial year. The cash outflow was partially offset by the proceeds from disposal of property, plant and equipment and an investment property, amounting to RM2.23 million and RM0.66 million respectively.

The Group recorded a net cash used in financing activities of RM7.79 million in FYE 2023. This was mainly due to the placement of pledged deposits with financial institutions amounting to RM14.65 million, interest expenses on bank borrowings and lease liabilities amounting to RM12.74 million as well as repayment of lease liabilities amounting to RM11.87 million. The overall cash outflow was partially offset by the net drawdown of short-term borrowings, such as factoring payable, invoice financing, and revolving credit, cumulatively amounting to RM28.77 million to finance our working capital requirements.

CAPITAL STRUCTURE, RESOURCES AND EXPENDITURE

As at 31 December 2023, the Company's share capital amounted to RM115.59 million, consisting of 682,072,000 number of shares with a net asset per share of RM0.19.

The Group finance its operations with cash generated from operations, credit extended by trade payables and/or financial institutions as well as cash and bank balances. Our facilities from financial institutions comprise of term loans, bank overdrafts, factoring payable, invoice financing, banker's acceptance, revolving credit and finance lease.

During FYE 2023, the Group has allocated a total of RM24.74 million for the following capital expenditure:

Capital Expenditure	RM'000
Land and buildings	1,221
Building equipment	8,138
Computer and software	245
Furniture and fittings	41
Machinery	9,549
Motor vehicles	3,263
Office equipment	47
Renovation	109
Tools and equipment	172
Assets under construction	1,951
Total	24,736

As of 31 December 2023, the Group's capital commitments consist of purchase of property, plant and equipment which has been approved and contracted for, amounting to RM4.68 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

ANTICIPATED AND KNOWN RISKS

Stability of Construction Material Supply and Fluctuation in Materials Cost

The Group is responsible for the purchase of construction materials as part of our contractual obligations. Most of our construction materials such as steel bars, concrete and diesel are price sensitive and we may not be able to obtain sufficient quantities of the materials at competitive prices. Any unfavourable fluctuations in material costs will impact the overall project costs and ultimately our profitability.

To minimise our exposure to the fluctuation of material cost, we have established good relationships with our suppliers to ensure a continuous supply of raw materials at competitive prices. On the other hand, we are continuously seeking to differentiate our offerings to clients with good service quality, value engineering and innovation. In recent years, more clients accepted the concept of risk-sharing, particularly by agreeing to peg the price for major construction materials in order to get a more competitive offer from the contractor. This arrangement intends to minimise our exposure to the unfavourable price fluctuations of construction materials.

Manpower Supply Risk

Our construction activities are labour intensive and therefore heavily dependent on the supply of workers, especially the foreign workers which are either under our employment or our subcontractors' employment. As such, any shortage in manpower would adversely affect the Group's business operations.

As part of our efforts in reducing the dependency on foreign workers, we promote the employment of local workers in replacement of foreign workers in order to boost local productivity and upskill our local workers.

Competitive Risk

Construction industry is a highly competitive industry, market players compete amongst each other with quality, reputation, experiences, prices as well as technical know-how. The Group faces competition from local and foreign construction companies which include listed and non-listed companies. Failure to compete effectively could materially affect the Group's performance as a whole.

To mitigate the competitive risk, we have taken the following initiatives:

- (a) continue to analyse our existing and new target markets to ensure we continue to secure contracts on satisfactory terms and conditions;
- (b) keep tracks of developments taking place in our primary field and in other closely associated areas. Develop and propose the most cost-effective methodologies with significant value addition over the competition in order to explore new and potential business opportunities;
- (c) have in place structured bid review processes with well-defined selectivity criteria that are designed to enhance the chances of winning contracts;
- (d) seek to differentiate our offerings to clients with good service quality, value engineering and innovation by focusing our clients' requirements and understanding our competitors;
- (e) anticipate the future trend to continuously improve in all aspects of our business in order to achieve sustainable growth, whether through acquisition and/or joint venture, offering of new services, venture into new geographical areas and any other industry specific solutions; and
- (f) implement annual efficiency and improvement programmes to help us remain competitive.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

ANTICIPATED AND KNOWN RISKS (CONT'D)

Health and Safety Risk

Construction industry is always subjected to higher inherent risks and hazards. Any health and safety incident happen in our project sites could potentially disrupt the business operations, causing project delays which could result in the Group incurring additional costs due to delays and damages.

In mitigating the relevant risk, we have adopted the following measures:

- (a) Board led commitment to achieve zero accidents;
- (b) in place of OSH Management System that was accredited with OHSAS 18001:2017 in year 2017 and updated to ISO 45001: 2018 in year 2020;
- (c) in place of OSH Committee to govern OSH matters;
- (d) visible management commitment with safety tours, safety audits and safety action groups; and
- (e) maintaining extensive mandatory employee training programmes to ensure our employee fully understand the relevant OSH policies and requirements.

Industry Risk

The Group is heavily dependent on the property development industry in Malaysia, as majority of the Group's clients are local property developers. In addition, the Group's infrastructure revenue stream is also highly affected by the Malaysia Government's infrastructure spending. Therefore, any adverse changes in government policies on property market and infrastructure spending may have material adverse impact on the business performance of the Group.

In response to this risk, we ventured into a new business industry, the renewable energy business in the financial year 2021. Although the renewable energy business is still in the growing stage, we will proactively secure more contracts in the coming years. This aims to reduce our dependency on our building construction as well as civil engineering and infrastructure segment while increasing our revenue stream.

FUTURE PROSPECT AND OUTLOOK

Moving into year 2024, the local and global economic continue to be affected by uncertainties with the ongoing conflict in Ukraine and Gaza, economy slowdown, inflations and recessionary environment. Despite the uncertainties, Malaysia economic conditions are expected to perform better as Bank Negara Malaysia projects a growth in our GDP of 4.0% to 5.0% while the MOF forecasts the construction industry to grow by 6.8% in 2024.

According to Kenanga research dated on 5 January 2024, the construction industry in Malaysia is expected to expand in tandem with the acceleration of infrastructure projects as Malaysia government allocated a gross development expenditure of RM90 billion to improve the country's infrastructure in Budget 2024. These projects will not only support the construction sector in the short term, but also underpin a more sustained orderbook growth phase.

In addition, the Economic Outlook 2024 issued by the MOF indicated that the residential buildings subsector is projected to grow further, aligning with the government's effort to increase affordable houses as outlined under the MADANI Neighbourhood scheme as well as new launching by the private sector. The increase in both buildings projects and infrastructure projects is expected to provide business opportunities to the Group.

Furthermore, the growing importance for sustainability and the introduction of NETR are expected to attract more investments into renewable energy industry, including installation of solar systems in buildings. This creates business opportunities for the Group to enhance our renewable energy division's performance and market share within the renewable energy industry.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FUTURE PROSPECT AND OUTLOOK (CONT'D)

Moving forward, the Group will continue focusing on the quality of our services and improving our operational efficiencies to maintain our competitiveness as well as our sustainability commitments. The Group will also leverage the opportunities initiated by the Government to strengthen our business and financial position by tendering for more projects, including building construction, civil engineering and infrastructure as well as renewable energy. The Group is cautiously optimistic of achieving an improve financial performance for the coming years, supported by our unbilled order book of approximately RM1,609.84 million.

DIVIDEND

No dividend was declared or paid in FYE 2023 as the Company is currently prioritising on strengthening its business and operations in order to ensure a long-term growth.

At present, the Company does not have any formal dividend policy. Any recommendation or declaration is at the discretion of the Board and subject to various factors, such as operating cashflow and capital expenditure requirements, financial performance and other factors considered relevant by the Board.

BOARD OF DIRECTORS

EN. MOHD NOOR BIN SETAPA

INDEPENDENT NON-EXECUTIVE CHAIRMAN



MOHD NOOR BIN SETAPA, a Malaysian male aged 60, is our Independent Non-Executive Chairman. He was appointed to our Board on 15 April 2021.

In 1986, he obtained a Quantity Surveying Diploma from Universiti Teknologi Malaysia. He graduated with a Bachelor of Science in Quantity Surveying from the Glasgow Caledonian University, Scotland in 1999. He subsequently obtained a Master of Science in Management from the Robert Gordon University, Scotland in 2007.

Upon obtaining his diploma in 1986, he began his career as a Quantity Surveyor with Coastal Resources Sdn Bhd where he was involved in the preparation and completion of tender submissions and contract documents. In 1988, he was promoted to Project Manager where he was responsible for monitoring and managing construction site activities.

He left the Coastal Resources Sdn Bhd in 1992 and subsequently established Benteng Dunia Sdn Bhd and served as its Managing Director where he was responsible for daily operations, charting business strategies and its corporate development. The company was involved in the provision of construction services, such as the KTM double tracking project from Tanjong Pagar, Singapore to Kulai, Johor, via a joint venture with two other companies. In 1997, he exited Benteng Dunia Sdn Bhd as Managing Director and shareholder. He then left for Scotland in 1998 to further his studies full time.

Upon finishing his degree in 1999, he began to provide oil and gas related advisory work on a freelance basis from 2000 to 2005. In 2006, he enrolled in a masters programme, where he studied full time before graduating in 2007. From 2008 to 2012, he continued to provide oil and gas related advisory work on a freelance basis.

In 2013, he joined Metra LLC as its Chief Executive Officer, a company in Oman which is involved in asset integrity (such as management and maintenance of corporate assets) for companies operating in the oil and gas industry. He was responsible for the overall implementation of the company's strategic plans as well as the overall planning and business development activities. He left the company in 2019.

He does not hold any shares in Nestcon and has no family relationship with any Directors and/or major shareholders of Nestcon. He has no conflict of interest or potential conflict of interest, including any interest in any competing business with the Group. He does not hold directorship in any public companies and public listed companies. He currently sits on the board of directors in several private companies. He has not been convicted of any offences other than traffic offences (if any) in the past five (5) years and has not been imposed any penalties by any regulatory bodies during FYE 2023.

He has attended five (5) out of five (5) Board Meetings for FYE 2023.

BOARD OF DIRECTORS (CONT'D)

DATUK IR. DR. LIM JEE GIN

GROUP MANAGING DIRECTOR



DATUK IR. DR. LIM JEE GIN, a Malaysian male aged 50, is our Group Managing Director. He was the first Director of our Company since inception. He is a member of our Sustainability and Risk Management Committee. He is responsible for charting our business strategies and managing our corporate development.

He obtained his Bachelor of Engineering (Civil) (Hons) and Master of Science (Project Management) from Universiti Putra Malaysia in 1999 and 2003 respectively. In 2016, he completed his Doctor of Philosophy (Business Administration) from City University of Science and Technology, Malaysia. For his Master of Science and Doctor of Philosophy, both his thesis were focused on IBS, i.e. "Important criteria for IBS from the perspective of major project participants" and "Appropriate strategic management approaches for enhancing project performance through adoption of the IBS in the Malaysian construction sector". He is a registered Professional Engineer with Practicing Certificate (P. Eng) since 2006, a Corporate Member of the Institution of Engineers Malaysia (MIEM) since 2006 and a Chartered Fellow of The Chartered Association of Building Engineers, United Kingdom since 2020.

Upon graduation in 1999, he began his career as a Project Engineer with Sunway PMI-Pile Construction Sdn Bhd, where he was responsible for implementing quality management system while coordinating and supervising construction activities. In May 2000, he was transferred to Sunway Precast Industries Sdn Bhd as Project Engineer and involved in pre-construction and planning activities from the initial design stage up to site implementation. During his tenure in Sunway Group, he was also involved in the construction of government quarters for teachers using full IBS method and in scheduling of the precast components' plant production output, manpower and logistics to the project sites.

In October 2000, he left Sunway Group and joined Rekabina Jaya Sdn Bhd as a Project Engineer, where he participated in various construction projects ranging from civil engineering to building construction works. During his tenure there, he was also responsible for project bids and tender submission, project planning and scheduling, preparation of project documents as well as liaising with relevant authorities, customers, project consultants and subcontractors.

In 2003, he left Rekabina Jaya Sdn Bhd and joined ABV Builders Sdn Bhd as a Construction Manager where he was responsible for the overall planning and coordination of construction activities as well as contract administration and execution of building and infrastructure construction projects. In 2004, he joined Nagano Holdings Sdn Bhd as a Project Director and was responsible for the management of construction activities on project sites, including the planning and coordinating of project activities. He then joined Nestcon Infra in 2009 and served as a Director of the company, where he played an instrumental role in managing the business development and strategies of the company while overseeing its daily operations. In 2016, he was subsequently appointed as Managing Director of the company.

In 2013, he co-founded Nestcon Builders to venture into the provision of building construction services. Since then, he has successfully completed a number of civil engineering, infrastructure and building construction projects in the Group.

He is the Substantial Shareholder of the Company and has no family relationship with any Directors and/or major shareholders of Nestcon. He has no conflict of interest or potential conflict of interest, including any interest in any competing business with the Group. He does not hold directorship in any public companies and public listed companies. He currently sits on the board of directors in several private companies. He has not been convicted of any offences other than traffic offences (if any) in the past five (5) years and has not been imposed any penalties by any regulatory bodies during FYE 2023.

He has attended five (5) out of five (5) Board Meetings for FYE 2023.

BOARD OF DIRECTORS (CONT'D)

**MR.
ONG YONG
CHUAN**
EXECUTIVE DIRECTOR



ONG YONG CHUAN, a Malaysian male aged 49, is our Executive Director. He was the first Director of our Company since inception. He is responsible for the overall implementation of our Group's strategic plans as well as the overall planning and business development activities of our Group's building construction projects. He graduated with a Bachelor of Engineering (Civil) (Hons) from Universiti Putra Malaysia in 1999.

He began his industrial training as a Site Engineer with Pembinaan Puncak Cergas Sdn Bhd in 1998 where he was involved in the planning, managing, executing and supervising of construction of schools using pre-cast components in Negeri Sembilan. He left to join Danau Reka Sdn Bhd in 2002 as a Project Engineer where he was involved in managing and supervising building construction projects up to his departure in 2006.

In 2007, he joined Baxtium Construction Sdn Bhd as a Director and shareholder where he was responsible for the overall planning and business development activities for the company. He was also responsible for managing and supervising the company's building construction works to ensure compliance with customers' requirements, in addition to fulfilling the project requirement in terms of quality, time and cost of projects.

In 2013, he co-founded Nestcon Builders to venture into the provision of building construction services. In 2014, he left Baxtium Construction Sdn Bhd and joined Nestcon Builders as a Director where he is responsible for Nestcon Builders' business strategies and business development activities. He also oversees the company's building construction projects.

He is the Substantial Shareholder of the Company by virtue of his direct and indirect interests in the shareholdings held by himself and his wife. He has no family relationship with any Directors and/or major shareholders of Nestcon. He has no conflict of interest or potential conflict of interest, including any interest in any competing business with the Group. He does not hold directorship in any public companies and public listed companies. He currently sits on the board of directors in several private companies. He has not been convicted of any offences other than traffic offences (if any) in the past five (5) years and has not been imposed any penalties by any regulatory bodies during FYE 2023.

He has attended five (5) out of five (5) Board Meetings for FYE 2023.

BOARD OF DIRECTORS (CONT'D)

MS. **LIM JOO SENG**

FINANCE DIRECTOR



LIM JOO SENG, a Malaysian female aged 50, is our Finance Director. She was appointed to our Board on 26 August 2020. She is responsible for our Group's financial functions, which include financial planning, review and reporting. She graduated from Macquarie University in Sydney, Australia with a Bachelor of Commerce (Accounting) in 1998. She is a member of Certified Public Accountants of Australia and MIA, both since 2003.

Upon graduation, she started her career in 1999 as a Tax Assistant in Sekhar & Tan, where she was involved in preparation of tax returns for clients. In 2000, she joined Deloitte KassimChan as an Audit Senior where she was involved in statutory audits for clients in various industries as well as in special assignments relating to listing exercises and mergers and acquisitions. In 2004, she left the firm to join Eversafe Engineering Sdn Bhd as Finance Manager and was responsible for the company's financial reporting and accounting matters.

In 2005, she joined Deloitte Touche Tohmatsu CPA Ltd as a Manager based in China and was responsible for leading, managing and coordinating audit engagements with clients from various industries. She was also involved in special assignments related to listing and financial due diligence. In 2010, she left and joined XinRen Aluminium Holdings Limited as Chief Financial Officer, where she was responsible for overseeing its restructuring exercise and preparation for its listing in Singapore. She was also responsible for managing, coordinating and monitoring the company's projects from acquisitions of strategic companies to external funding exercises.

In 2017, she left XinRen Aluminium Holdings Limited and has since been providing financial advisory work on a freelance basis. In the same year, she was appointed as an Independent Non-Executive Director of Nexion Technologies Limited, a company listed on the Hong Kong Stock Exchange. She joined our Group in her current position in December 2019.

She has no family relationship with any Directors and/or major shareholders of Nestcon. She has no conflict of interest or potential conflict of interest, including any interest in any competing business with the Group. She is currently Independent Non-Executive Director of two (2) public listed companies, namely Nexion Technologies Limited and KGW Group Berhad. She also holds directorship in several private limited companies. She has not been convicted of any offences other than traffic offences (if any) in the past five (5) years and has not been imposed any penalties by any regulatory bodies during FYE 2023.

She has attended five (5) out of five (5) Board Meetings for FYE 2023.

BOARD OF DIRECTORS (CONT'D)

EN. NOR AZZAM BIN ABDUL JALIL

INDEPENDENT NON-EXECUTIVE DIRECTOR



NOR AZZAM BIN ABDUL JALIL, a Malaysian male aged 59, is our Independent Non-Executive Director. He was appointed to our Board on 26 August 2020, and is also the Chairman of our Remuneration Committee and Nominating Committee. He is also a member of our Audit Committee and Sustainability and Risk Management Committee.

He graduated with a Bachelor of Business Administration (Finance) from George Washington University, USA in 1987. Upon his graduation, he was employed as an Executive Trainee by Bank of Commerce (M) Berhad. In 1991, he was promoted as Assistant Vice President responsible for managing the bank's Nostro accounts. In 1993, he moved to the corporate banking department as a Credit Officer and was promoted to Head of Japanese Desk in 1995.

In 1999, after the merger of Bank of Commerce (M) Berhad and Bank Bumiputra Malaysia Berhad to Bumiputra-Commerce Bank Berhad, he was redesignated as Business Center Manager where he was responsible to set-up and manage a business center in Klang Valley. In 2000, he was seconded to Tokyo, Japan branch of Bumiputra-Commerce Bank Berhad as General Manager to manage the day-to-day operations of the branch.

He returned to Malaysia in 2005 to be Chief Executive Officer of Commerce Tijari Bank Berhad of which he successfully launched Islamic Bank the same year. After merged with CIMB Group, he was transferred to CIMB Bank Berhad as Regional Director IV (responsible for forty (40) South Selangor and Negeri Sembilan branches, and three (3) business centres) in 2006. He was subsequently promoted to Senior Vice President/Regional Director I (responsible for forty-five (45) Kuala Lumpur branches) in 2010. He remained with the CIMB group and was promoted several times before leaving CIMB Bank Berhad in 2016. His last position with the bank was Senior Managing Director and/or Acting Head of Consumer Sales and Distribution, where he was responsible for driving retail banking and enterprise banking businesses. He was also appointed as Chief

Executive Officer of CIMB Foundation and was leading and overseeing the Corporate Social Responsibility efforts for the group as well as the Non-Independent Non-Executive Director of CIMB-Principal Asset Management Bhd. He then joined Kuwait Finance House (Malaysia) Berhad in the same year as Deputy Chief Executive Officer, where he was responsible for assisting in driving the overall strategic direction of the bank's business.

In 2017, he left Kuwait Finance House (Malaysia) Berhad to join his family business, Voxel Imaging Sdn Bhd, a visual effects and production company for film and television as well as end-to-end production for corporate and commercial clients. He currently manages the financial and investment aspects of the company.

He does not hold any shares in Nestcon and has no family relationship with any Directors and/or major shareholders of Nestcon. He has no conflict of interest or potential conflict of interest, including any interest in any competing business with the Group. He is currently Independent Non-Executive Chairman of Ocean Vantage Holdings Berhad. He also holds directorship in several private limited companies. He has not been convicted of any offences other than traffic offences (if any) in the past five (5) years and has not been imposed any penalties by any regulatory bodies during FYE 2023.

He has attended five (5) out of five (5) Board Meetings for FYE 2023.

BOARD OF DIRECTORS (CONT'D)

MR. YEOH SHEONG LEE

INDEPENDENT NON-EXECUTIVE DIRECTOR



YEOH SHEONG LEE, a Malaysian male aged 50, is our Independent Non-Executive Director. He was appointed to our Board on 26 August 2020 and serves as Chairman of our Audit Committee and Sustainability and Risk Management Committee. He is also a member of our Remuneration Committee and Nominating Committee.

He graduated with a Bachelor of Business from Swinburne University of Technology in Melbourne, Australia in 1997. He is a member of the Certified Public Accountants of Australia since 2001, member of MIA since 2003 and obtained his practicing certificate from MIA since 2011 as well as his audit license since 2012.

He began his career with Ernst & Young in the Audit Department in 1998 where he was involved in statutory audits for clients in various industries as well as in special assignments relating to financial due diligence, limited review and profit forecast. He left and joined Chew & Associates, a public accounting firm, in 2004 as an Assurance and Advisory Director where he was responsible for leading, managing and coordinating audit, accounting and tax engagements with clients from various industries. He was subsequently made a partner of the firm in 2012 and is now the Head of Audit and Advisory Department in the firm.

He has no family relationship with any Directors and/or major shareholders of Nestcon. He has no conflict of interest or potential conflict of interest, including any interest in any competing business with the Group. He is currently Independent Non-Executive Director of Lysaght Galvanized Steel Berhad. He also holds directorship and shareholdings in several private companies. He has not been convicted of any offences other than traffic offences (if any) in the past five (5) years and has not been imposed any penalties by any regulatory bodies during FYE 2023.

He has attended five (5) out of five (5) Board Meetings for FYE 2023.

BOARD OF DIRECTORS (CONT'D)

CIK. ROSLINDA BINTI AWANG @ MAT YAZID

INDEPENDENT NON-EXECUTIVE DIRECTOR



ROSLINDA BINTI MAT YAZID, a Malaysian female aged 53, is our Independent Non-Executive Director. She was appointed to our Board on 28 December 2021. She is a member of our Audit Committee, Remuneration Committee, Nominating Committee and Sustainability and Risk Management Committee.

In 1994, she graduated with a Bachelor of Civil Engineering (Hons) from Universiti Teknologi Malaysia. She is a Member of the Institution of Engineers Malaysia (MIEM) and the Board of Engineers Malaysia (BEM) since 1997.

She began her career with HSS Integrated Sdn Bhd in 1994 as an Engineer, where she was tasked to design and supervise a condominium project. In 1996, she joined SHR Associates Sdn Bhd as an Engineer, where she was responsible for design and supervision of apartment and double storey houses projects. She then joined Jurutera Perunding Primareka Sdn Bhd in 1998 as a Senior Engineer for handling planning, design and coordination of infrastructure and building projects under Perbadanan Putrajaya Ventures Sdn Bhd and Putrajaya Holdings Sdn Bhd.

In 2004, she expanded her career exposure in construction sector by joining Amaturen Construction Sdn Bhd as the Technical Director, where she was involved in technical related matters, project planning and management, coordination and contract administration as well as liaison with other stakeholders such as local authorities, project consultants and clients for building construction projects.

Since 2016 to current, she has been serving SNA Consult Sdn Bhd as an Associate Consulting Engineer for design, planning, coordination and managing multiple high-rise residential building projects, commercial building projects and also mixed development township projects.

She does not hold any shares in Nestcon and has no relationship with any Directors and/or major shareholders of Nestcon. She has no conflict of interest or potential conflict of interest, including any interest in any competing business with the Group. She does not hold directorship in any public companies and public listed companies. She has not been convicted of any offences other than traffic offences (if any) in the past five (5) years and has not been imposed any penalties by any regulatory bodies during FYE 2023.

She has attended five (5) out of five (5) Board Meetings for FYE 2023.

PROFILES OF KEY SENIOR MANAGEMENT

MR.
YEE CHEE SING
PROJECT DIRECTOR - CIVIL ENGINEERING
AND INFRASTRUCTURE DIVISION

YEE CHEE SING, a Malaysian male aged 43, is Project Director in our Civil Engineering and Infrastructure Division. He is primarily responsible for the planning, coordination, and management of our civil engineering and infrastructure constructions activities. He is also responsible for the implementation of our management systems on project sites. He graduated from Universiti Malaya with a Bachelor of Engineering (Civil) (Hons) in 2006.

He began his career in 2006, as a Project Engineer with Mudajaya Corporation Berhad where he was involved in overseeing and coordinating site activities which include material delivery and quality control to ensure it is in accordance with project specifications. He left in 2009 to join Putra Perdana Construction Sdn Bhd as a Site Engineer. His responsibilities with the company include preparation of periodic work programmes as well as liaising and corresponding with clients and other parties in the company's projects.

In 2012, he left and joined Nagano Holdings Sdn Bhd as a Project Manager where he was involved in the planning and coordination of construction activities. He was also involved in contract administration and execution, as well as the implementation of quality systems on project sites. He left to join Nestcon Infra as a Project Director in 2017.

He has no family relationship with any Directors and/or major shareholders of Nestcon. He has no conflict of interest or potential conflict of interest, including any interest in any competing business with the Group. He does not hold directorship in any public companies and public listed companies. He has not been convicted of any offences other than traffic offences (if any) in the past five (5) years and has not been imposed any penalties by any regulatory bodies during FYE 2023.

MR.
LAU HOE CHEONG
GENERAL MANAGER OF TENDER AND CONTRACTS
- CIVIL ENGINEERING AND INFRASTRUCTURE
DIVISION

LAU HOE CHEONG, a Malaysian male aged 49, is the General Manager of Tender and Contracts in our Civil Engineering and Infrastructure Division. He is responsible for overseeing the tendering and implementation of contract to ensure projects are carried out in accordance with our policies and procedures. He graduated from Universiti Sains Malaysia with a Bachelor of Science (Housing, Building and Planning) (Hons) in Construction Management in 1999.

He began his career in 1999 as a Junior Quantity Surveyor with Geahin Engineering Sdn Bhd where he was involved in the preparation of progress reports, material ordering as well as preparation of tender submissions. He left in 2000 to join Sincere Concept (M) Sdn Bhd as a Quantity Surveyor where he was involved in the preparation and completion of tender submissions and contract documents, and processing of payment applications. He left in 2001 and joined Project Bumi Bina Sdn Bhd (now known as TCS Construction Sdn Bhd) as a Senior Quantity Surveyor where he oversaw suppliers and subcontractors' tenders and contract terms. He was also responsible for conducting valuation of work executed as well as preparation of monthly progress claims.

In 2005, he left and joined Nagano Holdings Sdn Bhd as a Contract Manager where he was involved in establishing cost control procedures including project cash flow and preparation of final project accounts. He left in 2018 and joined Nestcon Infra in his current capacity.

He has no family relationship with any Directors and/or major shareholders of Nestcon. He has no conflict of interest or potential conflict of interest, including any interest in any competing business with the Group. He does not hold directorship in any public companies and public listed companies. He has not been convicted of any offences other than traffic offences (if any) in the past five (5) years and has not been imposed any penalties by any regulatory bodies during FYE 2023.

PROFILES OF KEY SENIOR MANAGEMENT (CONT'D)

MR.
KHOO CHUN HOW
GENERAL MANAGER OF TENDER AND
CONTRACTS - BUILDING DIVISION

KHOO CHUN HOW, a Malaysian male aged 43, is the General Manager of Tender and Contracts in our Building Division. He is primarily responsible for overseeing the tendering and contract functions of our building construction projects. He obtained an Engineering Diploma (Quantity Surveying) from Federal Institute of Technology Malaysia in 2003.

He began his career with Bina Goodyear Berhad in 2003 as an Assistant Contract Executive where he was responsible for preparation of progress report, quantity taking off as well as material ordering. He left in 2009 and joined Conlay Construction Sdn Bhd as a Contract Executive where he was responsible for the preparation of tender submissions and processing of payment applications. He left in 2010 and joined BTH Technologies Sdn Bhd in 2011 as a Project Manager where he was responsible for site management activities in relation to pre-cast construction method and costing analysis relating pre-cast components. He left in 2013 and joined Nestcon Builders in 2014 as a Contract Manager where he was responsible for contract tendering, main contract and subcontract management as well as main contract and subcontract claims. He was promoted to his current position in 2022.

He has no family relationship with any Directors and/or major shareholders of Nestcon. He has no conflict of interest or potential conflict of interest, including any interest in any competing business with the Group. He does not hold directorship in any public companies and public listed companies. He has not been convicted of any offences other than traffic offences (if any) in the past five (5) years and has not been imposed any penalties by any regulatory bodies during FYE 2023.

MR.
LIM KIE NYAP
GENERAL MANAGER OF PROJECT
- BUILDING DIVISION

LIM KIE NYAP, a Malaysian male aged 50, is the General Manager of Project in our Building Division. He is primarily responsible for the planning, coordinating, and management of our building construction activities. He obtained a Diploma in Civil Engineering from Bedford Technical College, Malaysia in 1999.

He began his career in 1992 after leaving secondary school as a Site Supervisor of Teknik Cekap Sdn Bhd, where he was involved in coordinating the company's site activities which include material ordering and quality control. He left and joined Panbuilt Sdn Bhd in 1994 as a Site Supervisor. He was later promoted to a Senior Site Supervisor in 1996 and was involved in the implementation of work programmes and safety policies at the company's construction sites.

He left the company in 1999 and joined Fairway Terrace Sdn Bhd as a Senior Site Supervisor where he was responsible for the planning and coordination of company's construction activities. He left to join Bina Goodyear Berhad in 2005 as a Site Agent where he was in charge of construction site activities as well as coordinating site progress work between subcontractor and the M&E contractor. He left to join Aconbel Sdn Bhd in 2007 as a Senior Site Agent, responsible for coordinating site progress work and the implementation of quality system on site.

In 2009, he left and joined Baxtium Construction Sdn Bhd as an Architecture Manager where he was involved in the planning and coordination of the company's construction activities. He subsequently left in 2013 and joined Nestcon Builders as a Project Manager. He was promoted to his current position in 2022.

He has no family relationship with any Directors and/or major shareholders of Nestcon. He has no conflict of interest or potential conflict of interest, including any interest in any competing business with the Group. He does not hold directorship in any public companies and public listed companies. He has not been convicted of any offences other than traffic offences (if any) in the past five (5) years and has not been imposed any penalties by any regulatory bodies during FYE 2023.

PROFILES OF KEY SENIOR MANAGEMENT (CONT'D)

MS.
WONG WAI PENG
GROUP SENIOR FINANCE MANAGER

WONG WAI PENG, a Malaysian female aged 50, is our Group Senior Finance Manager. She is primarily responsible for our financial planning and review, and financial reporting functions.

She obtained the London Chamber of Commerce and Industry's Higher Diploma in Accounting from Systematic College in 1994 and later obtained a Bachelor of Science (Hons) in Applied Accounting from ACCA, Oxford Brookes University in 2004.

She joined Lee & Associates in 1996 as an Audit Assistant after completing her first level of the ACCA program, where she was involved in statutory audit works on private and public listed companies. She was subsequently promoted to Audit Senior in 1999. She left the firm in 2000 and joined Biolitec (M) Sdn Bhd as a Senior Accounts and Administration Executive where she was responsible for handling the full set of accounts and daily financial accounting operations, amongst others. She continued to pursue the ACCA program on a part time basis and obtained her Bachelor degree in 2004.

She left the company in 2005 and joined Carlsberg Brewery Malaysia Berhad as an Accounts Executive where she was promoted several times namely, to Assistant Manager in 2009 and Manager, Management Accounts in 2012. During her tenure there, she was responsible for local and global reporting including preparation of management accounts, statutory accounts and annual report, annual budgets and forecasts.

She left and joined New Hoong Fatt Holdings Berhad in 2016 as its Finance Manager where she was responsible for the Group's treasury function including cash management and funding requirements. She was also overseeing the Group's financial planning and reporting, budgeting, implementation of accounting policies and procedures. She left and joined our Group in March 2020. She was promoted to her current position in 2023.

She has no family relationship with any Directors and/or major shareholders of Nestcon. He has no conflict of interest or potential conflict of interest, including any interest in any competing business with the Group. He does not hold directorship in any public companies and public listed companies. He has not been convicted of any offences other than traffic offences (if any) in the past five (5) years and has not been imposed any penalties by any regulatory bodies during FYE 2023.

SUSTAINABILITY STATEMENT



Dear Valued Stakeholders,

Nestcon Group believes in the importance of sustainable business practices to create long-term value for both the people and planet. We recognise that our business operations would have certain degree of impacts to the local economy, surrounding environment and the society at large, and hence our commitment to deliver sustainable values is embodied in our mission and core values.

The Board is pleased to present the Sustainability Statement for FYE 2023, which demonstrates our dedication to sustainability and outlines our strategies and performance in addressing material sustainability risks and opportunities within the context of EESG.

SCOPE AND REPORTING PERIOD

This Sustainability Statement covers the Group's sustainability initiatives, strategies and performance across our business operations in Building and Infrastructure segment as well as Renewable Energy segment, all within Malaysia. The reporting period spans from 1 January 2023 to 31 December 2023, unless otherwise specified.

MATERIAL MATTERS ASSESSMENT

An annual material matters assessment is conducted to reassess, identify and prioritise the list of material matters that are relevant to the Group and various stakeholders. Kindly refer to our Material Matters Assessment in this Sustainability Statement for further details.

BASIS OF PREPARATION

This Sustainability Statement was prepared based on the available internal information with reference to AMLR relating to sustainability statements and its Sustainability Reporting Guide 3rd Edition. Nestcon has also made reference to UNSDG as a guideline in developing the Group's sustainability strategies.

FEEDBACK

Nestcon welcomes all stakeholders' feedbacks or suggestions on this Sustainability Statement and/ or any other sustainability matter as it is essential for our continued journey in improving our sustainability measures and reporting standards. All feedbacks, comments and inquiries can be directed to ir@nestcon.my.

SUSTAINABILITY STATEMENT (CONT'D)

SUSTAINABILITY COMMITMENT

The Group is dedicated to integrate sustainability practices into our operations spectrum as we believe they foster long-term value for our stakeholders and ensure resilience of the Group. Our strategic sustainability initiatives are designed to drive growth, enhance operational efficiencies, and mitigate risks effectively. In our development of sustainability practices, we are guided by the following key pillars:

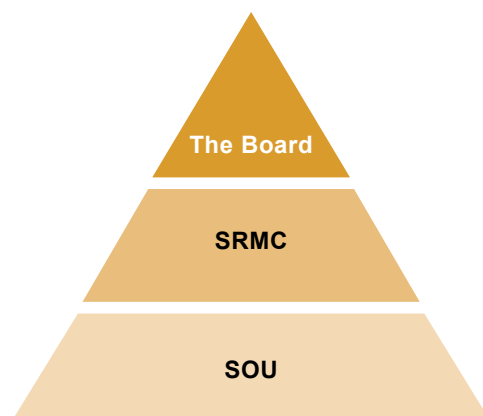


SUSTAINABILITY GOVERNANCE STRUCTURE

Nestcon sustainability governance structure is designed to ensure that sustainability is embedded into the backbone of the Group. The Board is ultimately responsible for the overall Group's sustainability management. Recognising the importance of sustainability, the Board has collectively decided to redesignate the Risk Management Committee to SRMC on 29 May 2023.

This strategic move further solidifies the integration of the Group's sustainability objectives into our corporate strategies, risk management protocols and decision-making processes. The SRMC is entrusted to oversee the implementation of sustainable strategies and report any major sustainability issues to the Board on a periodical basis.

Furthermore, we have established a dedicated SOU that is tasked to ensure all pertinent sustainability issues are diligently addressed and managed across the Group through diverse initiatives, including stakeholders' engagement and material matters assessments. SOU is required to report to the SRMC on a half yearly basis.



SUSTAINABILITY STATEMENT (CONT'D)

ENGAGEMENT WITH STAKEHOLDERS

At Nestcon Group, we are in cognisant that communication with our stakeholders could contribute to the Group's sustainable growth. We are dedicated to actively engage with our various stakeholder groups through formal and informal avenues. In FYE 2023, we have continued to engage with our various stakeholders to understand their areas of concern via various engagement channels as follows:

Stakeholders	Areas of Concern/Material Matters	Engagement Approaches
 Shareholders/ Investors	<ul style="list-style-type: none"> • Business and financial performance • Investment risk and returns • Share price performance • Business expansion plan • Corporate governance • Regulatory compliance 	<ul style="list-style-type: none"> • Annual reports • Quarterly financial results • General meetings • Bursa announcement • Company website and social media • Investor briefings
 Employees	<ul style="list-style-type: none"> • Career progression • Competitive remuneration and benefits • OSH • Training and development 	<ul style="list-style-type: none"> • Performance appraisal • Company events • Training and development programmes
 Clients	<ul style="list-style-type: none"> • Regulatory compliance • Timely completion and delivery of quality project • Proper project management and communication • Customer satisfaction 	<ul style="list-style-type: none"> • Site visits • Physical interactions • Project progress meetings • Email or phone communications
 Suppliers/ Subcontractors	<ul style="list-style-type: none"> • Fair procurement process • Fair credit terms and timely payment • Business collaboration opportunities 	<ul style="list-style-type: none"> • Tender process • Supplier and subcontractor evaluation • Project progress meetings • Physical interactions • Email or phone communications
 Government/ Regulator	<ul style="list-style-type: none"> • Regulatory compliance • Permits and licences • Corporate governance 	<ul style="list-style-type: none"> • Site visits • Compliance audit • Bursa announcement
 Analyst/Media	<ul style="list-style-type: none"> • Share price performance • Financial and operational performance • Business expansion plan • Corporate governance 	<ul style="list-style-type: none"> • General meetings • Company website • Bursa announcement • Briefings and interviews
 Community	<ul style="list-style-type: none"> • Environmental impact from business operations • Local economic supports • Local employment creation 	<ul style="list-style-type: none"> • Company website and social media

SUSTAINABILITY STATEMENT (CONT'D)

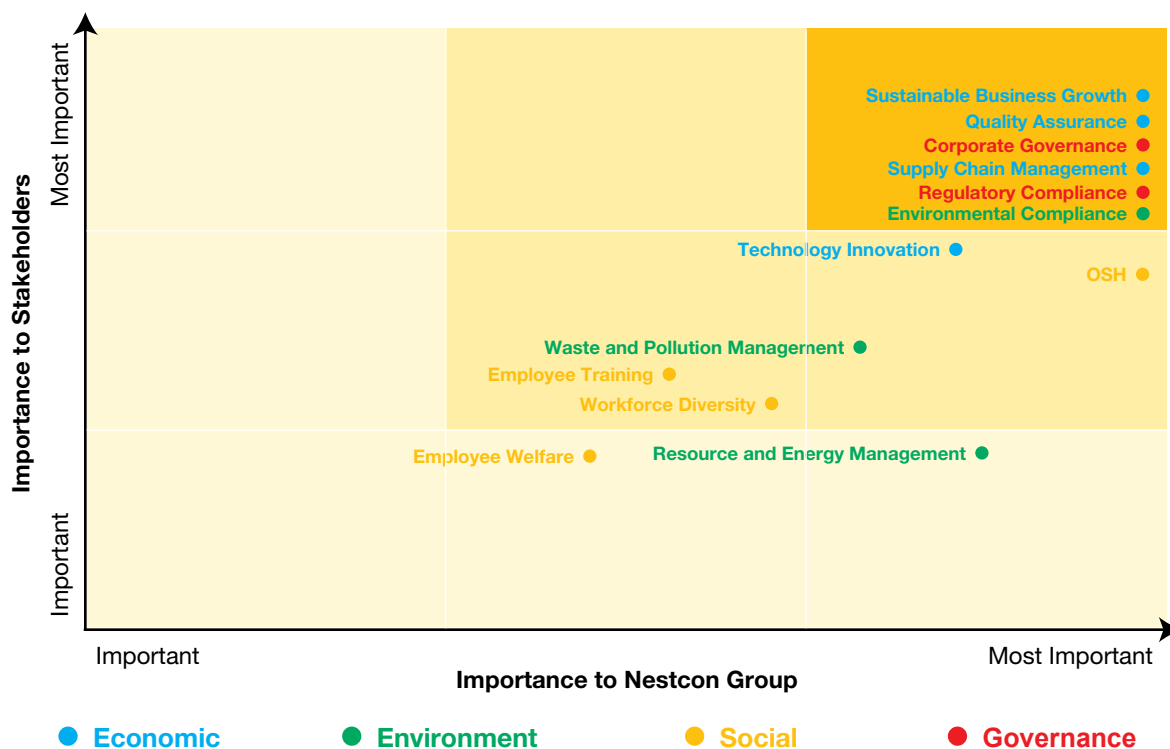
MATERIAL MATTERS ASSESSMENT

Material matters assessment is pivotal for the Group to identify, analyse and prioritise the material sustainability matters which are most relevant to the Group and the stakeholders. To maintain the relevance of the Group's material matters in alignment with evolving business landscapes and regulatory mandates, we conduct our annual material matters assessment through a three-step approach as illustrated below:



MATERIAL MATTERS MATRIX


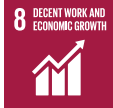







In FYE 2023, we have revisited our sustainability matters identified previously and concluded that most of them remained relevant to both the Group and various key stakeholders. The thirteen (13) key material matters identified, ranging from "Important" to "Most Important", are illustrated in the following Material Matters Matrix:



SUSTAINABILITY STATEMENT (CONT'D)

SUSTAINABILITY STRATEGIES

Our sustainability strategies are developed based on the thirteen (13) material matters identified with reference to eight (8) relevant UNSDGs are illustrated in the following table:

	Material Matters	Sustainability Strategies	UNSDGs
Economic	<ul style="list-style-type: none"> Sustainable Business Growth Quality Assurance Technological Innovation Supply Chain Management 	<ul style="list-style-type: none"> To continuously secure new building construction as well as civil engineering and infrastructure contracts while expanding our renewable energy segment To enhance project quality and ensure timely delivery To leverage on technology to optimise operational efficiency To source raw materials and sub-contracting services responsibly from local suppliers, whenever possible 	   
Environmental	<ul style="list-style-type: none"> Water and Pollution Management Resources and Energy Management Environmental Compliance 	<ul style="list-style-type: none"> To minimise pollution from business operations and implement proper waste disposal practices To deploy natural resources diligently and efficiently To fully comply with all applicable environmental regulations 	
Social	<ul style="list-style-type: none"> Workforce Diversity OSH Employees Welfare Employees Training 	<ul style="list-style-type: none"> To nurture a dynamic and inclusive workforce while offer equal opportunities to all employees To ensure OSH Committee manages OSH matters effectively To attract and retain talents through competitive remuneration and benefit To provide training and career growth opportunities 	  
Governance	<ul style="list-style-type: none"> Corporate Governance Regulatory Compliance 	<ul style="list-style-type: none"> To ensure ethical business conducts and uphold strong corporate governance practices To ensure compliance to all applicable laws and regulations 	

SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC

ENVIRONMENT

SOCIAL

GOVERNANCE



SUSTAINABLE BUSINESS GROWTH

To achieve sustainable business growth via continuous increase in revenue generated

Sustainable business growth stands at the forefront of our priorities here at Nestcon Group, recognising that our contributions to local economic development hinge on a steadfast commitment to business sustainability. Our track record speaks volumes, with a history of successful completion of numerous building construction, civil engineering and infrastructure projects across Malaysia. As at 31 December 2023, our completed projects comprise of fifteen (15) building construction contracts and twenty-five (25) civil engineering and infrastructure contracts in our Building and Infrastructure segment. These accomplishments reflect our dedication to fostering growth while delivering impactful results within Malaysia's economic landscape.



Aligned with UNSDG Target 8.1, the Group is committed to delivering sustainable value and returns to all our stakeholders while forging a resilient path towards the future. During FYE 2023, we have embarked on several strategic business expansion initiatives as follows:

(1) Expansion of Building Construction, Civil Engineering and Infrastructure Portfolios

On 10 January 2023, Nestcon Builders has been awarded with a contract for the construction of 47-storey mixed commercial development located in Kuala Lumpur. This project encompasses earthworks, piling, retaining wall, substructure, main building works and infrastructure works. With a contract sum of RM200.00 million and an overall completion period of 41 months, this project has contributed positively to the Group's financial performance in FYE 2023 and is expected to further contribute to the Group in the next two (2) to three (3) years.

Within the same period, our Nestcon Infra had on 18 January 2023 secured a contract for Phase 2 construction of the Proposed Development of Senai Airport City, to undertake remaining earthworks for the development on Lot PTD 175349 – PTD 175352 in Johor. With a provisional contract sum of RM27.26 million and a completion period within 15 months, this project is poised to positively contribute to the Group's financial performance in both FYE 2023 and FYE 2024.

In addition, on 21 February 2023, Nestcon Builders has been awarded a contract for the construction of a 52-storey office suites and serviced apartments in Mont Kiara, Kuala Lumpur. With a total contract value of RM153.98 million, this project is slated for completion within 36 months. It has bolstered the Group's financial performance in FYE 2023 and is expecting to continue benefiting the Group over the next two (2) to three (3) years.

Our Nestcon Builders had further on 26 May 2023 awarded with another contract valued at RM190.00 million. This project involves undertaking main building and infrastructural works for the construction and completion of phase 2 of a condominium development in Kuala Lumpur. The project aims to be completed within 28 months and has already favourable contribution to the Group's financial performance in FYE 2023. Furthermore, it is anticipated to continue positively impacting the Group's financial performance over the next one (1) to two (2) years.

As at 31 December 2023, the Group has thirty-two (32) on-going contracts with a total of RM 1.59 billion of unbilled order book, comprising of eleven (11) building construction contracts and twenty-one (21) civil engineering and infrastructure contracts. Additionally, we have thirty-nine (39) submitted tenders that are pending for decision, consisting nine (9) building construction contracts and thirty (30) civil engineering and infrastructure contracts, amounting to a total tender sum of RM2.81 billion.

Our commitment to expanding both the building construction as well as civil engineering and infrastructure portfolios, as evidenced in our order book and ongoing tenders, underscores our dedication and capabilities in sustaining our business growth. This solidifies our resolve to accomplish UNSDG Target 9.1 and 11.3.



SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC

ENVIRONMENT

SOCIAL

GOVERNANCE



SUSTAINABLE BUSINESS GROWTH (CONT'D)

To achieve sustainable business growth via continuous increase in revenue generated

(2) Expansion of Renewable Energy Division

Nestcon Sustainable Solutions and its subsidiaries have made significant strides in fulfilling contracts secured in the preceding year, successfully adding RM15.94 million to the Group's revenue. As at 31 December 2023, our Renewable Energy segment continue to thrive with thirty (30) on-going contracts, boarding an unbilled order book of RM23.49 million. This substantial pipeline is anticipated to make a positive contribution to the Group's financial performance in the upcoming years.

Moving forward, we foresee a surge in investments within the renewable energy industry, particularly in solar systems installation, following the introduction of the NETR. This strategic initiative presents lucrative prospects for Nestcon Group to augment our performance and market presence in the renewable energy sector in the forthcoming years, aligning closely with UNSDG Target 7.2.



QUALITY ASSURANCE

To maintain ISO certification status

To score 70 or above for all QLASSIC assessments

Quality assurance is paramount in the construction industry, playing a pivotal role in ensuring the durability, safety, and functionality of built structures. By implementing rigorous quality control measures throughout the construction process, we can identify and address potential issues before they escalate, thus minimising costly rework and delays.

Quality assurance practices encompass everything from materials testing and compliance with building codes to adherence to project specifications and standards. Ensuring quality not only safeguards the investment of our clients but also upholds the reputation and credibility of the Group. Moreover, in an era of increasing emphasis on sustainability and environmental responsibility, high-quality construction practices contribute to the longevity and resilience of built environments, ultimately benefiting communities and future generations. Thus, prioritising quality assurance is not just a best practice for us but a fundamental aspect of responsible and successful construction endeavours.

To maintain consistency in the quality of our deliverables, our QESH Department plays a central role to oversee the Group's quality control system across all projects. Additionally, to strengthen our dedication to quality, we have implemented a comprehensive IMS. This robust system seamlessly integrates our QMS, OHSMS, and EMS, fostering a holistic approach to quality assurance throughout our organisation. Through the collective efforts of our QESH Department and the IMS, we ensure that every aspect of our operations aligns with the highest standards of quality, safety, and environmental responsibility.

Our dedication to quality is evident through the ISO 9001:2015 certifications bestowed upon Nestcon Builders and Nestcon Infra by AGM Certification Sdn Bhd since 2017. This esteemed recognition underscores our steadfast commitment to upholding consistently high standards across all our endeavours.

SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC

ENVIRONMENT

SOCIAL

GOVERNANCE



QUALITY ASSURANCE (CONT'D)

To maintain ISO certification status

To score 70 or above for all QLASSIC assessments

Additionally, our commitment to quality in construction projects has been acknowledged by the QLASSIC. In evaluations of the workmanship quality for the Panorama Project, Mossaz Project and Embayu Project, we achieved notable scores of 83%, 87% and 83% respectively, showcasing our capacity to consistently surpass industry benchmarks. Within the Group, we are unwaveringly dedicated to delivering excellence across all projects and exceeding the expectations of our clients and society at large. Presented below are some examples of our quality certifications:



TECHNOLOGICAL INNOVATION

To leverage on technology for operational efficiencies

In today's rapidly evolving business landscape, staying competitive requires a proactive approach to harnessing technological innovation. At Nestcon Group, we understand the transformative power of technology in streamlining our business operations, optimising processes, enhancing efficiency and ultimately driving sustainable growth. In this regard, we have embraced various technologies to improve our business operations in both our project sites and office, in line with UNSDG Target 8.2.

Project Sites

During FYE 2023, we continue to adopt the following three (3) on-site casting IBS formwork systems to enhance our building construction operations:

- ➔ Aluminium formwork system for constructing high-rise buildings;
- ➔ Green formwork system for early striking operation for slabs; and
- ➔ Post-tensioning slab system that utilises high-strength tensioned steel strands to compress the slabs and thereby keep most of the concrete in compression.

These on-site casting IBS formwork systems offer a multitude of advantages, including increased efficiency and cost savings due to streamlined construction processes. They also ensure enhanced quality and safety through standardised components and simplified assembly procedures. Additionally, these systems support sustainability efforts by minimising waste and carbon emissions, while their flexibility allows for customisation to suit diverse project needs. Overall, the adoption of IBS formwork systems represents a comprehensive approach to improving construction practices, delivering benefits in efficiency, quality, safety, and environmental impact.

In addition to on-site casting IBS formwork systems, we also embrace value engineering in our building construction operations. This entails a meticulous assessment of every component's function and its corresponding costs within the construction project, with the primary objective of cost reduction and time savings. Furthermore, the integration of a post-tensioning system within the framework of value engineering offers additional benefits. By employing this system, we can minimise the use of reinforcing bars while reducing the volume of concrete and crane time required.



SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC

ENVIRONMENT

SOCIAL

GOVERNANCE



TECHNOLOGICAL INNOVATION (CONT'D)

To leverage on technology for operational efficiencies

Office

The Group is still in the midst of integrating our back-office systems to include purchasing and accounting, into a unified resource planning system. This integration is expected to be completed by the second quarter of 2024. This new integrated system has significantly streamlined our processes, automated redundant procedures, centralised our data, and bolstered our planning and reporting capabilities.



SUPPLY CHAIN MANAGEMENT

To mainly engage with local suppliers and subcontractors

Effective supply chain management is paramount in the construction industry, serving as a cornerstone for project success. From sourcing raw materials to delivering finished structures, every aspect of construction hinges on a well-managed supply chain. A streamlined and efficient supply chain ensures timely access to quality materials and resources, enabling construction projects to meet deadlines and stay within budget constraints. Additionally, robust supply chain management minimises disruptions and delays, mitigating risks associated with material shortages or logistical challenges.

By fostering collaboration and coordination among stakeholders, including suppliers, contractors, and subcontractors, effective supply chain management enhances transparency, accountability, and overall project performance. Ultimately, in an industry where timing is critical and margins are tight, a well-orchestrated supply chain is indispensable for achieving project objectives and maximising profitability.

Stressing the importance of a reliable and efficient supply chain, the Group has in place a SOPs for screening potential eligible suppliers and subcontractors, requiring them to go through our stringent screening process. This process involves them submitting a pre-qualification submission that includes intricate details about their company profile, track record and details regarding their financial position.

Whereas for our approved suppliers and contractors, our team will conduct a semi-annual evaluation on criteria such as their quality system, services, material delivery, competitive pricing, credit terms, technical advice, workmanship, hand-over schedule, jobsite discipline and OSHA. Our discipline to conduct the semi-annual evaluation is to ensure our standards are consistently met and to minimise the risk of disruptions to our supply chain. We are proud to announce that none of our suppliers or subcontractors have failed to meet our assessment requirements.

As at 31 December 2023, our approved supplier and subcontractor list includes 90 alternative suppliers and 39 alternative subcontractors, reflecting the stability and sustainability of our supply chain.

At Nestcon Group, our dedication lies in prioritising local subcontractors and suppliers whenever feasible, all while maintaining the high standards of quality and timeliness in project delivery. This steadfast commitment not only supports local businesses and creates employment opportunities but also contributes to domestic economic growth in line with UNSDG Target 8.1.



In FYE 2023, our Building and Infrastructure segment successfully procured 100% of materials and subcontracting services from local suppliers and subcontractors, while our Renewable Energy segment achieved 60% procurement from local sources.

Group Procurement Rate in FYE 2023:

Building and Infrastructure Segment

100%

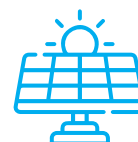
Local Procurement



Renewable Energy Segment

60%

Local Procurement



SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC	ENVIRONMENT	SOCIAL	GOVERNANCE
----------	-------------	--------	------------



WASTE AND POLLUTION MANAGEMENT

To minimise the impact of pollution and manage waste disposal

At the Group, we strive to minimise waste resulting from our construction activities. This includes waste from raw materials like timber, plywood, metal, concrete, and cement, as well as hazardous waste such as engine oil and filters from on-site machinery and vehicles. For FYE 2023, we are pleased to report that our total waste generated was less than 3% of our total raw materials consumed.

Aligned with UNSDG Target 12.5, we strictly adhere to disposal guidelines and implement measures to mitigate waste. This approach allows us to significantly minimising our environmental footprint, as outlined below:

TARGET 12.5



SUBSTANTIALLY
REDUCE WASTE
GENERATION

 Timber and Plywood	 Concrete and Cement Mortar	 Reinforcement Bar	 Worn Tyre	 Engine Oil and Filters
Our Actions for Waste Minimisation				
Pivoted from timber and plywood formwork to aluminium and steel formwork	Use precise amounts of concrete and cement mortar and utilise dry mix mortar to reduce cement waste	Plan and order pre-cut reinforcement bar in specific measurements to avoid wastage	Utilise worn tyres in preparing access road to project site or to resurface the road with rubberised asphalt road	Carry out proper maintenance of plant and machinery to prevent damage or oil leakages
Disposal Method				
Dispose to local authorities or Government approved dumping ground		Reuse material, whenever possible, and resale the remaining material to approved recycle centre	Rethread and reuse tyre whenever possible	Keep in proper container, dispose to the relevant licensed waste collector

In addition to waste management, we acknowledge that our construction activities, such as excavation, demolition, carpentry, hacking, and vehicle movement, inevitably result in various forms of pollution, notably noise and ambient dust. To mitigate these adverse environmental impacts, we adhere to our own EMP. This plan serves as a blueprint for reducing pollution stemming from our construction operations. Examples of guidelines outlined in the EMP include:

- install temporary shelters with plastic sheets to minimise or contain dust;
- obtain approval from local authorities before conducting rock blasting activities; and
- use appropriate containment measures for storing chemicals, grease, and oils to prevent spillage into water sources.

SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC	ENVIRONMENT	SOCIAL	GOVERNANCE
----------	-------------	--------	------------



WASTE AND POLLUTION MANAGEMENT (CONT'D)

To minimise the impact of pollution and manage waste disposal

Apart from our construction activities in the Building and Infrastructure segment, our operations in the Renewable Energy segment, specifically as a turnkey contractor in the solar sector, also generate waste such as end-of-life PV panels. As part of our commitment to sustainability, we aim to recycle valuable materials from these solar PV panels. It is essential to dismantle these panels in an environmentally responsible manner, considering that they contain various components that may pose potential harm to the environment.

The process of recycling solar PV panels involves several key steps to ensure the efficient extraction and purification of valuable materials while minimising environmental impact, as illustrated below:



Delamination	Material separation	Material extraction & purification
Solar PV panels are to separate the various components. This typically involves removing the glass cover, aluminium frame, and other materials from the solar cells.	Once delamination is completed, the different components of the solar PV panels are separated into distinct material streams. This separation may involve mechanical methods, such as shredding or grinding, to break down the panels into smaller pieces.	After separation, the valuable materials, such as silicon wafers and metals are extracted through processes like crushing, grinding, and chemical treatment. These extracted materials then undergo purification, removing impurities and contaminants, to meet the required quality standards for reuse in manufacturing new solar PV panels or other applications. Purification may involve refining techniques such as electrolysis or chemical purification methods.

Throughout each stage of the recycling process, careful attention is paid to environmental considerations to minimise waste and pollution. By effectively delaminating, separating, extracting, and purifying materials from end-of-life solar PV panels, these can contribute to the sustainable management of resources and the promotion of circular economy principles in the renewable energy industry.

SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC	ENVIRONMENT	SOCIAL	GOVERNANCE
----------	-------------	--------	------------



RESOURCES AND ENERGY MANAGEMENT

To ensure efficient use of resources and energy

In our commitment to sustainable practices and environmental stewardship, we prioritise efficient use of resources and energy across all our construction project sites and our office in line with UNSDG Target 12.2. Recognising the importance in minimising our ecological footprint, we integrate innovative strategies to optimise resource consumption and energy usage. Through meticulous planning and implementation, we aim to foster a culture of environmental responsibility while ensuring the smooth operation of our project sites and office. Our dedication to resources and energy management underscores our commitment to both operational excellence and environmental sustainability.



Project Sites

To achieve the abovementioned goal, we have implemented several initiatives at our project sites as follows:

- installed rainwater harvesting systems to capture and store rainwater, reducing our reliance on municipal water supplies and minimising water wastage;
- installed energy-efficient LED light bulbs to cut down electricity consumption. These lights automatically switch off when not in use, further conserving energy and reducing our environmental impact;
- utilise eco-friendly materials such as low volatile organic compound paints throughout our construction activities so as to minimise environmental footprint;
- ensure proper storage of diesel and monitor the usage of diesel against working hours of machinery and progress of work at site so as to prevent wastage and unauthorised use. In FYE 2023, we utilised a total of 5.4 million litres of diesel, translating to a production of 14.0 million kilogram of CO₂; and
- choose electric over diesel for machinery and equipment whenever feasible as electric machinery and equipment contribute to lower air pollution and greenhouse gas emissions compared to the diesel-powered counterparts.

Office

Apart from implementing green sustainability initiatives at our project sites, our office also incorporates the following green initiatives:

- encourage car-pooling for physical meetings, site visits, tender interviews as well as commuting to and from work so as to reduce carbon emissions associated with travel;
- use of virtual meetings and presentations so as to reduce the travel time; and
- ensure all water taps, lights and air-conditioners are switched off when they are not in use.

SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC	ENVIRONMENT	SOCIAL	GOVERNANCE
----------	-------------	--------	------------



ENVIRONMENTAL COMPLIANCE

To fully comply with all applicable environmental regulations

As a conscientious construction company, we acknowledge the environmental implications that our construction activities may entail. Adopting a proactive stance, we vigilantly monitor our project site operations, recognising the varying environmental footprints associated with different phases of our construction activities. Our dedication lies in adhering to all applicable environmental legislations, regulations, standards and guidelines as follows:

Element/ Aspect	Acts and Guidelines
Water	<ul style="list-style-type: none"> Interim National Water Quality Standards Water Enactment Act
Noise	<ul style="list-style-type: none"> World Health Organisation Recommended Noise Exposure Limits Occupational Safety and Health (Noise Exposure) Regulations 2019
Petroleum	<ul style="list-style-type: none"> Petroleum Safety Act 1984
Drainage	<ul style="list-style-type: none"> Drainage & Irrigation Act Drainage & Irrigation Manual
Erosion	<ul style="list-style-type: none"> Erosion Guidelines
EIA	<ul style="list-style-type: none"> Malaysian Public Works Department Guidelines for EIA Department of Environment Guidelines for EIA

We are pleased to report that we have adhered to all relevant environmental laws and regulations in FYE 2023 and hence no fines or penalties were incurred due to non-compliance of environmental regulations imposed by authorities.

SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC

ENVIRONMENT

SOCIAL

GOVERNANCE

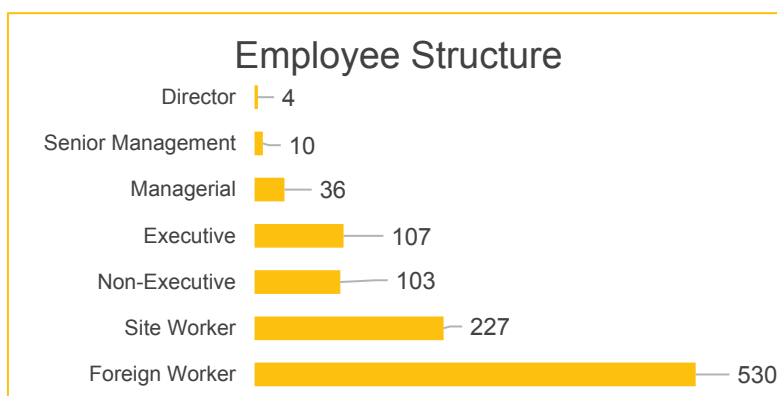
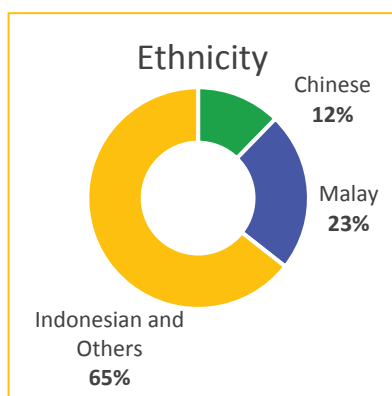
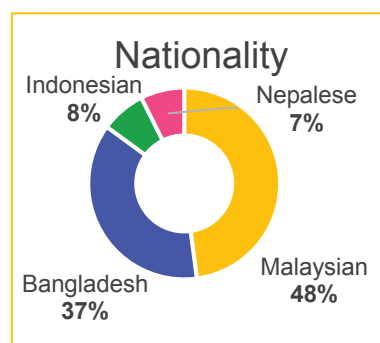
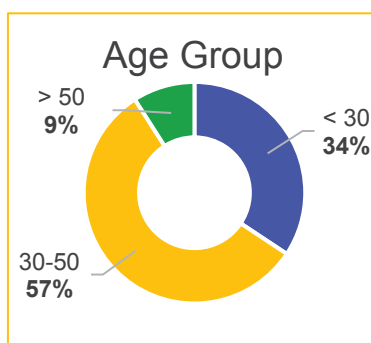
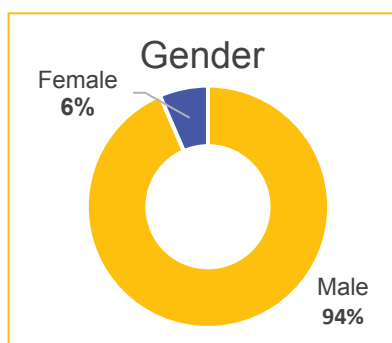


WORKFORCE DIVERSITY

To manage employee turnover rate within 20%

In Nestcon, we acknowledge the pivotal role of our employees in driving our success and sustain our growth. Recognising the benefits of diversity in fostering innovation and creativity, especially in Malaysia's multicultural context, we are committed to nurturing a dynamic and inclusive workforce while maintain a workplace that offers equal opportunities to all employees in line to UNSDG Target 10.3.


As at 31 December 2023, our workforce comprised 1,017 individuals. It is worth noting that our employee demographics may lean more towards males and individuals under the age of 50, reflecting the nature of the construction industry. However, it is important to emphasise that we do not discriminate based on gender or age in our hiring practices. We are committed to integrating individuals from diverse backgrounds into our team. Our employee demographics are illustrated as follows:



Our employees' expertise and tenure are vital for our growth. A low turnover rate ensures operational stability and fosters productivity and positive employer-employee relationships. In FYE 2023, we successfully maintained our turnover rate below 20%, achieving an average of 18%, compared to 21% in FYE 2022. We are committed to sustaining this achievement in the future.

SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC	ENVIRONMENT	SOCIAL	GOVERNANCE
----------	-------------	--------	------------

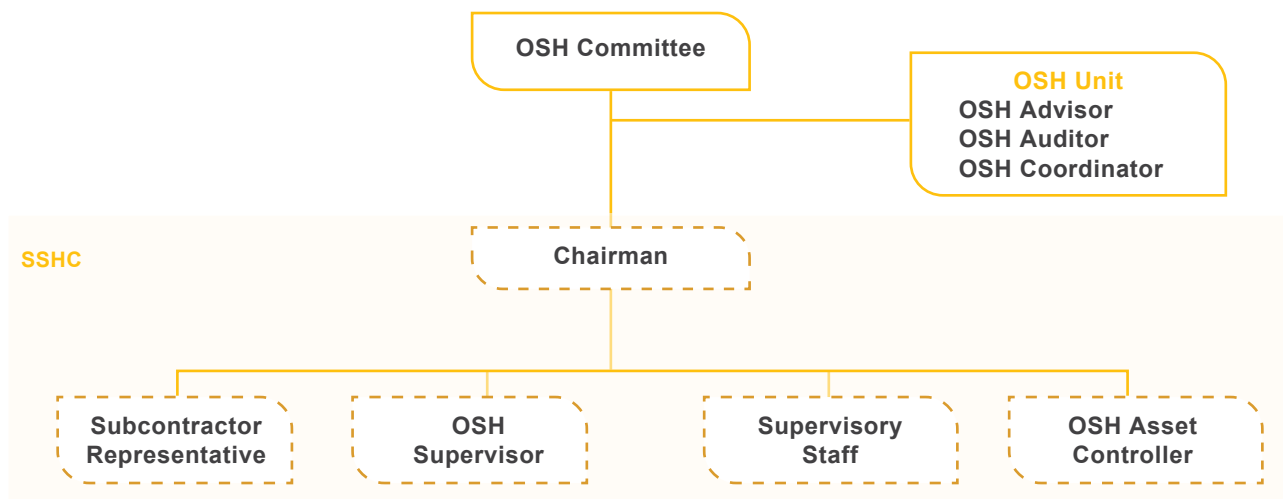


OCCUPATIONAL SAFETY AND HEALTH
To achieve zero-injury workplace

Ensuring occupational safety and health remains a top priority for the Group, given the inherent risks associated with construction industry. Aligned with our OSH Policy and UNSDG Target 8.8, we are committed to investing in OSH initiatives to manage risks effectively, enhance safety standards, and ultimately strive for a workplace with zero injuries. Some of our OSH initiatives include provision of adequate PPE and provide regular OSH briefings and training sessions for employees.



To effectively manage our OSH initiatives and affairs, we have put in place an OSH Committee. Our OSH Committee is supported by our QESH Department, OSH Unit as well as the SSHC as follows:



Our QESH Department oversees adherence to pertinent quality, OSH, and environmental regulations. Our OSH Unit operates independently to enforce the compliance to the Group's OSH guidelines. Additionally, our SSHC, comprising representatives from both the Group and subcontractors, is in place to enhance the effectiveness of OSH management and initiatives at project sites.

Our stringent OSH Management System in our Building and Infrastructure Division has been accredited with ISO 45001:2018 since 2020, an upgrade from our previous accreditation of OHSAS 18001:2017. This recognition demonstrates our adherence to internationally recognised standards and underscores our commitment to health, safety and well-being of our employees.

During FYE 2023, we have conducted a series of OSH briefing and training sessions aimed at enhancing our employees' understanding and awareness of OSH matters. These sessions covered a range of topics including hazard identification, emergency response procedures, important safety guidelines, proper use of PPE, proper use of fire extinguisher and wet riser, and safe work practices. We believe that continuous education and training are essential in fostering a culture of safety and reducing the risk of workplace accidents and injuries.

We are pleased to announce that we maintained a record of zero workplace injuries in FYE 2023. Looking ahead, we are dedicated to further strengthen our OSH management procedures, prioritising the safety and well-being of all employees in the workplace.

SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC	ENVIRONMENT	SOCIAL	GOVERNANCE
----------	-------------	--------	------------



EMPLOYEES WELFARE

To nourish employees' wellbeing

As a responsible employer, Nestcon believes in fairly rewarding employees for their dedication and commitment, recognising their vital role in supporting our business sustainability. Our benefits package is tailored to each employee's job grade and tenure, fostering fairness and acknowledging their contributions and loyalty.

Moreover, aligning with UNSDG Target 3.8, we prioritise health coverage by providing comprehensive health insurance and personal accident schemes to our employees. This ensures they have access to necessary healthcare without financial strain. Our employee benefits include:



 Leave Entitlements	<ul style="list-style-type: none"> Annual leave Emergency leave Medical leave Marriage leave Compassionate leave Maternity leave and entitlement 	<ul style="list-style-type: none"> Paternity leave Study/Examination leave Leave for seminar/ conference training Replacement leave
 Health Benefit	<ul style="list-style-type: none"> Medical benefits Executive health screening Group hospitalisation and surgical insurance scheme Group term life insurance scheme Group personal accident scheme 	
 Allowances	<ul style="list-style-type: none"> Overtime claim and meal allowance Relocation allowance Travelling claim Site allowance, accommodation and transport allowance Mobile phone allowance Entertainment claim 	
 Other Welfare	<ul style="list-style-type: none"> Membership of Sports and Social Club (Neston Recreational Club) Gift and condolence Long service award Retirement award 	

In addition to offering competitive compensation and benefits, we actively promote camaraderie and unity among our employees through various company events and celebrations of major cultural festivals. For instance, on 11 and 12 of June 2023, we organised a team-building event aimed at fostering stronger bonds among our employees.

On a separate note, despite our diligent efforts, we regret to report that we have incurred fines of approximately RM3,000 for two (2) instances of non-compliance with labour laws and regulations. The Group is committed to mitigating these issues and enhancing our practices to minimise the likelihood of future breaches of relevant labour laws and regulations.



SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC	ENVIRONMENT	SOCIAL	GOVERNANCE
----------	-------------	--------	------------



EMPLOYEES TRAINING

To empower employees towards excellence

Employee trainings are essential for the growth and success of the Group as we understand that training programmes enhance knowledge and skills of our employees, offer professional growth opportunities and keeping them updated with industry trends and best practices. By investing in trainings, we demonstrate our commitment to employees' development and foster a culture of continuous improvement, leading to more engaged, productive, and adaptable employees. In FYE 2023, we have invested a total of approximately RM50,000 in trainings. A summary of the trainings attended by our employees are as follows:

Training Programmes Attended in FYE 2023	
March 2023	<ul style="list-style-type: none"> Occupational Safety and Health Conference
April 2023	<ul style="list-style-type: none"> Taxation of Property Developers and Contractors Intensive Programme OSH Leadership and Communication
May 2023	<ul style="list-style-type: none"> Presentation and Disclosure of Information in Financial Statements Tenaga Safety Passport
June 2023	<ul style="list-style-type: none"> High Performance Team Transfer Pricing Documentation and Managing Transfer Pricing Audit
July 2023	<ul style="list-style-type: none"> Basic Rigging and Signalling Course Penyertaan OSH Explorace 2023 Construction Procurement & Contract Administration
August 2023	<ul style="list-style-type: none"> Tenaga Safety Report
September 2023	<ul style="list-style-type: none"> Malaysian Occupational Safety & Health Conference (MOSH-CON) Tenaga Safety Passport Microsoft Excel – Intermediate to Advance
October 2023	<ul style="list-style-type: none"> Environmental, Social and Governance (ESG) The Ways Forward Mastering e-Invoicing Implementation in Malaysia
November 2023	<ul style="list-style-type: none"> Teknologi Hijau Dalam Projek Pembinaan Microsoft Project Basic and Intermediate
December 2023	<ul style="list-style-type: none"> Taklimat Kesedaran Kawalan Pencegahan Aedes Ditapak Bina OSH Principle of Prevention on Mental Health at Workplace

While we encourage our employees to attend trainings, our GMD has also shown initiative in staying updated with industry trends by adopting a continuous learning approach. During FYE 2023, he has participated in various seminars, including:

1. Asia Real Estate Leaders Singapore
2. YTL - Materials and Practices for Sustainability in Concrete Construction
3. YTL - Challenges for Concreting in Tropical Climate
4. Asia Real Estate Leaders Jakarta
5. BEM Convention 2023 - Engineering ESG For the Nation
6. UTAR - Environmental, Social and Governance (ESG) The Ways Forward
7. Conflict of Interest - Unpacking the Obligations of Directors and Key Officers

SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC

ENVIRONMENT

SOCIAL

GOVERNANCE



CORPORATE GOVERNANCE

To uphold high standard of corporate governance and good business ethics

To maintain our commitment to high standards of corporate governance and ethical business practices, we adhere to our Code of Conduct. The Code of Conduct is designed to provide guidance to our employees and stakeholders, emphasising the importance of integrity, accountability, and transparency in all business transactions. It serves as a framework for conducting business with the utmost regard for ethical principles.

In line with UNSDG Target 16.5, we abide strictly to our ABC Policy to demonstrate our zero-tolerance stand against all forms of bribery and corruption. The ABC Policy delineates adequate measures in addressing potential bribery and/or corruption situations.

To facilitate the implementation of our ABC Policy, the Group has also put in place an AFWB Policy to serve as an avenue for our employees and stakeholders to raise concerns or report on any improper conduct or malpractice in the Group.

In acknowledgment of our ongoing commitment to anti-bribery and corruption practices, our Anti-Bribery Management System has been accredited with ISO 37001:2016 under the scope of “provision of infrastructure, earthworks, and building construction services for anti-bribery practises” since year 2020. We are determined to maintain our ISO status as a testament to our unwavering commitment to anti-bribery practices.

We are delighted to announce that in FYE 2023, neither the Group nor our employees faced any complaints related to bribery, corruption, fraud, or money laundering. Consequently, no fines, penalties, or settlements were imposed on us throughout the year.



REGULATORY COMPLIANCE

To fully comply with all applicable laws and regulations

Nestcon Group diligently adheres to all relevant acts, guidelines, laws and regulations that applicable to our business operations, amongst others, listed as follows:

- Construction Industry Development Board Act
- Town and Country Planning Act 1976
- Street, Drainage and Building Act, 1974
- Occupational Safety and Health Act 1994
- Factories and Machinery Act 1976
- Environmental Quality Act 1974
- Employment Act 1955 (Amendment 2022)

The Group is pleased to announce that in FYE 2023, there were no breaches of any laws or regulations, leading to zero fines or penalties imposed by regulatory authorities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board recognises the importance of practicing high standards of CG in the best interest of the Company and its stakeholders, and to protect and enhance shareholders' value and the performance of the Group. The Board is pleased to present this CG Statement to provide shareholders and investors with an overview of the CG practices adopted by the Company during FYE 2023 in achieving the intended outcomes as set out in the MCCG with reference to the following three (3) key principles, under the stewardship of the Board:

- (a) Principle A: Board Leadership and Effectiveness;
- (b) Principle B: Effective Audit and Risk Management; and
- (c) Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

This CG Statement also serves as in compliance with Rule 15.25 of AMLR of Bursa Securities and it is to be read together with the CG Report for FYE 2023 of the Company which is available on the Company's website. The CG Report for FYE 2023 provides the details on how the Company has applied each Practice as set out in the MCCG during FYE 2023. The CG Report for FYE 2023 is available at <http://www.nestcon.my/>.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

Intended Outcome

1.0 Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

1.1 The Board is collectively responsible and accountable for guiding the strategic, direction, leadership, governance and performance of the Group. Additionally, the Board oversees the development and approval of Nestcon's vision, mission and core value, policies and goals related to economic, environmental and social impacts to ensure long-term success of the Company and sustainable value for its stakeholders. The Board is led by Encik Mohd Noor Bin Setapa, the Independent Non-Executive Chairman. The management of the Company is led by the GMD with the support of EDs of the Company. The GMD provides reports to the Board on the overall business operations and strategic aims of the Company, ensuring that the Directors are informed of current operations, challenges and strategic plans of the Group. During AC meetings and Board meetings, the GMD briefs the Directors on operations, issues encountered and the Group's strategy plans in order for the Board to be kept abreast on the conduct, business activities and developments. The Chairman of the SRMC provides updates to the Board on the Group's risk management, sustainability strategies, business plans and key initiatives to achieve sustainability outcomes. The Board plays a key role in advising Management on formulation short-term and long-term business strategies in alignment with the Company's values and standards. The Finance Director also updates the Directors on the Group's financial position, cash flow, and liquidity, facilitating discussions on resource deployment to meet the Company's objective. Overall, the Board's discussions and advice guide the Company in making well-informed decisions for its sustainable growth.

In the discharge of the Board's duties and responsibilities, the Board has delegated specific tasks and authorities to four (4) Board Committees namely, the AC, NC, RC and SRMC. These Committees support the Board in carrying out its responsibilities, overseeing the Company's affairs, and addressing issues within their respective functions and TOR, which clearly outline their objectives, duties and powers. The Chairman of each Committee is responsible for reporting to the Board on the outcome of the Committee's meetings and resolutions, which includes the key issues deliberated during the Committee's meetings.

- 1.2 The Board is chaired by Encik Mohd Noor Bin Setapa, who provides effective leadership, strategic direction and necessary governance to the Group. During Board meetings, the Chairman plays an active role in ensuring that all Directors are given an opportunity and sufficient time to contribute to discussions, encourage active participation and that all matters on the agenda are addressed.
- 1.3 The positions of the Chairman and GMD are held by two (2) different individuals and each has a clear accepted division of responsibilities to ensure a balance of power and authority, such that none of the individual has unfettered powers in decision making. The Chairman is primarily responsible for instilling good corporate governance practices, leadership and effectiveness of the Board as a whole, while the GMD has overall responsibilities over the business operations, day-to-day management of the Group and the implementation of the Board's policies and decisions. These divisions of responsibilities are set out in the Company's Board Charter.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. BOARD RESPONSIBILITIES (CONT'D)

- 1.4 The Chairman is not a member of the AC, NC, RC and SRMC. With the consent and invitation from the AC, Encik Mohd Noor bin Setapa has attended some of the AC meetings during FYE 2023 to observe the discussions pertaining to industry prospects. The CG Report for FYE 2023 has explained the departure from application of the best practice under 1.4 advocated under MCCG.
- 1.5 The Company is supported by Ms. Teo Soon Mei (MAICSA 7018590 and SSM Practicing Certificate No. 201908000235) ("**Ms. Teo**"), a suitably qualified and competent Company Secretary, who has met all the requisite credentials and qualification under Section 235(2) of The Act. Ms. Teo is registered with the CCM under Section 241 of The Act and holds a practicing certificate issued by the Registrar of Companies. With extensive knowledge and experience in public practice, Ms. Teo actively assists the Management in preparing all necessary documentation, minutes and updates for Board and Board Committees' meetings. Throughout FYE 2023, the Company Secretary and her representative attended all Board and Board Committees' meetings. Additionally, Ms. Teo has provided valuable advice, updates and guidance to both the Board and Management on regulatory and company secretarial matters. By staying abreast of the latest regulatory and CG developments through continuous training and industry updates, Ms. Teo has further enhanced her professional knowledge. She has participated in various relevant continuous professional development activities throughout FYE 2023. The Board is satisfied with the performance and support provided by the Company Secretary in fulfilling her functions and duties.
- 1.6 The agenda for the Board/Board Committees' meetings together with relevant reports and information on the Company's business operations, as well as the proposal papers for the Board/Board Committee's consideration, are circulated to all the Directors at least five (5) business days in advance to enable the Directors to have ample time to review the material and to obtain additional information or clarification as needed prior to the meeting. The minutes of the Board/Board Committees' meetings are circulated to the respective Chairman of the meetings on a timely manner for review before they are confirmed and adopted by members of the Board/Board Committees at their respective meetings.

During FYE 2023, the Board had convened a total of five (5) Board meetings for the purposes of deliberating on the Company's quarterly financial results, the audited financial statements, the change of the external auditors, the internal auditors report, the report from the Chairman of SRMC, the annual report and CG Report, discussing the gap analysis in relation to the internal practice against the best practice advocated under the MCCG, annual evaluation of performance of the Board, the Board Committees and the individual Directors, review policies and procedures of the Board and other strategic and important matters. During the Board meetings, the Board reviewed the operations, budget and performance of the Group and other strategic issues that may affect the Group's business. Relevant senior management members and advisors were invited to attend some of the Board meetings to provide the Board with their views and clarifications on issues raised by the Directors. The NC was satisfied that the Directors, to the best of their ability, have devoted sufficient time and effort to attend Board and/or Board Committees meetings for FYE 2023.

The attendance of Directors during FYE 2023 is set out below:

Name	Designation	The attendance for the following Meetings				
		Board	AC	NC	RC	SRMC
Mohd Noor Bin Setapa	Independent Non-Executive Chairman	5/5	Not member	Not member	Not member	Not member
Datuk Ir. Dr. Lim Jee Gin	Group Managing Director	5/5	Not member	Not member	Not member	2/2
Ong Yong Chuan	Executive Director	5/5	Not member	Not member	Not member	Not member
Lim Joo Seng (f)	Executive Director	5/5	Not member	Not member	Not member	Not member
Nor Azzam Bin Abdul Jalil	Independent Non-Executive Director	5/5	5/5	1/1	1/1	2/2
Yeoh Sheong Lee	Independent Non-Executive Director	5/5	5/5	1/1	1/1	2/2
Roslinda Binti Awang @ Mat Yazid (f)	Independent Non-Executive Director	5/5	5/5	1/1	1/1	2/2

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. BOARD RESPONSIBILITIES (CONT'D)

Intended Outcome

2.0 There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

- 2.1 The Company has adopted a Board Charter that has included a formal schedule of matters reserved for the Board, which is periodically reviewed. The Board Charter has become a tool of the Board to assist the Board in establishing operating procedures for the Board. It is also a policy document that the Board has decided upon to meet its statutory and other responsibilities and serves as a reminder for the Board of the statutory framework within which it operates. The Board Charter details the responsibilities of the Board and Board-Management relationship, including management limitations. With this, the respective functions, roles and responsibilities of the Directors and Management are clearly set out in the Board Charter as guidance and clarity to enable them to effectively discharge their duties. The Board Charter also includes an outline on what is expected from Directors in terms of their commitment, roles and responsibilities of the Board Members, the Chairman and the GMD, and also embedded the Board composition, diversity policy, Directors' appointment process, the code of conduct for directors and employees as well as the Directors' training requirements. The Board Charter is published and available on the Company's website at <http://www.nestcon.my/>.

Intended Outcome

3.0 The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the Company.

- 3.1 The Company has established the Code that applies to all Directors, officers and employees of the Company, with the same principles outlined in Paragraph 23 of the Board Charter (hereinafter collectively referred to as "**Code of Conduct**"). The Code of Conduct lays out the general principles and standards of business conduct and ethical behaviour expected from Directors and employees in the performance and exercise of their responsibilities or when representing the Group. It includes the professionalism and trustworthiness from Directors and employees. The Code of Conduct covers various areas, including:

- (a) corporate governance;
- (b) relationship with shareholders, employees, creditors and customers;
- (c) social responsibilities and the environment;
- (d) avoid of conflicts of interest;
- (e) insider trading policy;
- (f) abide by antitrust and competition law;
- (g) records keeping and financial integrity;
- (h) protect the Company's assets; and
- (i) report any illegal and unethical behaviour.

In compliance with the MACC, the Company has also established and implemented an ABC Policy which governs the prevention of corruption and unethical practices within the Company. The Group's contractors, sub-contractors, consultants, agents, representatives and any other parties performing work or services for or on behalf of the Group shall observe and comply with the ABC Policy when performing such work or services. The Code of Conduct, the Board Charter and ABC Policy are available on the Company's website at <http://www.nestcon.my/>.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. BOARD RESPONSIBILITIES (CONT'D)

- 3.2 The Board has adopted an AFWB Policy to facilitate the whistleblower to report or disclose through established channels on any violations or wrongdoings they may observe in the Group without fear of retaliation should they act in good faith when reporting such concerns. Only genuine concerns should be reported under the whistleblowing procedures. The report should be made in good faith with a reasonable belief that the information and any allegations made are substantially true and the report is not made for personal gain. Malicious and false allegations will be viewed seriously and treated as a gross misconduct and may lead to dismissal if proven. The AFWB Policy fosters an environment in which integrity and ethical behaviour are maintained through. The Board shall be apprised of any report which are serious in nature or of grave repercussions. During FYE 2023, the Group has not received any report made by any whistle-blower.

Intended Outcome

4.0 The Company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

- 4.1 The Board together with Management, acknowledges, their responsibilities for governing sustainability within the Company, covering areas such as health, safety, environment, social and governance. They ensure that sustainability is integrated into the strategic direction of the Group and its operations, including settling the Company's strategies, priorities, and targets. The Board ensures that sustainability considerations are factored into their duties, which include developing and implementing company strategies, business plans, major action plans, and risk management.

Senior management drives the strategic management of material sustainability matters. The GMD is responsible for implementing sustainability initiatives and managing sustainability matters in the Group's operations. The GMD, alongside EDs sets implementation plans and targets for sustainability matters, presenting to the SRMC and the Board. The GMD presented internal practices to the SRMC and the Board to formulate a sustainable strategy for the Group, with the assistance of EDs. To address sustainability risks and opportunities, the SRMC and the Board conduct an annual material matters assessment. This process helps prioritize risks and opportunities within the economic, environmental, social and governance context leading to sustainable strategy formulation aligned with the UNSDGs.

In FYE 2023, the Board has identified thirteen (13) key sustainability focus areas mapped with eight (8) relevant UNSDGs when developing the Group's sustainability strategies. Each material sustainability matters were set with a respective target towards achieving sustainability goals. While the Group has performed assessments on sustainability issues, the Board believes that current integration, practices and disclosures can be further improved.

The Group's sustainability strategies and efforts in addressing the material risks and opportunities are detailed in the Sustainability Statement within the Annual Report 2023.

- 4.2 The GMD leads the management of the Company to review the business operation of the Group to further strengthen the sustainability framework within the organisation. The Company has identified and mapped eight (8) UNSDGs for the formulation of our Group's sustainability strategies.

Based on the assessment of the Management, a total of thirteen (13) key areas were identified considering the impacts towards the Group and stakeholders, scaling from "Important" to "Most Important", as depicted in the Material Matters Matrix covered three (3) main sustainability pillars, namely Economic, Environment and Social. The Company views stakeholders' engagement as an integral aspect in our sustainability commitments. Regular engagement with stakeholders is essential for us to gain insights on their areas of concern and any material matters arising in relation to the interest of the Group and/or the stakeholders. Stakeholders' feedback is valuable for our continuous improvement on sustainability measuring and reporting standard. The Group is encouraging all stakeholders to provide their feedback and comment to the Group. The Sustainability Statement in the Company's Annual Report 2023 set out the activities of the Group, which demonstrates the Company's strategic approach in addressing risks and opportunities within Economic, Environment and Social context with the objective to achieve business sustainability so as to create long-term values to our shareholders and stakeholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. BOARD RESPONSIBILITIES (CONT'D)

- 4.3 In order to ensure the Board is kept abreast on sustainability issues which are relevant to the Group's business and operations, the Directors and Management had attended several training programmes to gather more insights. The relevant trainings and programmes as shown in the following:

Date Attended	Seminars / Courses / Training Programmes
14 July 2023	Materials and Practices for Sustainability in Concrete Construction by YTL Cement
28 July 2023	Challenges for Concreting in Tropical Climate
24 August 2023	Engineering ESG for the Nation by Board of Engineering Malaysia
10 October 2023	Environmental, Social and Governance the Ways Forward by UTAR

To further strengthen ESG knowledge and expertise, the Board, in collaboration with the NC will continue to identify and recommend relevant sustainability-related training programmes for the Board and Management. By actively engaging in such initiatives, the Board ensures that its members are well-prepared to address and provide guidance on sustainability matters within the Company.

- 4.4 To promote the Board's accountability towards the Group's sustainability management, NC has included the governance of sustainability as an additional performance evaluation criterion for the Board in FYE 2023 by setting sustainability-related questionnaire in the annual peer and self-assessment form. Such criteria encompass several considerations surrounding sustainability management, including the performance of the Board and Senior Management to oversee and support the implementation of sustainability strategies within ESG context, development of sustainability programme, monitoring of UNSDGs progress, as well as knowledge in relation to the sustainability risks and opportunities that the Group exposes to. The Board is satisfied that the Directors and Senior Management possess the necessary knowledge, skills and expertise and have sufficiently discharged their duties and responsibilities efficiently in addressing the Group's material sustainability risks and opportunities during FYE 2023.
- 4.5 The Board does not appoint any Chief ESG Officer, however, the GMD led the management of sustainability during FYE 2023.

II. BOARD COMPOSITION

Intended Outcome

5.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

- 5.1 The Board Charter sets out that the NC of the Company is responsible to assist the Board in the development and implementation of the policies on the nomination and appointment of Directors to achieve long-term sustainability of the Group in accordance with the TOR of the NC.

The NC is chaired by an INED and the composition of the NC is as follows:

Designation	Name	Directorship
Chairman	Nor Azzam Bin Abdul Jalil	INED
Member	Yeoh Sheong Lee	INED
Member	Roslinda Binti Awang @ Mat Yazid	INED

The TOR of NC detailed the roles and responsibilities of the NC is accessible on the Company's website at <http://www.nestcon.my/>.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (CONT'D)

Summary Activities of the NC

During FYE 2023, the NC has undertaken the following activities in the discharge of their duties:

- (a) Annual assessment of the four Independent Directors and their tenure;
- (b) Annual assessment on the size, composition of the Board, the contribution of the Board and Board Committees as well as the effectiveness of the Board as a whole and assessed the contribution of each individual Director and the performance of the Board Committees;
- (c) Review the terms of office and performance of AC and each of its members to determine whether AC and its members have carried out their duties in accordance with the TOR of AC;
- (d) Reviewed and assessed the composition of the Board Committees, namely AC, NC, RC and SRMC and the attendance of their members;
- (e) Reviewed and considered the current women representation in the Board; and
- (f) Reviewed the tenure of each Director and recommended to the Board for re-election of the following Directors of the Company who are due for retirement ("**Retiring Directors**") at the forthcoming 2024 AGM of the Company pursuant to Clause 82 of the Constitution of the Company:-
 - (i) Encik Nor Azzam Bin Abdul Jalil; and
 - (ii) Mr. Yeoh Sheong Lee.

Based on the outcome of the assessment reviewed by the NC, the NC was satisfied that the Retiring Directors had contributed effectively to the Board's deliberation as well as demonstrated their diligence and commitment. Upon recommendation by the NC, the Board resolved and approved to propose for the re-election and re-appointment of the Retiring Directors at the forthcoming 2024 AGM of the Company.

All Directors appointed to the Board have attended the Mandatory Accreditation Program Part I prescribed by Bursa Securities. The Directors are encouraged to attend continuous education programmes/ seminars/ conferences and shall as such receive further training from time to time to keep abreast with the latest developments in statutory requirement and regulatory guidelines, where appropriate, in line with the changing business environment and enhance their business acumen and professionalism in discharging their duties to the Group.

In order for the Group to remain competitive, the Board ensures that the Directors continuously enhance their skills and expand their knowledge to meet the challenges of the Board.

Upon assessing the training needs of the Directors, the Board recognised that continuing education would be the way forward in ensuring its members are continually equipped with the necessary skills and knowledge to meet the challenges ahead. During FYE 2023, the Directors have attended at least one (1) training programme.

The training programmes and seminars attended by the Directors during FYE 2023 were as follows:

Directors	Seminars/ Conferences/ Training Programmes Attended	Date Attended
Mohd Noor Bin Setapa	Bursa Malaysia Immersive Session: The Board "Agender" Gender Balanced Boardrooms	13 March 2023
	Conflict of Interest Situations – Unpacking the Obligations of Directors and Key Officers	7 November 2023

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (CONT'D)

Summary Activities of the NC (Cont'd)

Directors	Seminars/ Conferences/ Training Programmes Attended	Date Attended
Datuk Ir. Dr. Lim Jee Gin	Asia Real Estate Leaders Singapore	2 May 2023 to 4 May 2023
	Materials and Practices for Sustainability in Concrete Construction	14 July 2023
	Challenges for Concreting in Tropical Climate	28 July 2023
	Asia Real Estate Leaders Jakarta	22 August 2023 to 23 August 2023
	BEM Convention 2023: Engineering ESG for the Nation	24 August 2023
	Environmental, Social and Governance the Ways Forward	10 October 2023
	Conflict of Interest Situations – Unpacking the Obligations of Directors and Key Officers	7 November 2023
Lim Joo Seng	AHAM Capital Investment Forum 2023: A New Beginning is Happening Tomorrow!	7 January 2023
	2023 Malaysia Budget	9 March 2023
	Taxation of Property Developers and Contractors	10 April 2023
	Climate Governance: Corporate Secretaries Setting the Sustainability Agenda	13 April 2023
	Industrial Relations Series – Managing Sexual Harassment in the Workplace	3 May 2023
	Presentation and Disclosure of Information in Financial Statements	16 May 2023
	Transfer Pricing Documentation and Managing Transfer Pricing Audit	1 June 2023
	The Arrival of International Sustainability Standards Board Standards and the Continued Relevance of Integrated Reporting	4 September 2023
	Mastering e-Invoicing Implementation in Malaysia	3 October 2023
	Business Outlook on Budget 2024 and New Industrial Master Plan 2030	26 October 2023
	Conflict of Interest Situations – Unpacking the Obligations of Directors and Key Officers	7 November 2023

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (CONT'D)

Summary Activities of the NC (Cont'd)

Directors	Seminars/ Conferences/ Training Programmes Attended	Date Attended
Ong Yong Chuan	2023 Malaysia Budget	9 March 2023
	Conflict of Interest Situations – Unpacking the Obligations of Directors and Key Officers	7 November 2023
Nor Azzam Bin Abdul Jalil	Market Strategy - Budget 2023: Developing Malaysia Madani	7 March 2023
	PLCT #digital4ESG Forum	10 May 2023
	Implementing Enterprise Risk Management	11 May 2023
	Sustainability Governance, Management & Reporting	19 September 2023
	Conflict of Interest Situations – Unpacking the Obligations of Directors and Key Officers	7 November 2023
	Audit Oversight Board Conversation with Audit Committees	27 November 2023
Yeoh Sheong Lee	Climate Change & Carbon Footprint-Getting the Right Financial Risk & Reporting Perspectives	1 December 2023
	MIA AccTech Conference 2023	14 March 2023 – 15 March 2023
	Managing Practice and Compliance issues under the Companies Act 2016	25 September 2023
	Management of Cyber Risk	3 October 2023
	Conflict of Interest Situations – Unpacking the Obligations of Directors and Key Officers	7 November 2023
	ISA 240 - The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	29 November 2023
Roslinda Binti Awang @ Mat Yazid	MFRS/IFRS Technical Update 2024 - Including a brief on IFRS Sustainability Standards	19 December 2023
	Bursa Malaysia Immersive Session: The Board "Agender" Gender Balanced Boardrooms	13 March 2023
	Women Empowerment Unleashing the Potential as Leader of Change	28 October 2023
	Conflict of Interest Situations – Unpacking the Obligations of Directors and Key Officers	7 November 2023

- 5.2 During FYE 2023, the current Board comprises of seven (7) members with a majority of four (4) being INEDs. The current Board composition is in line with the MCG's recommendation to have at least half of the Board to comprise INEDs. The INEDs and the Independent Non-Executive Chairman who form a majority of the Board size, make a positive contribution and development of the Company's strategy and policies through their independent, constructive and informed judgement.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (CONT'D)

- 5.3 None of the INEDs of the Company have served beyond nine (9) years. Pursuant to the Board Charter, an Independent Director may continue to serve on the Board as a Non-Independent Director upon completion of the nine (9) years. If the Board intends to retain an Independent Director beyond nine (9) years, it should provide justification and seek annual shareholders' approval through a two-tier voting process as recommended in the MCCG.
- 5.4 The Board has not set a policy which limits the tenure of its Independent Directors to nine (9) years without further extension. Pursuant to the Board Charter, an Independent Director may continue to serve on the Board as a Non-Independent Director upon completion of the nine (9) years. If the Board intends to retain an Independent Director beyond nine (9) years, it should provide justification and seek annual shareholders' approval through a two-tier voting process pursuant to the MCCG. The tenure of an Independent Director on the Board of the Company shall be limited to twelve (12) years in the Company and its subsidiaries. If any Independent Director had cumulatively served as an Independent Director of the Company or any one or more of the subsidiaries of the Company for more than twelve (12) years, such Independent Director may continue to serve on the Board as Non-Independent Director.
- 5.5 The Company practices a formal and transparent procedure for the appointment and re-election of Directors and the Board diversity. The Board is supported by a diverse Board and Senior Management. The appointment and re-election of Directors, Senior Management and the Board diversity are done in accordance with Paragraphs 6.3 and 15 of the Board Charter and also the TOR of NC of the Company governing the Board, both of which are available on the Company's website. During FYE 2023, the Board has achieved the representation of approximately 29% women Directors in the Board composition having combination of skills, experience and strength in qualities which are relevant to the Company. The detailed of diversity in the age, gender, race/ethnicity and nationality of the existing Board and Key Senior Management as at 31 December 2023 are set out in the CG Report of the Company.
- 5.6 The Board Charter provides that the Board does not solely rely on recommendations from existing Board members, Management or shareholders of the Company in identifying candidates for appointment of Directors. The Board shall endeavour to utilise independent sources or any other sources to identify suitably qualified candidate to fulfil Board positions. The NC would assess their suitability based on the relevant criteria and skills matrix as may be set by the NC from time to time.
- 5.7 Pursuant to the provisions of the Constitution of the Company, the following Directors who are due for retirement and being eligible, have offered themselves for re-election in accordance with the Company's Constitution at the 2024 AGM of the Company:
- (a) Encik Nor Azzam Bin Abdul Jalil pursuant to Clause 82 of the Constitution of the Company; and
 - (b) Mr. Yeoh Sheong Lee pursuant to Clause 82 of the Constitution of the Company.
- The Board has established an annual performance evaluation process to assess the performance of each Director. Each Director conducts a peer assessment of the other Directors. Taking into consideration the Directors' Self and Peer Assessment results which were satisfactory. Upon recommendation by the NC, the Board resolved to approve and support the re-election and re-appointment of the aforesaid Directors and submitted their recommendation to the shareholders for approval at the 2024 AGM.
- 5.8 The NC is chaired by Encik Nor Azzam Bin Abdul Jalil, the INED.
- 5.9 The Board comprises approximately 29% women directors for FYE 2023.
- 5.10 The Board has established its Diversity Policy in the Board Charter under Paragraph 15 of the Board Charter. The Board Charter is made available on the Company's website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. BOARD COMPOSITION (CONT'D)

Intended Outcome

6.0 Stakeholders are able to form an opinion on the overall effectiveness of the Board and individual Directors

6.1 The Board through the NC had on 28 February 2024 conducted the following annual assessments and evaluation of the performance to determine the effectiveness of the Board and Board Committees as well as each individual Directors for FYE 2023. The process was carried out via self and peer assessment forms completed by the Directors pertaining to the following evaluation:

(a) Performance Evaluation for the Board and Board Committees

All Directors had participated the assessment on the performance of the Board and Board Committees of the Company for FYE 2023 comprising the following six (6) areas:

- (i) Board mix and composition;
- (ii) Board's relationship with the Management;
- (iii) Quality of information and decision making;
- (iv) Boardroom activities;
- (v) Environmental, Social and Governance; and
- (vi) Board Committees evaluation.

(b) Performance Evaluation for Individual Director

The scope of assessment comprising the Directors' contribution to interaction, knowledge, quality of input and understanding of their role. In addition, the performance of the Board Chairman and the GMD were also assessed by all Directors in terms of their roles and responsibilities;

- (c) reviewed the effectiveness of the Board as a whole, Board Committees and the contribution of individual Directors;
- (d) reviewed the terms of office and effectiveness of the AC as a whole and the performance of individual AC Members;
- (f) reviewed and assessed the independence of INEDs;
- (g) reviewed and recommended the re-election of Retiring Directors at the forthcoming 2024 AGM;
- (h) reviewed meeting attendance of the Board and members of the Board Committees;
- (i) reviewed the training programmes attended by the Directors and Management;
- (j) reviewed the succession planning for the Senior Management; and
- (k) reviewed the TOR of NC.

Based on the aforesaid evaluations conducted, the NC and the Board were satisfied with the performance of each Director, the Board as a whole, and the Board Committees for FYE 2023.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III. REMUNERATION

Intended Outcome

- 7.0 The level and composition of remuneration of Directors and Senior Management take into account the Company's desire to attract and retain the right talent in the Board and Senior Management to drive the Company's long-term objectives.**

Remuneration policies and decisions are made through a transparent and independent process.

- 7.1 The Board has in placed policies and procedures to determine the remuneration of Directors and Senior Management that sets out the criteria to be used in recommending remuneration packages for the EDs, Non-Executive Directors and any Senior Management personnel. The said Policy is available on the Company's website at <http://www.nestcon.my/>.

The RC is chaired by an INED and the composition of the RC are as follows:

Designation	Name	Directorship
Chairman	Nor Azzam Bin Abdul Jalil	INED
Member	Yeoh Sheong Lee	INED
Member	Roslinda Binti Awang @ Mat Yazid	INED

- 7.2 The TOR of RC detailed their authority and duties is accessible on the Company's website at <http://www.nestcon.my/>.

Intended Outcome

- 8.0 Stakeholders are able to assess whether the remuneration of Directors and Senior Management commensurate with their individual performance, taking into consideration the Company's performance.**

- 8.1 The detailed disclosure on named basis of the remuneration of individual Directors and the breakdown of the remuneration of each individual Directors from the Company for FYE 2023 is disclosed in the CG Report of the Company for FYE 2023.
- 8.2 The Company has disclosed the Key Senior Management's remuneration component in bands of RM50,000 but not on named basis as the Board considers the information is sensitive and proprietary since the Group's business operates in a competitive market. Besides, the issue of personal security is also taken into consideration and may be wrongly used or quoted by certain parties. The top five (5) Key Senior Management's remuneration in bands of RM50,000 is set out in the CG Report of the Company for FYE 2023.
- 8.3 The detailed remuneration of each member of Key Senior Management on a named basis will not be disclosed for confidentiality purposes.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

Intended Outcome

9.0 There is an effective and independent AC.

The Board is able to objectively review the AC's findings and recommendations.

The Company's financial statement is a reliable source of information.

- 9.1 The AC is chaired by Mr. Yeoh Sheong Lee, who is an INED, while the Chairman of the Board is Encik Mohd Noor Bin Setapa, an Independent Non-Executive Chairman. This is to ensure that the objectivity of the Board's review of the AC's findings and recommendations are not impaired.
- 9.2 The AC has adopted a policy that requires a former key audit partner to observe a cooling-off period of at least three (3) years before being appointed as a member of the AC. The policy had been codified in the TOR of AC of the Company by the Board. The TOR of AC is available on the Company's website.
- 9.3 The AC has in placed procedures to continuously monitor and undertake an annual assessment of the suitability, objectivity and independence of the external auditors as well as to make subsequent recommendations to the Board on the appointment, re-appointment or termination of the external auditors in compliance with its TOR. During FYE 2023, the Company received a resignation notice on 24 November 2023 from Messrs Ecovis Malaysia PLT, Chartered Accountant (AF001825) ("**Ecovis**") indicating their resignation as the external auditors of the Company. They were re-appointed as the external auditors of the Company during 2023 AGM, with their term until the conclusion of the next annual general meeting of the Company. The external auditors resigned due to a disagreement on audit fee. Subsequent to the resignation of Ecovis, the Company identified Messrs. Morison LC PLT (AF002469) ("**Morison**") as the replacement external auditors during FYE 2023. The AC conducted a comprehensive evaluation of Morison's corporate profile, independence, competency, resources, and proposal, including their audit fees. Morison consented to act as external auditors of the Company in accordance to Section 264(5) of The Act. They were appointed as the external auditors of the Company for FYE 2023 and to hold office until the conclusion of the next annual general meeting of the Company.

Following an assessment of the external auditors for FYE 2023, the AC was satisfied with the suitability, objectivity and independence. The AC confirmed that the external auditors' provision of non-audit service did not compromise their independence. Morison provided the AC with a written assurance to AC, confirming their ongoing independence during both audit and non-audit services, in compliance with professional and regulatory requirements.

The AC met with Morison once during FYE 2023, in the absence of GMD, EDs and Management. No significant issues requiring the AC's attention were raised.

Throughout the annual independence assessment of Morison, the AC was content with their suitability based on the external audit team's quality, performance, competency and resources sufficiency provided to the Group. Consequently, the AC recommended to the Board for its proposal of Morison's re-appointment as the external auditors of the Company at the forthcoming 2024 AGM.

- 9.4 The AC comprises solely of INEDs.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

I. AUDIT COMMITTEE (CONT'D)

9.5 The NC conducted the following reviews of the AC for FYE 2023:

- (a) its composition in accordance with AMLR of Bursa Securities;
- (b) the terms of office of AC members; and
- (c) the performance of AC and its members.

Mr. Yeoh Sheong Lee, the Chairman of the AC is a member of MIA. The other two (2) members of the AC are not members of any professional accounting bodies. All three (3) members of the AC kept abreast of developments in accounting and auditing standards, practices and rules through updates from our external auditors of changes in accounting and auditing standards. All members of AC have also undertaken and will continue to undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules as and when required.

Based on the outcome of the annual assessment, the Board is satisfied that the Chairman and all members of AC possess the relevant skills, competencies and also comprehend to effectively perform the assigned responsibilities and duties. The AC has reviewed and provided advice on the financial statements which provide a true and fair view of the Company's financial position and performance.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Intended Outcome

10.0 Company makes informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The Board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the Company's objectives is mitigated and managed.

10.1 The Board Charter sets out that the Board is responsible for the system internal control and risk management of the Group. The Board, through the SRMC, monitors risks and internal control. The Board has established a Risk Management Framework.

10.2 The Board, through the SRMC, monitors risks and internal control via an Enterprise Risk Management Framework, which is a comprehensive report tabling the current status, action taken and conclusion of the key risks identified twice a year.

10.3 The SRMC comprises three (3) INEDs and the GMD. Below is the composition of SRMC:

Designation	Name	Directorship
Chairman	Yeoh Sheong Lee	INED
Member	Nor Azzam Bin Abdul Jalil	INED
Member	Roslinda Binti Awang @ Mat Yazid	INED
Member	Datuk Ir. Dr. Lim Jee Gin	GMD

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D)

Intended Outcome

11.0 Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

- 11.1 The Board has delegated the responsibility to review the adequacy and integrity of the Group's system of internal control and risk management to the AC and SRMC. The internal audit function of the Group is carried out by an outsourced professional service firm, Eco Asia Governance Advisory Sdn Bhd ("**Eco Asia**"). The outsourced internal auditors report directly to the AC on the internal audit findings and recommendations. The internal audit function is independent and the internal audit assignments are performed with impartiality, proficiency and due professional care. The internal audit review of the Group's operations encompasses an independent assessment of the Company's compliance with its internal controls and recommendations are made for further improvement. During FYE 2023, the AC had reviewed and assessed the adequacy of the scope, functions, competency and resources of the outsourced internal auditors and that they have the necessary authority to carry out their work.
- 11.2 The outsourced internal audit function is led by the Head of Internal Audit, Ms. Janeeta Salim, an Associate Member of the Institute of Internal Auditors Malaysia ("**IIA Malaysia**") with a Bachelor Degree of Accountancy. She has vast experience and exposure in the internal audit field. She was assisted by three (3) staffs in the internal audit reviews conducted in the FYE 2023. All the internal audit personnel involved for the internal audit assignments are free from any relationships or conflicts of interest with the Group. They are able to perform internal audit reviews objectively, independently, proficiently and with due professional care. The AC is satisfied that the outsourced internal auditors have maintained a high degree of independence and professionalism in carrying out their duties. The internal audit function is carried out in accordance with the International Professional Practices Framework issued by IIA Malaysia.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

Intended Outcome

12.0 There is continuous communication between the Company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the Company, its policies on governance, the environment and social responsibility.

- 12.1 The Board recognises the need for transparency and accountability to the Company's shareholders and regular communication with its shareholders, stakeholders and investors on the performance and major developments of the Company. The Board ensures that there is effective, transparent and regular communication with its stakeholders through a variety of communication channels as follows:

(a) Email and Face-To-Face Communications

Email and face-to-face communications are the main communication channel in our day-to-day operations with various customers and suppliers.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

I. COMMUNICATION WITH STAKEHOLDERS (CONT'D)

12.1 (b) The Company Corporate Website

The Company's corporate website <http://www.nestcon.my/> is a platform to provide convenient access to the latest as well as historical information about the Company and the Group. Once relevant information is disclosed to the public and available to investors, it is also published on the corporate website.

The corporate website will dedicate the Investor Relations section and Corporate Governance section that provide relevant investor-related information. The information available on the corporate website includes corporate and financial information, annual reports, press releases and regulatory announcements made to Bursa Securities.

The Company will provide an email address which all shareholders can send their queries to and make any inquiry.

(c) Announcements made to Bursa Securities

Shareholders and investors can obtain our Group's latest announcements such as material information, updates and periodic financial reports in the dedicated website of the Company.

(d) Annual Report

The Annual Report to the shareholders remains the central means of communicating the Group's business overview, financial performance, corporate governance, sustainability measures as well as prospects of the Group.

(e) AGM

The AGM is used as the main forum of dialogue for shareholders to make known their views and raise any matters of concern pertaining to the Group. The shareholders will be given the opportunity to speak and seek clarifications during AGM for effective and transparent communications. The Management shall ensure all information disclosed remains succinct, current, relevant and accurate.

(f) Minutes of the General Meeting

Minutes of the general meeting including issues/concerns raised and responses by the Company (*summary of the key matters discussed at the AGM*) should be circulated to shareholders or make available at the Company's website no later than 30 business days after the general meeting.

12.2 The Company has not implemented integrated reporting due to lack of internal resources needed to develop and implement the necessary reporting processes and tools. The Company recognises the value of integrated reporting, but has determined that they need to focus their current resources on other strategic priorities at this time.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

II. CONDUCT OF GENERAL MEETINGS

Intended Outcome

13.0 Shareholders are able to participate, engage the Board and Senior Management effectively and make informed voting decisions at general meetings.

- 13.1 The AGM provides an opportunity for the shareholders to seek and clarify any issues pertaining to the Group and to have a better understanding of the Group's activities and performance. Both individuals and institutional shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. The Annual Report, which contains the Notice of Third AGM which was scheduled on 29 May 2023 ("3rd AGM"), together with the explanatory notes on the proposed resolutions as contained in Annual Report 2023 were sent to the shareholders at least twenty-eight (28) days prior to the date of the 3rd AGM, so as to give sufficient time and enable the shareholders to make informed decisions in exercising their voting rights at the AGM, and to arrange for proxies to attend the AGM on their behalf, if so required. The Notice of the 3rd AGM, which sets out the businesses to be transacted at the 3rd AGM, was also published in a major local newspaper. The notes to the Notice of the 3rd AGM also provide the necessary explanation for each resolution proposed to enable shareholders to make informed decisions in exercising their voting rights.
- 13.2 All the Directors of the Company had attended the 3rd AGM of the Company which was held on 29 May 2023 on a fully virtual basis to engage with the shareholders proactively. In compliance with the MCCG, all the Directors of the Company will endeavour to attend all future general meetings and the Chair of AC, NC, RC and SRMC will provide meaningful response to questions addressed to them.
- 13.3 Shareholders who wish to attend AGM/general meetings are given at least twenty-eight (28) days, to ensure that shareholders are able to make the necessary arrangements to attend general meetings, review the agenda, and formulate questions, if any. Where they are not able to attend, they may appoint proxies to attend on their behalf to vote and represent them. At its fully virtual 3rd AGM, the Company has leveraged on technology to facilitate remote shareholders' participation and electronic voting for the conduct of poll on the resolution. A short video by the Poll Administrator has been played to demonstrate to the members, corporate representatives or proxies who has presented at the 3rd AGM on the process for online voting. The voting session has commenced from the time as announced by the Chairman until the close of the voting session as announced by the Chairman later. The scrutineers have verified and announced the poll results for each resolution with the details of votes for in favour and against. The Chairman thereafter declared the poll results and the same has been made available at the Company's website for the benefit of all shareholders.
- 13.4 The Chairman of the Board, all the Directors and Chairperson of the Board Committees have attended at the 3rd AGM of the Company, which was held as fully virtual meeting through live streaming and online remote participation and voting facilities from the broadcast venue on 29 May 2023 to engage with the shareholders virtually and proactively. The Administrative Guides for the 3rd AGM was circulated to all shareholders of the Company and made available at the Company's website for the procedures to register, participate and vote remotely at the 3rd AGM through the remote participating and voting facilities. Shareholders can raise their questions or issues or seek explanation from the Board or Management at the 3rd AGM
- 13.5 The 3rd AGM of the Company was held on 29 May 2023 as fully virtual meeting through live streaming and online remote voting from the broadcast venue to ensure safe distancing requirement is observed. The Board has appointed a Poll Administrator to verify the eligibility of shareholders/corporate representatives/proxies to attend the 3rd AGM based on the AGM's Record of Depositors and upon the cut-off date and time for proxy form submission. The shareholders who are not able to attend the 3rd AGM can appoint their proxy or appoint the Chairman as their proxy to attend and vote on his/her behalf provided that the relevant proxy form is lodged at the Company's Share Registrar's office at least forty-eight (48) hours before the 3rd AGM. Shareholders who participated at the 3rd AGM virtually, were able to speak (including posing questions to the Board via real time submission of typed texts) and also voted remotely via the Remote Participation and Voting ("RPV") facility.
- 13.6 Upon the conclusion of the 3rd AGM, the Company has uploaded the list of questions posed by shareholders via the RPV facilities together with the answers responded by the Board and Management on the Company's website within thirty (30) business days. To uphold the best practice as per MCCG, the Company has published the 3rd AGM minutes no later than thirty (30) business days after the 3rd AGM on the Company's website.

The CG Statement and CG Report are made in accordance with a resolution of the Board of Directors passed on 16 April 2024.

AUDIT COMMITTEE REPORT

The Board presents the AC Report which provides insights into the manner in which the AC discharged its functions for the Group during FYE 2023.

COMPOSITION OF THE AUDIT COMMITTEE

The AC comprises three members who are all INEDs. The AC meets the requirements of Rule 15.09(1)(a) and (b) of the AMLR of Bursa Securities and Practice 9.4 under Principle B of the MCCG as the AC must comprise not fewer than three (3) members which requires all members to be Non-Executive Director with a majority of them being Independent Directors.

The AC was established with the primary objective to assist the Board in fulfilling its fiduciary responsibilities relating to corporate accounting, financial reporting practices, system of risk management and internal controls, audit process and the independence of auditors.

As at the date of this AC Report, the AC comprises of the following members:

Chairman : Mr. Yeoh Sheong Lee (INED)
Member : Encik Nor Azzam Bin Abdul Jalil (INED)
Member : Cik Roslinda Binti Awang @ Mat Yazid (INED)

The AC Chairman, Mr. Yeoh Sheong Lee is a member of the MIA, thereby fulfilling the financial expertise requisite pursuant to Rule 15.09(1)(c) of the AMLR of Bursa Securities. The Company also complies with Rule 15.10 of the AMLR of Bursa Securities in which the Chairman of the AC is an INED and Practice 1.4 under Principle A of the MCCG in which the Chairman of the AC is not the Chairman of the Board. In addition, no alternate Director is appointed as a member of the AC pursuant to its TOR.

TERMS OF REFERENCE OF AUDIT COMMITTEE

The TOR of the AC covering its scope of duties and responsibilities, authority and other relevant matters, is available on the Company's corporate website at <http://www.nestcon.my>.

MEETINGS AND ATTENDANCE

During FYE 2023, the AC held five (5) meetings. The details of the attendance of the AC members are as follows:

Committee Member	Meeting Attendance	Percentage of Attendance
Mr. Yeoh Sheong Lee	5/5	100%
Encik Nor Azzam Bin Abdul Jalil	5/5	100%
Cik Roslinda Binti Awang @ Mat Yazid	5/5	100%

The GMD, Executive Director, Finance Director and Group Senior Finance Manager were invited to attend all the AC meetings to provide clarification and information on the financial performance, audit issues and relevant issues pertaining to the Group's operations.

The external auditors and/or internal auditors, where necessary, were invited to the AC meetings to present their reports and provide explanations and answer queries, with the company secretary in attendance. Throughout the FYE 2023, the AC met with the external auditors at three (3) meetings. They met twice with the former external auditors, namely Ecovis, who presented the Audit Review Memorandum and Audited Financial Statements for FYE 2022. Subsequently, the AC met with the newly appointed external auditors, Morison who presented the Audit Planning Memorandum to AC for FYE 2023. The internal auditors, Eco Asia, attended two (2) meetings during FYE 2023 to present the Internal Audit Plan, Internal Audit Findings, and follow-up Review Reports.

Minutes of each AC meeting was recorded and tabled for confirmation at the next AC meeting and subsequently to the Board for notation. The AC Chairman reports to the Board on activities undertaken and key recommendations for the Board's consideration and decision.

AUDIT COMMITTEE REPORT (CONT'D)

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The summary of activities of the AC in discharging their functions and duties during FYE 2023 are as follows:

(1) Financial Reporting

- (i) Reviewed and ensured that the Group's financial reporting and disclosures requirements are in compliance with:
 - Provision of Companies Act 2016;
 - AMLR of Bursa Securities;
 - Malaysian Financial Reporting Standards;
 - International Financial Reporting Standards; and
 - Other legal and regulatory requirements.
- (ii) Reviewed the draft unaudited quarterly financial results as well as audited annual financial statements of the Company and the Group as well as the audit findings and issues arising from the audit with the external auditors before recommending to the Board for approval and releasing the announcement to Bursa Securities focusing particularly on:
 - Any changes in or implementation of major accounting policy;
 - Significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters were addressed;
 - Any significant adjustments arising from the audit; and
 - Compliance with all applicable accounting standards and legal requirements.

(2) Risk Management and Internal Control

- (i) Assessed the risk management and internal control systems, processes, policies and procedures to ensure compliance with all relevant laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies;
- (ii) Reviewed the internal control systems adopted within the Group to ensure that they are in place, effectively administered and regularly monitored; and
- (iii) Reviewed the report from the internal auditors on the Fixed Asset Management Review and Claims Review to ensure processes adopted are consistent with the documented and authorised policy.

(3) Internal Audit Function

- (i) Appointed the internal auditors to undertake the internal audit function of the Group;
- (ii) Reviewed and assessed the suitability of the internal auditors for appointment, taking into consideration their independence, performance, competence and experience and their resources to ensure the effectiveness of internal audit function. The AC was satisfied with the competence and independence of internal auditors in performing their scope of duties in FYE 2023;
- (iii) Reviewed internal audit plan and ensured that appropriate actions were undertaken to conduct the audit engagements based on the approved plan; and
- (iv) Assisted and ensured that the outsourced internal auditors had full, free and unrestricted access to all activities, records, properties and personnel necessary to perform their duties.

Further details of the activities of internal auditors performed during FYE 2023 are outlined in the Statement of Risk Management and Internal Control within this Annual Report.

AUDIT COMMITTEE REPORT (CONT'D)

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (CONT'D)

(4) Oversight of External Audit

- (i) Reviewed the Audit Planning Memorandum, covering the scope and nature of the statutory audit of the Company's and the Group's financial statements prior to the audit engagements;
- (ii) Reviewed and discussed with external auditors for the Audit Review Memorandum in understanding and considering significant accounting adjustment and auditing issues arising from audit, in particular recommendations and appropriate actions to be taken by our Management;
- (iii) Conducted two (2) private sessions with external auditors to discuss any issues arising from audit without the presence of the Management and EDs;
- (iv) Reviewed and deliberated the draft independent auditors' report by external auditors, and significant matters and/or management letter highlighted for improvement measures that Management should consider pertaining to weaknesses or deficiencies in the internal control systems as well as Management's response to the management letter;
- (v) Reviewed the resignation of the external auditors during FYE 2023 and reason of their resignation;
- (vi) Reviewed the new external auditors on their independence, competence and experience before recommending to the Board for appointment in replace the outgoing external auditors during FYE 2023; and
- (vii) Conducted annual performance assessment to evaluate the external auditors, taking into consideration their independence, performance, competence and experience as well as provision of non-audit services and audit fees, and recommended to the Board for re-appointment.

(5) Related Party Transactions

- (i) Reviewed the inter-company transactions and any related / interested party transactions that arose within the Company and the Group to ensure compliance with Malaysian Accounting Standards Board and Bursa Securities.
- (ii) Reviewed any related party transactions and conflict of interest that may arise within the Group including any transactions, procedures or course of conduct that raises questions of Management's integrity; and
- (iii) Reviewed and ensured that related party transactions were carried out at arm's length and under normal commercial terms with adequate disclosure to Bursa Securities.

(6) Annual Report

- (i) Reviewed and recommended to the Board the following for approval and inclusion in the Company's Annual Report:
 - AC Report
 - SORMIC

(7) Training

During the financial year under review, all AC members have attended various training programmes for the continuous professional development. The list of trainings attended is set out in the CG Statement within this Annual Report.

(8) Others

- (i) Reviewed the TOR of AC of the Company;
- (ii) There was no insider trading reported during the financial year under review; and
- (iii) There were no whistle-blower reports during the financial year under review.

AUDIT COMMITTEE REPORT (CONT'D)

REVIEW OF THE PERFORMANCE OF THE AUDIT COMMITTEE

The performance of the AC for FYE 2023 was reviewed by the NC on 28 February 2024.

AUDIT AND NON-AUDIT FEES

The fees paid/payable for services rendered by the external auditors during FYE 2023 are as below:

Description	Audit Fees (RM)	Non-Audit Fees (RM)*	Total (RM)
The Company	30,500.00	5,000.00	35,500.00
The Group	175,000.00	5,000.00	180,000.00

* Details of non-audit fees are set out in the Additional Compliance Information within this Annual Report.

INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to Eco Asia, an established external professional internal audit firm, which reports to the AC directly. They assist the AC in reviewing the effectiveness of the internal control systems within the Group whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives. Through internal audit review, remedial action has been taken against weaknesses identified in the systems and controls of the respective operating units. The outsourced of the internal audit function is independent and performed audit assignments with impartiality, proficiency and due professional care.

The internal audit was performed by three (3) internal auditors of Eco Asia which was led by its Head of Internal Audit, Ms. Janeeta Salim, an associate member of the IIA Malaysia. She has vast experience and exposure in the internal audit field.

The work of internal audit function, among others, include:

- (a) developed the annual Internal Audit Plan and proposed to the AC;
- (b) conducted follow-up reviews to assess if appropriate action has been taken to address issues highlighted in previous internal audit reports; and
- (c) presented significant internal audit findings and areas for improvement to the AC for consideration on the recommended corrective measures together with the Management's responses.

Eco Asia reported to the AC based on the approved scope of work and areas of improvement. A follow up on previous internal audit reviews were also carried out to ensure that all the agreed recommendations were implemented according to the timeline; and feedback/update to the AC on the implementation status from the internal auditors.

The total costs incurred for the internal audit function in respect of FYE 2023 was RM27,000.00.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

In compliance with Rule 15.6(b) of the AMLR of Bursa Securities, the Board is pleased to present the SORMIC to outline the main features and scope of the Group's risk management and internal control system implemented across the Group during FYE 2023. This SORMIC is prepared in accordance with Practices 10.1 and 10.2 of the MCGG and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD RESPONSIBILITIES

The Board affirms its overall responsibility to establish and oversee a sound, effective and efficient risk management and internal control system within the Group to safeguard shareholders' investments, stakeholders' interests and the Group's assets. In this regard, the Board, supported by the AC and SRMC, is committed to conduct regular review on the adequacy, integrity and effectiveness of the Group's risk management and internal control system.

Given the inherent limitation of any risk management and internal control system, the said system is designed to manage, rather than to eliminate, the risks which may hinder the achievement of the Group's business goals and objectives. Therefore, it can only provide reasonable but not absolute assurance on its effectiveness against any material financial misstatement, loss, fraud or any unforeseen circumstances.

RISK MANAGEMENT

The Board considers risk management as an integral part in enhancing shareholders' value and achieving the Group's sustainability. As such, risk management is firmly embedded in all aspects of the Group's business activities and management system in alignment with the Group's business objectives.

Risk Management Structure

While the Board assumes the ultimate responsibility for overseeing the Group risk management system, the Group has implemented the following risk management structure to ensure effective discharge of responsibilities:

The Board	To approve the Group's Risk Management Framework and oversee the effectiveness of the framework as a whole
AC & SRMC	To assist in monitoring the Group's risk management and internal control system and report to the Board on any findings and recommendations
GMD & Finance Director (Management)	To implement and monitor the Risk Management Framework in daily operations and report to the Board, AC and SRMC
Subsidiary Level	To develop respective risk management procedures in line with the Group's Risk Management Policy by identifying, managing and reporting risks within respective areas
Employees	To comply with the Group's Risk Management Policy and highlight emerging risk to the Management, if any

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

RISK MANAGEMENT (CONT'D)

Risk Management Structure (Cont'd)

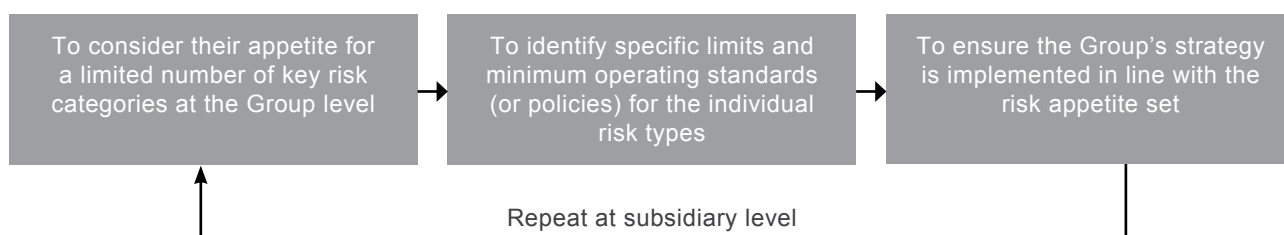
On 29 May 2023, the Board has re-designated the Risk Management Committee to SRMC, underscoring our steadfast commitment to integrate sustainability considerations into the Group's overall risk management framework. Here in Nestcon, we recognise that sustainability risks and opportunities are not isolated concerns but the integral components of the Group's risk management strategy.

Further details on the roles and responsibilities of AC and SRMC in supporting the Board for risk management affairs are outlined in their respective TOR, which are made available on the Company's website at <https://www.nestcon.my/Corporate-Governance.html>. Details of the Group's Risk Management Policy are also accessible on the aforementioned Company's website.

Umbrella Risk Management Framework

Nestcon has adopted an Umbrella Risk Management Framework across all levels in the Group by integrating it into both our strategic management and daily operational activities. The adoption of this framework fosters a top-down risk management approach, extending from the holding company level to each subsidiary entity, thereby ensuring the consistency and alignment of risk management objectives across the Group.

Following the adoption of the Umbrella Risk Management Framework, it is imperative to establish the Group's risk appetite in order to identify and balance the reasonable risks that are acceptable to the Group when optimising opportunities for business growth and expansion. To this end, the Board, together with the Management, is responsible to set the Group's risk appetite and each subsidiary's risk appetite shall be checked to ensure the alignment with the Group's overall risk appetite. The processes for establishing the Group's risk appetite are illustrated as below:



In alignment with the identified risk appetite, the Group has adopted an integrated risk management process for identifying, assessing, communicating and monitoring the Group's risks, along with the implementation of corresponding risk mitigation strategies. The essential components of the Group's risk management process are outlined as follows:



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

RISK MANAGEMENT (CONT'D)

Umbrella Risk Management Framework (Cont'd)

The Group's risk management process begins with proactive communication and consultation with our various internal and external stakeholders. This initial step is pivotal to promote the awareness and understanding of risk so as to actively seek feedback from the various stakeholders to facilitate the subsequent decision-making processes. Instead of viewing it as a distinct stage, the Group considers the communication and consultation as an integral and continuous component throughout our risk management framework. With the insights gained from our stakeholders, the Group's risk management context, including both internal and external parameters, shall then be established to define the scope and criteria for the subsequent risk management process.

Following the establishment of context, the Group identifies the relevant risks at the entity, subsidiary and Group levels respectively through a systematic 3-step bottom-up approach. All identified risks are then analysed by taking into account of the existing control measures in place, potential impact on the Group as well as their likelihood of occurrence.

In FYE 2023, the following Group's key risks remain substantially unchanged as they continue to be relevant to our current business:

- Compliance Risk;
- Construction Materials Risk;
- Supply of Manpower Risk;
- Covid-19 Outbreak Risk;
- Competition Risk;
- Industry Risk; and
- Health and Safety Risk.

Risk evaluation will then take place by comparing the results of risk analysis with the established risk criteria in order to determine whether the Group's existing controls are adequate or further risk treatment actions are required to manage the risk within the Group's risk tolerance and appetite. Should an existing control be insufficient and inadequate, the Group will identify and implement the most suitable risk treatment option, including risk transfer, risk avoidance, risk reduction and risk acceptance/retention, to address the identified risks.

To ensure the effectiveness of the risk treatment, risk monitoring is conducted at all stages of the risk management in accordance with the Group's Annual Risk Management Reporting Scheme. The said scheme outlines a bottom-up approach to consolidate the Risk Management Report, Business Plans and Budgets from all subsidiaries into a comprehensive Group Risk Profile. The Group Risk Profile is then reviewed by our GMD and Finance Director prior to submission for the AC and SRMC's perusal and subsequent reporting to the Board. Ad-hoc risk reporting may be carried out upon request by the Board, AC, SRMC or the Management. Throughout the entire risk management process, all outcomes are properly documented for performance tracking and future improvements.

INTERNAL CONTROL SYSTEM

Recognising the importance of an internal control system in supporting the effectiveness of the Group's risk management system, we have implemented a comprehensive internal control system, covering from the Group's daily operations to corporate governance. The Group's internal control system is subjected to regular reviews and updates to ensure its on-going relevance and effectiveness in response to the evolving business landscape and regulatory environment.

Amongst others, the key internal controls in place across the Group in the FYE 2023 include:

- (i) Up-to-date Board Charter and individual Board Committee TOR are put in place to ensure that Board Committees carry out their duties and responsibilities appropriately and that the Board maintains effective supervision over the control processes;
- (ii) A comprehensive organisation structure with clear lines of responsibilities is implemented to promote segregation of duties and delegation of authorities, ensuring accountability and effective control over operations;
- (iii) Well-defined Company policies including the Code of Conduct, ABC Policy and AFWB Policy are implemented to uphold ethical business conducts and dealings;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL CONTROL SYSTEM (CONT'D)

- (iv) Director's Fit and Proper Policy is established to guide the NC in considering the appointment and re-appointment of Directors;
- (v) Internal SOPs are formalised to ensure the uniformity and consistency in practices and controls across the Group;
- (vi) Monthly financial reports with comparison and analysis of budgeted data and key performance by all subsidiaries are submitted and deliberated to identify emerging problem or risk for timely intervention and improvement;
- (vii) Annual budgets are prepared and submitted to Management for review prior to submission for the Board's approval. The Management shall assess the risk factor associated with their businesses and report the same during the planning stage;
- (viii) The following international accreditations were obtained in regards to the Group's operational and management procedures:
 - ISO 9001:2015 Quality Management Systems;
 - ISO 14001:2015 Environmental Management Systems;
 - ISO 45001:2018 Occupational Health and Safety Management Systems; and
 - ISO 37001:2016 Anti-Bribery Management Systems.
- (ix) Internal audit function is carried out by an outsourced internal auditor to provide independent assurances on the effectiveness of the Group's internal control system so as to recommend to the Management on areas for improvement.

INTERNAL AUDIT FUNCTION

In compliance with Rule 15.27(1) of the AMLR, the Group has appointed Eco Asia to assist the Board and AC in providing an independent assessment of the overall adequacy and effectiveness of the Group's risk management and internal control system in accordance with the IPPF.

During FYE 2023, as per the Internal Audit Plan approved by the AC, the internal auditor conducted two (2) internal audit reviews on Fixed Assets Management and Claims respectively. To ensure an effective conduct of audit process, three (3) internal auditors including the head of department and two (2) senior internal auditors were assigned to the audit engagements during the financial year. Interviews with the Management and access to internal documents were made available to the internal auditors. The Internal Audit Report, covering the audit findings, root-cause analysis and recommendations for improvement, was presented and deliberated at scheduled AC meetings. The Management is then responsible to implement the corrective actions within the stipulated timeframe to address and improve the weaknesses highlighted in a timely manner. The internal auditor will then perform subsequent follow-up review on the implementation of corrective actions on previous audit findings to ensure that all recommendations and appropriate actions have been implemented within the stipulated timeframe, and shall report the same to the AC.

Based on the internal audit review conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require for separate disclosure in this Annual Report.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant with Rule 15.23 of the AMLR, the external auditors have reviewed this SORMIC for the inclusion in the Annual Report 2023. Their review was performed in accordance with Audit and Assurance Practice Guide 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the annual report, as issued by the MIA. Based on their review, nothing has come to their attention that causes them to believe that this SORMIC is not prepared in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor factually inaccurate.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

MANAGEMENT'S ASSURANCE

The GMD, representing the Management, has provided reasonable assurance to the Board that the Group's risk management and internal control system has been operating effectively and adequately in all material aspects based on the similar assurance given by the respective heads of operations.

CONCLUSION

The Board is of the view that the Group's risk management and internal control system in place in FYE 2023 and up to the date of approval of this SORMIC is satisfactory and sufficient to safeguard the shareholders' investment, the stakeholder' interests and the Group's assets. There were no significant internal control deficiencies or material weaknesses resulting in material losses or contingencies requiring disclosure in this Annual Report.

The Board also acknowledges the need for continuous improvement in the Group's risk management and internal control system to align with our business growth as well as the evolving business landscape and regulatory environment. Therefore, the Board, together with the Board Committees and the Management, remains committed to continuously improve the Group's risk management and internal control system.

This SORMIC was approved by the Board on 16 April 2024.

ADDITIONAL COMPLIANCE INFORMATION

AUDIT FEES AND NON-AUDIT FEES

The amount of audit fees and non-audit fees paid or payable to the external auditors and/or its affiliates by the Group and the Company, respectively for FYE 2023 are as follows:

	Group RM	Company RM
Audit		
- Financial Audit	175,000	30,500
Non-audit		
- Review of SORMIC	5,000	5,000
Total	180,000	35,500

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

There were no material contracts entered into by the Group involving Directors' and major shareholders' interest which were still subsisting as at the end of the financial year or which were entered into since the end of the previous financial period.

UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

Private Placement

On 13 July 2022, the Company had proposed to undertake a private placement of up to 10% of the total number of issued shares of Nestcon to independent third-party investors. As at 31 December 2023, the Company had completed three (3) tranches of the private placement involving issuance of 38,250,000 new shares, at an issue price of RM0.360, RM0.435 and RM0.360 respectively, raised a total proceeds of approximately RM14.69 million. On 8 August 2023, the Company announced that a second extension of time was granted for an additional six (6) months up to 2 February 2024 to complete the implementation of the private placement.

As at 31 December 2023, the status of the utilisation of proceeds arising from the three (3) tranches of private placement is set out as below:

Details of Utilisation	Proceeds Raised RM'000	Actual Utilisation RM'000	Unutilised Amount RM'000	Intended Timeframe for Utilisation
Building, civil engineering and infrastructure segments:				
- rental of machineries and equipment	4,639	(4,639)	-	Within 12 months
- purchase of reinforcement steel	4,639	(4,639)	-	
- payment to subcontractors	5,285	(5,285)	-	
Purchase of solar panels for renewable energy segment	-	-	-	Within 12 months
Estimated expenses for the private placement	126	(126)	-	Within 1 month
Total	14,689	(14,689)	-	

The utilisation of proceeds disclosed above should be read in conjunction with the announcement of the Proposed Private Placement dated 13 July 2022.

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

RECURRENT RELATED PARTY TRANSACTIONS

	Transacting Party	Nature of Transaction with Nestcon Group	Details	Names of Interested Related Parties	Tenancy Period	Monthly Rental (RM)	Actual Aggregated Value Transacted from 1 Jan 2023 to 31 Dec 2023 (RM)
1	Datuk Ir. Dr. Lim Jee Gin Nestcon Builders	Rental of office	No. 2-10, Jalan Kenari 13B, Bandar Puchong Jaya, 47170 Puchong, Selangor	Datuk Ir. Dr. Lim Jee Gin	1 January 2023 to 31 December 2024	5,000	60,000
2	Datuk Ir. Dr. Lim Jee Gin Nestcon Infra	Rental of office	No. 1-10, Jalan Kenari 13B, Bandar Puchong Jaya, 47170 Puchong, Selangor	Datuk Ir. Dr. Lim Jee Gin	1 January 2023 to 31 December 2024	1,500	18,000
3	Datuk Ir. Dr. Lim Jee Gin Nestcon Sustainable Solutions N1 Solar N2 Solar Nestcon Solar	Rental of office	No. G-10, Jalan Kenari 13B, Bandar Puchong Jaya, 47170 Puchong, Selangor	Datuk Ir. Dr. Lim Jee Gin	1 January 2023 to 31 December 2024	3,200	38,400

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Act to prepare the financial statements for each financial year which have been made out in accordance with applicable MFRSs, IFRSs, the requirements of the Act in Malaysia and the AMLR.

The Directors are responsible to ensure that the financial statements give a true and fair view of the financial position of the Group and the Company at the end of the financial year, and of the financial performance and cash flows of the Group and the Company for the financial year. Where there are new accounting standards or policies that become effective during the year, the impact of these new requirements would be stated in the notes to the financial statements, accordingly.

In the preparation of the financial statements, the Directors ensure that Management have:

- (a) applied appropriate and consistent accounting policies;
- (b) made judgements and estimates that are reasonable and prudent;
- (c) ensured that all applicable accounting standards have been followed; and
- (d) prepared the financial statements on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue operations for the foreseeable future.

The Directors have responsibility to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the provisions of the Act.

The Directors have overall responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Group and the Company to detect and prevent fraud and other irregularities.

FINANCIAL STATEMENTS

Directors' Report	75
Statement by Directors	80
Statutory Declaration by the Director Primarily Responsible for the Financial Management of the Company	80
Independent Auditors' Report	81
Statements of Profit or Loss and Other Comprehensive Income	85
Statements of Financial Position	86
Statements of Changes in Equity	88
Statements of Cash Flows	90
Notes to the Financial Statements	93

DIRECTORS' REPORT

The directors of NESTCON BERHAD have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding.

The information on the name, place of incorporation, principal activities and effective equity interest held by the Company in each subsidiary company is as disclosed in Note 14 to the financial statements.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM	The Company RM
Profit before tax	5,367,402	678,554
Income tax expense	(1,466,248)	(247,863)
Profit for the financial year	3,901,154	430,691
Profit attributable to:		
Owners of the Company	3,491,837	430,691
Non-controlling interests	409,317	-
	3,901,154	430,691

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend any dividend payment in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and fully paid-up ordinary shares by issuance of 13,000,000 new ordinary shares at issue price of RM0.36 per ordinary share through third tranche of private placement.

The new ordinary shares issued rank pari passu with the existing ordinary shares of the Company.

The Company has not issued any debentures during the financial year.

DIRECTORS' REPORT (CONT'D)

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that there are no known bad debts to be written off and that no allowance for doubtful debts is required; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

- (a) which would require the writing off of bad debts or the setting up of an allowance for doubtful debts in the financial statements of the Group and of the Company; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company in the financial year in which this report is made.

DIRECTORS' REPORT (CONT'D)

DIRECTORS

The directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Datuk Ir. Dr. Lim Jee Gin*
Ong Yong Chuan*
Lim Joo Seng*
Nor Azzam Bin Abdul Jalil
Yeoh Sheong Lee
Mohd Noor Bin Setapa
Roslinda Binti Awang @ Mat Yazid

The directors of the subsidiary companies in office during the financial year and during the period from the end of the financial year to the date of this report are:

Say Qui Ken
Kho Khoon Hiok
Lim Kok Leong (Appointed on 13 October 2023)
Darren Solomon Low Jun Ket (Appointed on 13 July 2023 and resigned on 22 January 2024)

* Director of the Company and its subsidiary companies

DIRECTORS' INTERESTS

The interests in shares in the Company of those who were directors of the Company at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016, are as follows:

	Number of ordinary shares			
	Balance as at 1.1.2023	Bought	Sold	Balance as at 31.12.2023
Shares in the Company				
Direct interest				
Datuk Ir. Dr. Lim Jee Gin	385,993,758	5,000,000	(27,750,000)	363,243,758
Ong Yong Chuan	64,680,842	-	-	64,680,842
Lim Joo Seng	2,000,000	-	-	2,000,000
Yeoh Sheong Lee	500,000	-	-	500,000
Mohd Noor Bin Setapa	270,900	50,000	(320,900)	-
Indirect interest				
Ong Yong Chuan [#]	165,000	-	-	165,000

[#] Deemed interest by virtue of his spouse's shareholdings in the Company pursuant to Section 59(11)(c) of the Companies Act, 2016.

By virtue of the above directors' interest in the shares of the Company, they are deemed to have beneficial interest in the shares of all the subsidiary companies to the extent the Company has an interest.

The other directors in office at the end of the financial year did not hold shares, nor had beneficial interest in the shares of the Company or its related corporation during or at the beginning and end of the financial year.

DIRECTORS' REPORT (CONT'D)

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive a benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of full-time employees of the Company as disclosed below) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

The details of the directors' remuneration of the Group and of the Company for the financial year are as follows:

	The Group RM	The Company RM
Executive directors:		
Salaries and other emoluments	2,191,818	-
Defined contribution plans	268,821	-
	2,460,639	-
Non-executive directors:		
Fees	204,000	204,000
Other emoluments	20,000	20,000
	224,000	224,000
	2,684,639	224,000

The estimated monetary value of benefits-in-kind received and receivable by the directors otherwise than in cash from the Group amounted to RM39,450.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

There were no indemnity given to or insurance effected for any directors, officers and auditors of the Company in accordance with Section 289 of the Companies Act 2016.

AUDITORS' REMUNERATION

The amount paid or payable as remuneration of the auditors of the Group and of the Company for financial year ended 31 December 2023 are as follows:

	The Group RM	The Company RM
Auditors' remuneration:		
Statutory audit	175,000	30,500
Other services	5,000	5,000
	180,000	35,500

DIRECTORS' REPORT (CONT'D)

SUBSEQUENT EVENTS

The details of subsequent events are disclosed in Note 35 to the financial statements.

AUDITORS

The auditors, Morison LC PLT, have indicated their willingness to continue in office.

Signed on behalf of the Board, as approved by the Board
in accordance with a resolution of the directors,

DATUK IR. DR. LIM JEE GIN

ONG YONG CHUAN

Puchong,
16 April 2024

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

The directors of **NESTCON BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023 and of their financial performance and their cash flows for the financial year then ended.

Signed on behalf of the Board, as approved by the Board in accordance with a resolution of the directors,

DATUK IR. DR. LIM JEE GIN

ONG YONG CHUAN

Puchong,
16 April 2024

DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE

For the Financial Management of the Company

I, **LIM JOO SENG**, the director primarily responsible for the financial management of NESTCON BERHAD, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

LIM JOO SENG

Subscribed and solemnly declared by the
abovenamed **LIM JOO SENG** at
PUCHONG in **SELANGOR DARUL EHSAN**
on 16th day of April, 2024.

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

To the Members of Nestcon Berhad (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **NESTCON BERHAD**, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 84 to 135.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the 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.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company 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 Standard)* ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the *By-Laws* and *IESBA Code*.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Our audit performed and responses thereon
<p>Revenue recognition from construction contracts</p> <p>Refer to Notes 3, 4 and 6 to the financial statements for the Group's accounting policies on revenue recognition from construction contracts, key sources of estimation uncertainty and related disclosure.</p> <p>Revenue from construction contracts during the financial year amounted to RM759,169,850, which represent 98% of the Group's revenue.</p> <p>We determined this to be a key audit matter given its magnitude relative to the Group's revenue as well as the significant judgements and estimates involved in the following areas:</p> <ul style="list-style-type: none"> • progress of completion of the performance obligations; and • budgeting process in estimating the budgeted contract costs. 	<p>Our audit procedures, amongst others, included the following:</p> <ol style="list-style-type: none"> Obtained an understanding of the relevant processes and internal controls in respect of revenue recognition for construction contracts and performed procedures to evaluate the design and implementation of such controls. Performed test of details on selected actual contract costs incurred during the financial year to the relevant supporting evidences such as contractors' interim certificates and suppliers' invoices. Performed search for unrecorded liabilities, and evaluated accruals made in respect of work performed by sub-contractors of which invoice or contractors' interim certificate has yet to be received as at financial year end, by reviewing the basis of estimation of the amount accrued. Assessed the reasonableness of the estimated total contract costs by examining the supporting evidence, interviewing the project team and performed retrospective review to establish the reasonableness and reliability of the estimated total contract costs. Performed site visits for individually significant on-going construction contracts and examined the completion progress reports to arrive at an overall assessment as to whether progress of completion of the performance obligations determine on a cost-to-cost basis was reasonable.

INDEPENDENT AUDITORS' REPORT (CONT'D)

Report on the Audit of the Financial Statements (Cont'd)

Key Audit Matters (Cont'd)

Key audit matter	Our audit performed and responses thereon
<p>Valuation of contract assets</p> <p>Refer to Notes 3, 4 and 21 to the financial statements for the Group's accounting policies on impairment of financial assets, key sources of estimation uncertainty and related disclosure.</p> <p>As at 31 December 2023, the Group's contract assets amounted to RM214,520,272, which represent 30% of the Group's total assets.</p> <p>We determined this to be a key audit matter given its magnitude relative to the Group's total assets as well as the significant judgements and estimates involved in measuring the loss allowance. The loss allowance is estimated based on past loss experience, timing of billing and observable data such as current changes and future forecast in economic conditions.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> (i) Assessed and discussed with management on the reasonableness of the key bases and assumptions used in estimation of loss allowance with reference to the contract assets balance as at reporting date, timing of billing and previous collection experience. (ii) Assessed the billing of contract assets and collection subsequent to the end of the financial year

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company'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 the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT (CONT'D)

Report on the Audit of the Financial Statements (Cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 financial statements of the Group and of the Company, 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 and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT (CONT'D)

Other Matters

- (a) The financial statements of Nestcon Berhad for the financial year ended 31 December 2022 were audited by another auditors who expressed an unqualified opinion on these financial statements on 12 April 2023.
- (b) This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

MORISON LC PLT
202206000028 (LLP0032572-LCA)
Chartered Accountants (AF 002469)

Petaling Jaya
16 April 2024

LEE HUI ZIEN
No. 03564/03/2025 J
Partner of the firm

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2023

	Note	The Group 2023 RM	2022 RM	The Company 2023 RM	2022 RM
Revenue	6	775,146,276	461,517,687	-	-
Cost of sales		(746,832,090)	(461,924,801)	-	-
Gross profit/(loss)		28,314,186	(407,114)	-	-
Other operating income	7	4,258,844	2,566,571	1,364,863	713,624
Administrative expenses		(14,236,013)	(12,902,995)	(686,309)	(920,032)
Other operating expenses		(227,002)	(111,943)	-	-
Profit/(Loss) from operations		18,110,015	(10,855,481)	678,554	(206,408)
Finance costs	8	(12,742,613)	(7,818,626)	-	-
Profit/(Loss) before tax	9	5,367,402	(18,674,107)	678,554	(206,408)
Income tax (expense)/credit	10	(1,466,248)	3,113,942	(247,863)	(96,935)
Profit/(Loss) for the financial year, representing total comprehensive income/(loss) for the financial year		3,901,154	(15,560,165)	430,691	(303,343)
Profit/(Loss) for the financial year, representing total comprehensive income/(loss) attributable to:					
Owners of the Company		3,491,837	(15,347,935)	430,691	(303,343)
Non-controlling interests		409,317	(212,230)	-	-
		3,901,154	(15,560,165)	430,691	(303,343)
Earnings/(Loss) per ordinary share attributable to owners of the Company:					
Basic/Diluted	11	0.01	(0.02)		

The notes to the financial statements form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2023

	Note	The Group 2023 RM	2022 RM	The Company 2023 RM	2022 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	12	88,922,462	81,777,585	-	-
Investment properties	13	1,748,560	2,499,277	-	-
Investment in subsidiary companies	14	-	-	60,244,000	60,244,000
Goodwill arising from consolidation	15	1,075,347	1,075,347	-	-
Other financial assets	16	2,087,297	2,038,594	-	-
Deferred tax assets	17	1,382,958	2,522,326	-	-
Total Non-Current Assets		95,216,624	89,913,129	60,244,000	60,244,000
Current Assets					
Inventories	18	1,273,933	1,004,680	-	-
Trade receivables	19	240,715,356	173,813,454	-	-
Other receivables, deposits and prepayments	20	30,151,308	20,199,990	105,495	106,305
Contract assets	21	214,520,272	126,458,954	-	-
Amount due from subsidiary companies	14	-	-	44,382,534	30,882,035
Tax recoverable		5,028,713	2,740,321	-	-
Other financial assets	16	2,153,989	2,080,845	2,153,989	2,080,845
Fixed deposits with licensed banks	22	46,542,807	31,897,592	-	-
Cash and bank balances	22	70,391,327	74,252,749	6,210,769	14,681,400
Total Current Assets		610,777,705	432,448,585	52,852,787	47,750,585
Total Assets		705,994,329	522,361,714	113,096,787	107,994,585
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	23	115,591,598	110,952,649	115,591,598	110,952,649
Merger reserves	24	(47,543,900)	(47,543,900)	-	-
Retained earnings/(Accumulated losses)		61,710,478	58,218,641	(2,649,634)	(3,080,325)
Equity Attributable to Owners of the Company		129,758,176	121,627,390	112,941,964	107,872,324
Non-controlling interests		3,230,499	395,682	-	-
Total Equity		132,988,675	122,023,072	112,941,964	107,872,324

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2023 (Cont'd)

	Note	The Group 2023 RM	2022 RM	The Company 2023 RM	2022 RM
Non-Current Liabilities					
Bank borrowings	25	18,651,422	21,099,347	-	-
Lease liabilities	26	23,925,239	17,053,490	-	-
Deferred tax liabilities	17	647,230	738,436	-	-
Total Non-Current Liabilities		43,223,891	38,891,273	-	-
Current Liabilities					
Trade payables	27	317,976,271	204,890,890	-	-
Other payables and accruals	28	9,319,781	7,509,334	83,445	91,032
Contract liabilities	21	8,286,690	6,238,463	-	-
Bank borrowings	25	182,702,131	128,566,369	-	-
Lease liabilities	26	11,304,957	14,211,084	-	-
Tax liabilities		191,933	31,229	71,378	31,229
Total Current Liabilities		529,781,763	361,447,369	154,823	122,261
Total Liabilities		573,005,654	400,338,642	154,823	122,261
TOTAL EQUITY AND LIABILITIES		705,994,329	522,361,714	113,096,787	107,994,585

The notes to the financial statements form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2023

	Note	Share capital RM	Non-distributable reserve - Merger reserves RM	Distributable reserve - Retained earnings RM	Equity attributable to Owners of the Company RM	Non-controlling interests RM	Total equity RM
The Group							
As at 1 January 2022		101,028,626	(47,543,900)	74,056,114	127,540,840	-	127,540,840
Contributions by and distribution to owners of the Company							
Issuance of shares	23	10,008,750	-	-	10,008,750	-	10,008,750
Share issue expenses	23	(84,727)	-	-	(84,727)	-	(84,727)
Acquisition of subsidiary companies		-	-	-	-	(1,008,675)	(1,008,675)
Effect on changes in stakes		-	-	(489,538)	(489,538)	1,616,587	1,127,049
Loss for the financial year, representing total comprehensive loss for the financial year		9,924,023	-	(489,538)	9,434,485	607,912	10,042,397
As at 31 December 2022/1 January 2023		110,952,649	(47,543,900)	58,218,641	121,627,390	395,682	122,023,072
Contributions by and distribution to owners of the Company							
Issuance of shares	23	4,680,000	-	-	4,680,000	-	4,680,000
Share issue expenses	23	(41,051)	-	-	(41,051)	-	(41,051)
Issuance of shares in subsidiary company to non-controlling interests		4,638,949	-	-	4,638,949	-	4,638,949
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	-	2,425,500	2,425,500
As at 31 December 2023		115,591,598	(47,543,900)	61,710,478	129,758,176	3,230,499	132,988,675

The notes to the financial statements form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2023 (Cont'd)

	Note	Share capital RM	Distributable reserve - Accumulated losses RM	Total equity RM
The Company				
As at 1 January 2022		101,028,626	(2,776,982)	98,251,644
Contributions by and distribution to owners of the Company				
Issuance of shares	23	10,008,750	-	10,008,750
Share issue expenses	23	(84,727)	-	(84,727)
		9,924,023	-	9,924,023
Loss for the financial year, representing total comprehensive loss for the financial year		-	(303,343)	(303,343)
As at 31 December 2022/1 January 2023		110,952,649	(3,080,325)	107,872,324
Contributions by and distribution to owners of the Company				
Issuance of shares	23	4,680,000	-	4,680,000
Share issue expenses	23	(41,051)	-	(41,051)
		4,638,949	-	4,638,949
Profit for the financial year, representing total comprehensive income for the financial year		-	430,691	430,691
As at 31 December 2023		115,591,598	(2,649,634)	112,941,964

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2023

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
CASH FLOWS USED IN OPERATING ACTIVITIES				
Profit/(Loss) before tax	5,367,402	(18,674,107)	678,554	(206,408)
Adjustments for:				
Accretion of interest on other financial assets	(48,703)	(48,703)	-	-
Depreciation of property, plant and equipment	16,397,411	14,798,876	-	-
Depreciation of investment properties	45,430	54,390	-	-
Dividend income from other financial assets	(26,274)	(68,809)	(26,274)	(68,809)
Fair value gain from other financial assets	(46,870)	(5,682)	(46,870)	(5,682)
Gain on derecognition of lease upon termination	(2,405)	(314)	-	-
Gain on disposal of property, plant and equipment	(1,365,144)	(1,454,194)	-	-
Interest expense	12,742,613	7,818,626	-	-
Interest income:				
Fixed deposits with licensed banks	(861,176)	(431,595)	(172,050)	(146,030)
Bank balances	(532,736)	(464,407)	-	-
Advances to subsidiary companies	-	-	(1,119,669)	(493,103)
Loss on disposal of investment property	50,287	-	-	-
Property, plant and equipment written off	113,744	-	-	-
Unrealised gain on foreign exchange	-	(17,542)	-	-
Operating profit/(loss) before changes in working capital	31,833,579	1,506,539	(686,309)	(920,032)
Changes in working capital:				
(Increase)/Decrease in:				
Inventories	(269,253)	(614,065)	-	-
Trade receivables	(66,901,902)	(59,974,667)	-	-
Other receivables, deposits and prepayments	(9,951,318)	(7,186,907)	810	(40,405)
Contract assets	(88,061,318)	(38,884,456)	-	-
Increase/(Decrease) in:				
Trade payables	113,085,381	33,746,175	-	-
Other payables and accruals	1,810,447	3,085,975	(7,587)	23,661
Contract liabilities	2,048,227	(7,533,079)	-	-
Cash Used in Operation	(16,406,157)	(75,854,485)	(693,086)	(936,776)
Interest received	523,032	464,407	172,050	146,030
Tax paid	(2,545,774)	(3,854,250)	(207,714)	(67,596)
Net Cash Used In Operating Activities	(18,428,899)	(79,244,328)	(728,750)	(858,342)

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2023 (Cont'd)

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
CASH FLOWS USED IN INVESTING ACTIVITIES				
Acquisition of a subsidiary company, net of cash acquired	-	(1,840,463)	-	(300,100)
Purchase of other financial assets	73,144	74,491	73,144	74,491
Advances to subsidiary companies	-	-	(13,500,499)	(10,500,715)
Interest received	-	890	1,119,669	493,103
Proceeds from disposal of property, plant and equipment	2,233,003	2,612,500	-	-
Proceed from disposal of investment property	655,000	-	-	-
Purchase of property, plant and equipment*	(4,277,327)	(3,695,829)	-	-
Net Cash Used In Investing Activities	(1,316,180)	(2,848,411)	(12,307,686)	(10,233,221)
CASH FLOWS (USED IN)/ FROM FINANCING ACTIVITIES				
Subscription of shares by non-controlling interests	2,425,500	24,500	-	-
Interest paid	(12,742,613)	(7,818,626)	-	-
Proceed from issuance of shares, net of share issuance expenses	4,638,949	9,924,023	4,638,949	9,924,023
Interest received	870,880	430,705	-	-
Placement of pledged fixed deposits with licensed banks	(14,645,215)	(10,062,235)	-	-
Movement in restricted cash at licensed banks	(5,240,922)	(9,330,297)	(92,636)	(4,074,896)
Repayment of lease liabilities	(11,869,025)	(12,143,182)	-	-
Net drawdown of bank borrowings	28,769,797	73,966,719	-	-
Net Cash (Used In)/From Financing Activities	(7,792,649)	44,991,607	4,546,313	5,849,127
NET DECREASE IN CASH AND CASH EQUIVALENTS	(27,537,728)	(37,101,132)	(8,490,123)	(5,242,436)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	27,042,248	64,143,380	12,687,349	17,929,785
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	(495,480)	27,042,248	4,197,226	12,687,349

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2023 (Cont'd)

The details of cash and cash equivalents are as follow:

	The Group		The Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Other investment	2,153,989	2,080,845	2,153,989	2,080,845
Fixed deposits with licensed banks	46,542,807	31,897,592	-	-
Cash and bank balances	70,391,327	74,252,749	6,210,769	14,681,400
Bank overdrafts	(45,912,853)	(27,404,325)	-	-
	73,175,270	80,826,861	8,364,758	16,762,245
Less: Non-cash and cash equivalents				
Pledged fixed deposits with licensed banks	(46,542,807)	(31,897,592)	-	-
Restricted cash at licensed banks	(27,127,943)	(21,887,021)	(4,167,532)	(4,074,896)
	(495,480)	27,042,248	4,197,226	12,687,349

* During the current financial year, the Group acquired property, plant and equipment through the following arrangements:

	The Group	
	2023	2022
	RM	RM
Financed by:		
Cash payments	4,277,327	3,695,829
Lease liabilities	16,049,428	22,967,257
Term loan	4,409,512	11,100,150
	24,736,267	37,763,236

The notes to the financial statements form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

1. GENERAL INFORMATION

The Company is a public limited company, incorporated and domiciled in Malaysia, and listed on the ACE Market of Bursa Malaysia Securities Berhad.

The principal activity of the Company is that of investment holding.

The information on the name, place of incorporation, principal activities and effective equity interest held by the Company in each subsidiary company is as disclosed in Note 14.

The registered office of the Company is located at No. 7-1, Jalan 109F, Plaza Danau 2, Taman Danau Desa, 58100 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia.

The principal place of business of the Company is located at No. 2-10, Jalan Kenari 13B, Bandar Puchong Jaya, 47170 Puchong, Selangor Darul Ehsan, Malaysia.

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance on 16 April 2024.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Adoption of amendments to MFRSs

During the financial year, the Group and the Company have adopted the following applicable amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

Amendments to MFRS 101 and MFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The adoption of these amendments to standards did not have any significant impact on the financial statements of the Group and of the Company except for:

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Cont'd)

Adoption of amendments to MFRSs (Cont'd)

Amendments to MFRS 101 and MFRS Practice Statement 2 Disclosure of Accounting Policies

The Group and the Company have adopted the amendments to MFRS 101 *Presentation of Financial Statements* and MFRS Practice Statement 2 *Materiality Practice Statement* for the first time in the current financial year. The amendments change the requirements in MFRS 101 *Presentation of Financial Statements* with regard to disclosure of accounting policies. The amendments replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Amendments to MFRS 101 *Presentation of Financial Statements* are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments have no effect on the measurement, recognition or presentation of any items in the Group’s and the Company’s financial statements but affect the disclosure of accounting policies.

Amendments to MFRSs in issue but not yet effective

The Group and the Company have not applied the following amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and the Company:

Amendments to MFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current ¹
Amendments to MFRS 101	Non-current Liabilities with Covenants ¹
Amendments to MFRS 107 and MFRS 7	Supplier Finance Arrangements ¹
Amendments to MFRS 121	Lack of Exchangeability ²
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2024.

² Effective for annual periods beginning on or after 1 January 2025.

³ Deferred to a date to be determined and announced by MASB.

The directors anticipate that the abovementioned amendments to MFRSs will be adopted in the annual financial statements of the Group and of the Company when they become effective, if applicable, and that the adoption of the amendments to MFRSs will have no material impact on the financial statements of the Group and of the Company in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost unless otherwise indicated in the accounting policy information below.

Functional and presentation currency

The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM"), which is the Group's and the Company's functional and presentation currency. All financial information is presented in RM and has been rounded to the nearest RM.

Basis of consolidation

The Group applies the acquisition method to account for business combination from the acquisition date when the acquired set of activities meet the definition of a business and control is transferred to the Group except for those business combinations which were accounted using merger method of accounting, which are Nestcon Builders Sdn. Bhd. and Nestcon Infra Sdn. Bhd..

A business combination involving entities under common control is a business combination in which all the combining subsidiary companies are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Under the merger method of accounting, the results of subsidiary companies are presented as if the business combination had been affected throughout the current and previous financial years. The assets and liabilities combine are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between the carrying value of the investment in subsidiary companies and the share capital of the Company's subsidiary companies is taken to merger reserve.

Non-controlling interests

At the acquisition date, components of non-controlling interests of the Group are measured at the non-controlling interest's proportionate share of the acquiree's identifiable assets.

Investment in subsidiary companies

In the Company's separate financial statements, investment in subsidiary companies is stated at cost less accumulated impairment losses.

Goodwill arising from business combination

Goodwill arising from business combination represents the excess of cost of the acquisition over the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities, and is initially recognised as an asset at cost and subsequently measured at costs less any accumulated impairment losses.

Revenue from contract with customers

The Group recognises revenue from the following major sources:

(a) Construction contracts

The Group constructs buildings and related infrastructure work under long-term contracts with customers. Construction service constructs comprise multiple deliverables that require significant integration service and therefore accounted as a single performance obligation.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Revenue from contract with customers (Cont'd)

(a) Construction contracts (Cont'd)

Under the terms of the contracts, the Group has an enforceable right to payment for performance completed to date and that the customer controls the assets during the course of construction by the Group and that the construction services performed does not create an asset with an alternative use to the Group. Therefore, revenue from construction contracts is recognised over time using input method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the budgeted contract costs. The Group consider this method as an appropriate measure of the progress of completion towards complete satisfaction of the performance obligations.

The Group becomes entitled to invoice customer for construction service based on achieving a series of performance-related milestones.

(b) Engineering, procurement, construction and commissioning ("EPCC") of solar energy solution

The Group provides turnkey EPCC services in solar energy solution to customers in two categories: residential; and commercial and industrial (roof-top projects). Its end-to-end solution covers the initial feasibility to in-depth system designs and installations, project commissioning to project handover that caters to all types of solar photovoltaic projects.

EPCC contracts involve multiple deliverables, such as solar system design, supply of solar energy equipment, installation of solar energy system and testing of newly installed solar energy system. As the Group provides significant integration service for multiple performance obligations, they are accounted for a single performance obligation.

For revenue from EPCC, the Group is restricted contractually from directing the solar energy system under construction for another use as they are being developed and has an enforceable right to payment for performance completed to date. Therefore, revenue from EPCC is recognised over time using input method, based on the cost incurred to date relative to the budgeted contract costs.

Progress billings to the customer are based on a payment schedule in the contract and are typically triggered upon achievement of specified construction milestones. There is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue under the input method and the milestone payment is always less than one year.

Leases

The Group presents right-of-use assets as property, plant and equipment in Note 12.

Lessee accounting

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are initially measured at cost less any accumulated amortisation and accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities. Amortisation is computed on the straight-line basis over the lease period.

Land and buildings	33.33%
Building equipment	20%
Machinery	20%
Motor vehicles	14% - 25%

The lease liabilities are initially measured at the present value of the lease payments that are paid at commencement date, discounted using the interest rate implicit in the lease contract. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Leases (Cont'd)

Lessor accounting

The Group recognises lease payments received from rental of machineries under operating leases as income on a straight-line basis over the lease term as part of revenue.

Property, plant and equipment

Property, plant and equipment other than right-of-use assets are measured at cost less any accumulated depreciation and accumulated impairment losses.

Solar assets under construction are not depreciated until it is completed and ready for intended use.

Property, plant and equipment other than solar assets under construction and right-of-use assets are depreciated on straight-line basis over the estimated useful lives of the assets, at the following annual rates:

Building equipment	10%
Computer and software	15% - 33.33%
Furniture and fittings	10% - 50%
Machinery	10%
Motor vehicles	20%
Office equipment	15% - 20%
Renovation	10% - 20%
Tools and equipment	20%
Solar assets	4%

Investment properties

Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, at the following annual rates:

Freehold building	2%
Leasehold buildings	2%

Inventories

Inventories, which mainly consist of solar panels, are stated at lower of cost or net realisable value. Cost of inventories comprises the original cost of purchase plus incidental costs incurred in bringing the inventories to their present location, and accounted for on a first-in, first-out basis.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's and the Company's statements of financial position when the Group and the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss ("FVTPL").

Despite the foregoing, the Group and the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group and the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group and the Company may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (ii) below).

(i) *Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Financial assets (Cont'd)

(i) *Amortised cost and effective interest method (Cont'd)*

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit impaired financial assets, the Group recognises interest income by applying the credit adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

(ii) *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Financial assets that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called "accounting mismatch") that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has designated investment in quoted unit trust and other investment as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss from other financial assets are recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other operating income" or "other operating expenses" line item.

Financial liabilities

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

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Impairment of financial assets

The Group and the Company recognise a loss allowance for expected credit losses (“ECL”) on trade receivables, other receivables and deposits, contract assets, amount owing from subsidiary companies as well as cash and bank balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime ECL for trade receivables and contract assets. The Group and the Company considers past loss experience, timing of billing and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

For all other financial instruments, the Group and the Company recognise lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group and the Company measure the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Reversal of impairment loss to profit or loss, if any, is restricted to not exceeding what the amortised cost would have been had the impairment not been recognised previously.

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group and the Company compare the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group and the Company consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information such as financial evaluation of the creditworthiness of the debtors, ageing of receivables, defaults and past due amounts, past experience with the debtors, current conditions and reasonable forecast of future economic conditions.

The Group and the Company presume that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 365 days past due, unless the Group and the Company have reasonable and supportable information that demonstrates otherwise.

Probability of default

The Group and the Company consider the information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group and the Company, in full, as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets are generally not recoverable.

The Group and the Company consider that default has occurred when a financial asset is more than 365 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write-off policy

The Group and the Company write off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, with case-by-case assessment performed based on indicators such as insolvency or demise. Financial assets written off may still be subject to enforcement activities under the Group's and the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss as bad debts recovered.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Cont'd)

Impairment of financial assets (Cont'd)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group and the Company in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at the original effective interest rate.

If the Group and the Company have measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determine at the current reporting date that the conditions for lifetime ECL are no longer met, the Group and the Company measure the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Group and the Company recognise an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Statements of cash flow

The Group and the Company adopt the indirect method in the preparation of the statements of cash flow.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and exclude pledged fixed deposits with licensed banks and restricted cash at licensed banks.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Directors have used estimates and assumptions in measuring the reported amounts of assets and liabilities at the end of the reporting period and the reported amounts of expenses during the reporting period. Judgements and assumptions are applied in the measurement, and hence, the actual results may not coincide with the report amounts.

(a) Critical judgements in applying the Group's and the Company's accounting policies

In the process of applying the Company's accounting policies, the directors are of the opinion that there are no instances of application of judgements which are expected to have a significant effect on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

Directors believe that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period, except for:

Revenue recognition from construction contracts

The Group recognises revenue from construction contracts based on input method. The percentage of completion is determined based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs.

Significant judgement is required in recognising the revenue by reference to the progress towards satisfaction of performance obligations, the extent of the contract costs incurred and the estimated total contract costs. In making these judgements, the Group relies on past experience and continuous monitoring of the estimated total contract costs.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

(b) Key sources of estimation uncertainty (Cont'd)

Impairment of investment in subsidiary companies

The Company reviews the carrying amount of investment in subsidiaries. The recoverable amount of the investment in subsidiaries has been determined on the basis of its value in use.

The value in use requires management to make an estimate of the expected future cash flows from the subsidiary companies and select a suitable pre-tax discount rate in order to calculate the present value of those cash flows in reviewing the impairment of investment in subsidiary companies.

Valuation of contract assets

The Group assess impairment losses for contract assets based on simplified approach by applying an ECL rate. Significant judgement is required in determining the ECL rate by making assumption based on past loss experience, timing of billing and observable data such as current changes and future forecast in economic conditions.

Provision for defect liabilities

The Group recognises provision for defect liabilities for future work expected to be carried out subsequent to the project's completion as part of their defect liability obligations. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

Income taxes

Liability for taxation is recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice of whether additional taxes will be payable. When the final outcome of the tax payable is determined with the tax authority, the amount might be different from the initial estimate of the tax payable. Such difference may impact the income tax in the period when such determination is made. The Group and the Company will adjust for the differences as over- or underprovision of income tax in the period in which those differences arise.

5. SEGMENT REPORTING

The Group has two main reporting operating segments, which are:

- (a) Building and infrastructure: Provision of construction services for building and infrastructure; and
- (b) Renewable energy: Renewable energy activities and maintenance works.

Performance is measured on segment revenue that is reviewed by the Group's Managing Director who is the Group's chief operating decision maker. Segment revenue is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments.

Segment results, assets and liabilities

Segment results, assets and liabilities information are neither included in the internal management reports nor provided regularly to the Managing Director. Hence, no breakdown by segment disclosure is made on segment results, assets and liabilities.

The following is an analysis of the Group's revenue by the operating segments.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

5. SEGMENT REPORTING (Cont'd)

	Building and infrastructure RM	Renewable energy RM	Total RM
The Group			
2023			
Revenue	759,205,475	15,940,801	775,146,276
Result			
Depreciation of property, plant and equipment			(16,397,411)
Depreciation of investment properties			(45,430)
Interest income			1,393,912
Finance costs			(12,742,613)
Unallocated income			2,864,932
Unallocated expenses			(744,852,264)
Tax expense			(1,466,248)
Profit/(Loss) before tax			3,901,154
Assets and liabilities			
Segment assets			705,994,329
Segment liabilities			573,005,654
2022			
Revenue	454,868,915	6,648,772	461,517,687
Result			
Depreciation of property, plant and equipment			(14,798,876)
Depreciation of investment properties			(54,390)
Interest income			896,002
Finance costs			(7,818,626)
Unallocated income			1,670,569
Unallocated expenses			(460,086,473)
Tax expense			3,113,942
Loss before tax			(15,560,165)
Assets and liabilities			
Segment assets			522,361,714
Segment liabilities			400,338,642

Geographical segments

The Group's revenue from contracts with customers were generated within Malaysia.

Revenue from major customers

During the financial year, major customers contributing more than 10% of the Group's total revenue amounted to RM537,926,992 (2022: RM325,580,751), which relates to three (2022: five) customers.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

6. REVENUE

	The Group	
	2023 RM	2022 RM
Revenue from contract with customers:		
Construction contracts	759,169,850	454,637,065
EPCC of solar energy solution	15,796,800	6,648,772
Renewable energy	144,001	-
	775,110,651	461,285,837
Revenue from other source:		
Rental of machineries	35,625	231,850
	775,146,276	461,517,687
Timing of revenue recognition:		
Over time:		
Construction contracts	759,169,850	454,637,065
EPCC of solar energy solution	15,796,800	6,648,772
	774,966,650	461,285,837
At a point in time:		
Renewable energy	144,001	-
	775,110,651	461,285,837

The following table shows the aggregate amount of the transaction price allocated to performance obligations that is unsatisfied (or partially unsatisfied) at the end of the reporting period and the expectation on the revenue from unsatisfied performance obligations to be recognised in the following years.

	The Group	
	2023 RM	2022 RM
Within one year	1,423,404,690	1,152,452,769
Later than one year but not later than five years	543,509,211	555,649,596
	1,966,913,901	1,708,102,365

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

7. OTHER OPERATING INCOME

	The Group		The Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Accretion of interest on other financial assets	48,703	48,703	-	-
Interest income from:				
Fixed deposits with licensed banks	861,176	431,595	172,050	146,030
Bank balances	532,736	464,407	-	-
Advances to subsidiary companies	-	-	1,119,669	493,103
Dividend income from other financial assets	26,274	68,809	26,274	68,809
Fair value gain from other financial assets	46,870	5,682	46,870	5,682
Gain on derecognition of lease upon termination	2,405	314	-	-
Gain on disposal of property, plant and equipment	1,365,144	1,454,194	-	-
Gain on foreign exchange:				
Unrealised	-	17,542	-	-
Realised	11,720	-	-	-
Insurance claim	889,021	675	-	-
Management fee	377,873	74,650	-	-
Other miscellaneous income	96,922	-	-	-
	4,258,844	2,566,571	1,364,863	713,624

8. FINANCE COSTS

	The Group	
	2023	2022
	RM	RM
Interest expenses on:		
Bank borrowings	10,891,356	6,246,921
Lease liabilities	1,851,257	1,571,705
	12,742,613	7,818,626

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

9. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax for the financial year is arrived at after charging:

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Auditors' remuneration:				
Statutory audits:				
Current financial year	175,000	120,000	30,500	20,000
Underprovision in previous financial year	-	13,000	-	-
Other services	5,000	5,000	5,000	5,000
Staff costs	45,400,552	27,882,390	224,000	216,000
Depreciation of property, plant and equipment	16,397,411	14,798,876	-	-
Depreciation of investment properties	45,430	54,390	-	-
Property, plant and equipment written off	113,744	-	-	-
Loss on disposal of investment property	50,287	-	-	-
Realised loss on foreign exchange	-	75,105	-	-
Expenses relating to short-term leases	56,572,501	21,663,783	-	-
Expenses relating to leases of low value assets	124,976	140,823	-	-

Included in staff costs of the Group and of the Company are directors' remuneration of RM2,684,639 (2022: RM2,149,836) and RM224,000 (2022: RM216,000), respectively as further disclosed in Note 29.

Staff costs include salaries, bonuses, contributions to Employees Provident Fund ("EPF") and all other staff related expenses. Contributions to EPF by the Group during the financial year amounted to RM3,411,586 (2022: RM 2,516,053).

10. INCOME TAX EXPENSE/(CREDIT)

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Estimated tax payable:				
Current financial year	1,131,887	167,589	243,251	91,473
(Over)/Under provision in prior financial years	(713,801)	2,645	4,612	5,462
	418,086	170,234	247,863	96,935
Deferred tax (Note 17):				
Current financial year	1,174,717	(3,426,465)	-	-
(Over)/Under provision in prior financial years	(126,555)	142,289	-	-
	1,048,162	(3,284,176)	-	-
	1,466,248	(3,113,942)	247,863	96,935

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

10. INCOME TAX EXPENSE/(CREDIT) (Cont'd)

A reconciliation of income tax expense/(credit) applicable to profit/(loss) before tax at the applicable statutory income tax rate to income tax expense/(credit) at the effective income tax rate of the Group and of the Company are as follows:

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Profit/(Loss) before tax	5,367,402	(18,674,107)	678,554	(206,408)
Taxation at statutory rate of 24% (2022: 24%)	1,288,176	(4,481,786)	162,853	(49,538)
Tax effects of:				
Non-taxable income	(29,243)	(114,326)	-	-
Expenses not deductible	1,047,671	1,337,236	80,398	141,011
(Over)/Under provision in prior financial years:				
Estimated tax payable	(713,801)	2,645	4,612	5,462
Deferred tax	(126,555)	142,289	-	-
	1,466,248	(3,113,942)	247,863	96,935

11. EARNINGS/(LOSS) PER ORDINARY SHARE

Basic and diluted earnings/(loss) per ordinary share attributable to owner of the Company are computed by dividing the profit/(loss) for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

Basis earnings/(loss) per ordinary share

	The Group	
	2023	2022
Profit/(Loss) attributable to owners of the Company (RM)	3,491,837	(15,347,935)
Weighted average number of ordinary shares (units)	678,902,137	647,375,425
Basic and diluted earnings/(loss) per ordinary share (RM)	0.01	(0.02)

Diluted earnings/(loss) per ordinary share

There were no dilutive potential equity instruments in issue as at financial year ended that have dilutive effect to the earnings/(loss) per ordinary share.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM	Building equipment RM	Computer and software RM	Furniture and fittings RM	Machinery RM	Motor vehicles RM	Office equipment RM	Renovation RM	Tools and equipment RM	Solar assets RM	Solar assets under construction RM	Total RM
The Group												
Cost												
As at 1 January 2022	909,332	20,938,282	545,137	745,730	55,768,906	21,642,966	443,808	544,460	2,795,471	-	-	104,334,092
Additions	496,885	5,070,131	833,424	8,813	20,995,852	8,522,801	31,256	13,616	111,101	-	1,679,357	37,763,236
Acquisition of a subsidiary company	-	-	14,878	-	-	-	-	-	31,015	-	-	45,893
Disposals	-	-	-	-	(1,646,500)	(1,349,000)	-	-	-	-	-	(2,995,500)
Derecognition arising from lease termination	(283,468)	-	-	-	-	-	-	-	-	-	-	(283,468)
As at 31 December 2022/	1,122,749	26,008,413	1,393,439	754,543	75,118,258	28,816,767	475,064	558,076	2,937,587	-	1,679,357	138,864,253
1 January 2023	1,220,394	8,138,109	245,153	41,290	9,548,527	3,263,156	47,155	109,274	171,906	-	1,951,303	24,736,267
Additions	-	-	-	-	(1,590,000)	(70,000)	-	-	(971,314)	-	-	(2,631,314)
Disposals	-	-	-	-	(175,000)	(3,800)	-	-	(275,695)	-	-	(454,495)
Written offs	-	-	-	-	-	-	-	-	-	3,520,495	(3,520,495)	-
Transfer	-	-	-	-	-	-	-	-	-	-	-	-
Derecognition arising from lease termination	(776,586)	-	-	-	-	-	-	-	-	-	-	(776,586)
As at 31 December 2023	1,566,557	34,146,522	1,638,592	795,833	82,901,785	32,006,123	522,219	667,350	1,862,484	3,520,495	110,165	159,738,125

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

12. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Land and buildings RM	Building equipment RM	Computer and software RM	Furniture and fittings RM	Machinery RM	Motor vehicles RM	Office equipment RM	Renovation RM	Tools and equipment RM	Solar assets RM	Solar assets under construction RM	Total RM
Accumulated depreciation												
As at 1 January 2022	461,540	8,184,763	310,707	379,734	19,783,377	13,038,842	277,462	417,707	1,521,181	-	-	44,375,313
Charge for the financial year	527,473	2,408,752	127,300	72,408	6,868,995	4,122,543	52,728	76,646	542,031	-	-	14,798,876
Acquisition of a subsidiary company	-	-	4,010	-	-	-	-	-	517	-	-	4,527
Disposals	-	-	-	-	(885,692)	(951,502)	-	-	-	-	-	(1,837,194)
Derecognition arising from lease termination	(254,854)	-	-	-	-	-	-	-	-	-	-	(254,854)
As at 31 December 2022/1 January 2023	734,159	10,593,515	442,017	452,142	25,766,680	16,209,883	330,190	494,353	2,063,729	-	-	57,086,668
Charge for the financial year	718,667	2,903,444	171,552	72,241	8,094,345	3,886,232	57,474	39,075	406,128	48,253	-	16,397,411
Disposals	-	-	-	-	(877,918)	(54,833)	-	-	(830,704)	-	-	(1,763,455)
Written offs	-	-	-	-	(119,583)	(1,203)	-	-	(219,965)	-	-	(340,751)
Derecognition arising from lease termination	(564,210)	-	-	-	-	-	-	-	-	-	-	(564,210)
As at 31 December 2023	888,616	13,496,959	613,569	524,383	32,863,524	20,040,079	387,664	533,428	1,419,188	48,253	-	70,815,663
Carrying amount												
As at 31 December 2022	388,590	15,414,898	951,422	302,401	49,351,578	12,606,884	144,874	63,723	873,858	-	1,679,357	81,777,585
As at 31 December 2023	677,941	20,649,563	1,025,023	271,450	50,038,261	11,966,044	134,555	133,922	443,296	3,472,242	110,165	88,922,462

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

12. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Included in property, plant and equipment of the Group are building equipment, machinery and motor vehicles under finance lease arrangements with net book value RM8,496,326 (2022: RM6,828,375), RM27,712,532 (2022: RM26,360,204) and RM6,192,138 (2022: RM5,829,218) respectively. These building equipment, machinery and motor vehicles have been charged to local licensed banks for finance lease obligations as disclosed in Note 26.

Right-of-use assets

The information about leases for which the Group are lessee is presented below:

	Land and buildings RM	Building equipment RM	Machinery RM	Motor vehicles RM	Total RM
The Group					
Cost					
As at 1 January 2022	909,332	2,460,947	28,021,203	8,996,519	40,388,001
Additions	496,885	5,743,799	17,202,551	4,141,569	27,584,804
Reclassifications	-	(761,242)	(12,850,361)	(1,190,000)	(14,801,603)
Derecognition arising from lease termination	(283,468)	-	-	-	(283,468)
As at 31 December 2022/ 1 January 2023	1,122,749	7,443,504	32,373,393	11,948,088	52,887,734
Additions	1,220,394	2,655,745	8,582,858	3,213,805	15,672,802
Reclassifications	-	-	(8,055,584)	(4,791,521)	(12,847,105)
Derecognition arising from lease termination	(776,586)	-	-	-	(776,586)
As at 31 December 2023	1,566,557	10,099,249	32,900,667	10,370,372	54,936,845
Accumulated amortisation					
As at 1 January 2022	461,540	253,311	7,618,014	5,061,343	13,394,208
Charge for the financial year	527,473	634,596	4,017,953	2,408,195	7,588,217
Reclassifications	-	(272,778)	(5,622,778)	(1,350,668)	(7,246,224)
Derecognition arising from lease termination	(254,854)	-	-	-	(254,854)
As at 31 December 2022	734,159	615,129	6,013,189	6,118,870	13,481,347

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

12. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Land and buildings RM	Building equipment RM	Machinery RM	Motor vehicles RM	Total RM
Accumulated amortisation					
As at 1 January 2023	734,159	615,129	6,013,189	6,118,870	13,481,347
Charge for the financial year	718,667	987,794	3,392,667	2,190,501	7,289,629
Reclassifications	-	-	(4,217,721)	(4,131,137)	(8,348,858)
Derecognition arising from lease termination	(564,210)	-	-	-	(564,210)
As at 31 December 2023	888,616	1,602,923	5,188,135	4,178,234	11,857,908
Carrying amount					
As at 31 December 2022	388,590	6,828,375	26,360,204	5,829,218	39,406,387
As at 31 December 2023	677,941	8,496,326	27,712,532	6,192,138	43,078,937

The Group's right-of-use assets consist of land and buildings, building equipment, machinery and motor vehicles. The lease term for right-of-use assets ranges from 1 to 7 (2022: 1 to 7) years. The Group has options to extend the lease term for 1 year (2022: 1 to 3 years) at the end of the lease term.

13. INVESTMENT PROPERTIES

	Freehold land and buildings RM	Leasehold buildings RM	Total RM
The Group			
Cost			
As at 1 January 2022/31 December 2022/ 1 January 2023	768,000	1,951,503	2,719,503
Disposal	(768,000)	-	(768,000)
As at 31 December 2023	-	1,951,503	1,951,503
Accumulated depreciation			
As at 1 January 2022	40,953	124,883	165,836
Charge for the financial year	15,360	39,030	54,390
As at 31 December 2022/1 January 2023	56,313	163,913	220,226
Charge for the financial year	6,400	39,030	45,430
Disposal	(62,713)	-	(62,713)
As at 31 December 2023	-	202,943	202,943
Carrying amount			
As at 31 December 2022	711,687	1,787,590	2,499,277
As at 31 December 2023	-	1,748,560	1,748,560

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

13. INVESTMENT PROPERTIES (Cont'd)

- (a) The leasehold buildings have been pledged to financial institutions as securities for a term loan obtained from a licensed bank as disclosed in Note 25.
- (b) The fair value of investment properties are as follows:

	The Group	
	2023 RM	2022 RM
Freehold land and building	-	720,000
Leasehold buildings	1,700,705	1,872,000
	1,700,705	2,592,000

The fair value represents the amounts at which the properties could be exchanged on an open market basis between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at each financial year end. The fair value disclosure of investment properties is estimated by directors of the Company and categorised in Level 3 of the fair value hierarchy.

14. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2023 RM	2022 RM
Unquoted shares - at cost:		
At beginning and end of the financial year	60,244,000	60,244,000

Details of the subsidiary companies are as follows:

Name of subsidiary	Place of incorporation	Effective equity interest		Principal activities
		2023	2022	
		%	%	
Direct subsidiary companies				
Nestcon Builders Sdn. Bhd.	Malaysia	100	100	Engaged in construction works
Nestcon Infra Sdn. Bhd. ("Nestcon Infra")	Malaysia	100	100	Engaged in construction works
Nestcon Sustainable Solutions Sdn. Bhd. ("Nestcon Sustainable Solutions")	Malaysia	51	51	Engaged in the business of renewable energy activities and maintenance works and investment holding

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

14. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

Name of subsidiary	Place of incorporation	Effective equity interest		Principal activities
		2023	2022	
		%	%	
Indirect subsidiary companies held through Nestcon Infra				
Nestcon KSJ Ventures Sdn. Bhd. (" Nestcon KSJ ") [#]	Malaysia	51	51	Engaged in construction works
Nestcon Floatovoltaics Sdn. Bhd. (" Nestcon Floatovoltaics ") [@]	Malaysia	80	-	Dormant
Indirect subsidiary companies held through Nestcon Sustainable Solutions				
N1 Solar Sdn. Bhd.	Malaysia	100	100	Dormant
N2 Solar Sdn. Bhd.	Malaysia	100	100	Engaged in EPCC services for solar photovoltaics system and investment in solar PV plant and investment holding
Nestcon Solar Sdn. Bhd. (" Nestcon Solar ") [@]	Malaysia	100	100	Engaged in the business of solar energy, solar photovoltaics and facility, engineering, procurement, installation, construction and project management of all kind of renewal energy and any related business and services and sale by commission
N3 Solar Sdn. Bhd. (" N3 Solar ") [@]	Malaysia	70	-	Dormant

[#] The subsidiary company is consolidated based on its unaudited management account as at 31 December 2022.

[@] The subsidiary company is consolidated based on its unaudited management account as at 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

14. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

Subscription of new ordinary shares issued by subsidiary companies

- (i) On 30 June 2023, a wholly owned subsidiary company, Nestcon Infra subscribed 2,524,500 ordinary shares allotted by Nestcon KSJ through disposal of 6 units of Articulated Trucks to Nestcon KSJ for a disposal consideration of RM2,524,500.

Nestcon Infra's effective equity interest in Nestcon KSJ remain 51% after the subscription of additional ordinary shares.

- (ii) On 22 February 2022, the Company subscribed 300,100 ordinary shares allotted by Nestcon Sustainable Solutions for a total cash consideration of RM300,100.

The Company's effective equity interest in Nestcon Sustainable Solutions is 51% after the subscription of additional ordinary shares.

- (iii) On 1 July 2022, a subsidiary company, Nestcon Sustainable Solutions subscribed 449,900 ordinary shares allotted by Nestcon Solar for a total cash consideration of RM449,900.

Nestcon Sustainable Solutions's effective equity interest in Nestcon Solar remain 51% after the subscription of additional ordinary shares.

Incorporation of subsidiary companies

- (i) On 13 July 2023, a subsidiary company, Nestcon Sustainable Solutions subscribed for 7 ordinary shares which represents 70% of the total issued ordinary shares from the newly incorporated subsidiary company, N3 Solar for a total cash consideration of RM7.

Consequently, Nestcon Sustainable Solutions's effective equity interest in N3 Solar is 70%.

- (ii) On 13 October 2023, a wholly-owned subsidiary company, Nestcon Infra subscribed 80 ordinary shares, which represents 80% of the total issued ordinary shares from the newly incorporated subsidiary company, Nestcon Floatovoltaics for a total cash consideration of RM80.

With this, Nestcon Infra's effective equity interest in Nestcon Floatovoltaics is 80%.

- (iii) On 3 October 2022, a wholly-owned subsidiary company, Nestcon Infra subscribed 25,500 ordinary shares, which represents 51% of the total issued ordinary shares from the newly incorporated subsidiary company, Nestcon KSJ for a total cash consideration of RM25,500.

With this, Nestcon Infra's effective equity interest in Nestcon KSJ is 51%.

Acquisition of a subsidiary company in 2022

On 1 April 2022, a wholly-owned subsidiary, Nestcon Sustainable Solutions entered into a Share Sale Agreement with Main Way Venture Sdn. Bhd. for the acquisition of 300,100 ordinary shares in Nestcon Solar, representing 100% of the equity interest for a total purchase consideration of RM3,000,000.

The purchase consideration satisfied via:

- (i) shares consideration of RM1,127,049 by the issuance and allotment of 2,209,900 ordinary shares which represents 49% of the total issued and enlarged share capital of Nestcon Sustainable Solutions; and
- (ii) cash consideration of RM1,872,951.

14. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

Acquisition of a subsidiary company in 2022 (Cont'd)

With effect of the said acquisition, the Company's effective equity interest in Nestcon Sustainable Solutions and the subsidiary companies held through Nestcon Sustainable Solutions decreased from 100% to 51%.

Fair value of the identified assets acquired and liabilities recognised:

	The Group 2022 RM
Assets	
Property, plant and equipment	41,366
Trade receivables	1,244,716
Inventories	390,615
Deposits and prepayments	150
Fixed deposits with licensed banks	1,000,000
Cash and bank balances	32,488
Total Assets	2,709,335
Liabilities	
Trade payables	1,598,600
Other payables and accruals	14,553
Tax liabilities	204,000
Deferred tax liabilities	704
Total Liabilities	1,817,857
Total identifiable net assets acquired	891,478
Goodwill arising on acquisition (Note 15)	1,075,347
Non-controlling interests	1,033,175
Fair value of consideration transferred	3,000,000

Net cash outflows, net of cash acquired, presented as investing activities in the Group's statement of cash flow is as follows:

	The Group 2022 RM
Fair value of consideration transferred	3,000,000
Less: Non-cash consideration	(1,127,049)
Consideration paid in cash	1,872,951
Less: Cash and cash equivalents of the subsidiary company acquired	(32,488)
Net cash outflows on acquisition	1,840,463

Amount owing by subsidiary companies, which arose mainly from advances is unsecured, bear interest at 2.70% (2022: 1.80%) per annum and repayable on demand. Transactions with subsidiary companies are disclosed in Note 29.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

15. GOODWILL ARISING FROM CONSOLIDATION

	The Group 2023 RM	2022 RM
As at 1 January	1,075,347	-
Acquisition of a subsidiary company	-	1,075,347
As at 31 December	1,075,347	1,075,347

The goodwill arising from the acquisition of Nestcon Solar Sdn. Bhd. on 1 April 2022.

The recoverable amount is determined based on "value-in-use" where management make an estimate of the expected future cash flows covering a five-years (2022: five-years) period. The key assumptions for the value-in-use calculation are as below:

	2023 %	2022 %
Gross profit margin	13.05	13.05
Growth rate	5 to 20	5 to 16
Pre-tax discount rate	19.20	18.31

The Group has conducted an analysis on the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount. The directors believe that any reasonably change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount.

16. OTHER FINANCIAL ASSETS

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Non-Current				
Financial asset at amortised cost (Note (a))	2,087,297	2,038,594	-	-
Current				
Financial asset at fair value through profit or loss (Note (b))	2,153,989	2,080,845	2,153,989	2,080,845
	4,241,286	4,119,439	2,153,989	2,080,845

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

16. OTHER FINANCIAL ASSETS (Cont'd)

(a) Financial asset at amortised cost

The financial asset represents the certain assets paid as a security to the term loan as disclosed in Note 25. This financial asset carries at effective interest rate ranges from 2.39% to 2.43% (2022: 2.39% to 2.43%) per annum and to be received in 2025.

	The Group	
	2023 RM	2022 RM
Nominal		
As at 1 January/31 December	2,145,727	2,145,727
Less: Discount		
As at 1 January	107,133	155,836
Unwinding of discount	(48,703)	(48,703)
As at 31 December	58,430	107,133
Carrying amount		
As at 31 December	2,087,297	2,038,594

(b) Financial asset at fair value through profit or loss

The financial asset represents investment in short-term funds in Malaysia.

The fair value measurements for the financial asset have been categories as Level 1 fair value based on unadjusted quoted price.

17. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group	
	2023 RM	2022 RM
Deferred tax assets	1,382,958	2,522,326
Deferred tax liabilities	(647,230)	(738,436)
	735,728	1,783,890

The movements in deferred tax during the financial year are as follows:

	The Group	
	2023 RM	2022 RM
As at 1 January	1,783,890	(1,499,582)
(Charged)/Credited to profit or loss (Note 10):		
Property, plant and equipment	(2,522,802)	2,479,201
Right-of-use assets and lease liabilities	5,640	-
Provisions	241,967	(262,985)
Unutilised tax losses	(15,425)	1,067,960
Unabsorbed capital allowances	1,242,458	-
	(1,048,162)	3,284,176
Acquisition of a subsidiary company	-	(704)
As at 31 December	735,728	1,783,890

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

17. DEFERRED TAX ASSETS/(LIABILITIES) (Cont'd)

The deferred tax in the financial statements is in respect of the tax effects on the following:

	The Group	
	2023 RM	2022 RM
Deferred tax assets (before offsetting):		
Temporary differences arising from:		
Property, plant and equipment	9,009	500,306
Right-of-use assets and lease liabilities	5,640	-
Provisions	1,196,027	954,060
Unutilised tax losses	1,052,535	1,067,960
Unabsorbed capital allowances	1,242,458	-
	3,505,669	2,522,326
Offsetting	(2,769,941)	(738,436)
Deferred tax assets (after offsetting)	735,728	1,783,890
Deferred tax liabilities (before offsetting):		
Temporary differences arising from property, plant and equipment	2,769,941	738,436
Offsetting	(2,769,941)	(738,436)
Deferred tax liabilities (after offsetting)	-	-

At the end of the reporting period, the Group has unabsorbed capital allowances and unused tax losses that are available for offsetting against future taxable profits, subject to the agreement with the tax authorities.

The details of unabsorbed capital allowances and unutilised tax losses are as follow:

	The Group	
	2023 RM	2022 RM
Unabsorbed capital allowances	5,176,910	5,717,034
Unutilised tax losses	4,385,563	4,385,563

The unabsorbed capital allowances do not expire under current tax legislation.

Expiry date of the unutilised tax losses is summarised below:

	The Group	
	2023 RM	2022 RM
Year of assessment: 2032	4,385,563	4,385,563

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

18. INVENTORIES

	The Group 2023 RM	2022 RM
At cost:		
Purchased materials	1,273,933	1,004,680

The cost of inventories recognised by the Group as an expense during the financial year was RM9,271,308 (2022: RM5,208,399).

19. TRADE RECEIVABLES

	The Group 2023 RM	2022 RM
Receivables	136,577,264	98,402,670
Retention sum receivables:		
Third parties	103,844,568	75,117,260
Related parties	293,524	293,524
	104,138,092	75,410,784
	240,715,356	173,813,454

The credit period granted to customers ranges from 14 to 60 days (2022: 14 to 60 days).

The retention sum receivables are subject to satisfactory completion of the respective project's defect liability periods ranges from 1 to 2.5 years (2022: 2 years).

The Group applies a simplified approach in calculating loss allowances for trade receivable at an amount equal to lifetime ECL.

The Group does not hold any collateral or other credit enhancements over trade receivable balances.

The aged analysis of trade receivables at the end of the reporting period:

	The Group 2023 RM	2022 RM
Neither past due nor impair	179,078,471	121,539,184
Past due but not impair:		
1 to 30 days	31,147,626	22,151,488
31 days to 60 days	11,005,866	17,658,427
61 days to 90 days	6,040,601	7,615,608
More than 90 days	13,442,792	4,848,747
	61,636,885	52,274,270
	240,715,356	173,813,454

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

19. TRADE RECEIVABLES (Cont'd)

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group.

Receivables that are past due but not impaired

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience and no adverse information to date, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered recoverable.

20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Other receivables	2,666,053	2,010,519	-	-
Deposits	10,248,943	6,464,548	1,000	1,000
Prepayment	3,892,032	5,099,673	104,495	105,305
Advance payment	13,303,360	6,625,250	-	-
Accrued revenue	40,920	-	-	-
	30,151,308	20,199,990	105,495	106,305

Included in deposits of the Group is an amount of RM29,100 (2022: RM19,500) paid to a director of the Company.

21. CONTRACT ASSETS/(LIABILITIES)

	The Group	
	2023 RM	2022 RM
Contract assets	214,520,272	126,458,954
Contract liabilities	(8,286,690)	(6,238,463)
	206,233,582	120,220,491

Contract assets are balances due from customer under construction contracts and EPCC that arise when the Group receives payments from customer via progress billings. These amounts are initially recognised as contract assets. Any amount previously recognised as contract assets is reclassified to trade receivable at the point at which it is invoiced to the customer.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

21. CONTRACT ASSETS/(LIABILITIES) (Cont'd)

Contract liabilities are the advance consideration received from customers and progress billings issued in excess of the Group's revenue recognition. The contract liabilities are recognised as revenue when the Group fulfils its performance obligation under the contracts with customers under construction contracts and EPCC.

The movements in contract assets/(liabilities) during the financial year are as follows:

	The Group	
	2023 RM	2022 RM
As at 1 January	120,220,491	73,802,956
Revenue recognised during the financial year	774,966,650	461,285,837
Progress billings during the financial year	(688,953,559)	(414,868,302)
As at 31 December	206,233,582	120,220,491

22. FIXED DEPOSITS WITH LICENSED BANKS AND CASH AND BANK BALANCES

The Group's fixed deposits with licensed banks have been pledged to licensed financial institutions for banking facilities granted to the Group as disclosed in Note 25.

Fixed deposits with licensed banks earn interest at rates ranging from 2.00% to 3.05% (2022: 1.40% to 2.85%) per annum. Fixed deposits with licensed banks of the Group have maturity terms of 1 month to 12 months (2022: 1 month to 12 months).

Included in cash and bank balances of RM27,127,943 (2022: RM21,887,021) have been restricted to licensed financial institutions for banking facilities granted to the Group as disclosed in Note 25.

The Group performed impairment assessment on bank balances and concluded the probability of defaults of the licensed financial institutions are insignificant and accordingly, no allowance for credit loss is provided.

23. SHARE CAPITAL

	The Group and the Company			
	Number of ordinary shares		Amount	
	2023	2022	2023 RM	2022 RM
Issued and fully paid:				
<u>Ordinary shares</u>				
At beginning of the financial year	669,072,000	643,822,000	110,952,649	101,028,626
Issuance of shares pursuant to private placements	13,000,000	25,250,000	4,680,000	10,008,750
Share issuance expenses	-	-	(41,051)	(84,727)
At end of the financial year	682,072,000	669,072,000	115,591,598	110,952,649

During the financial year, the Company increased its issued and fully paid-up ordinary shares from RM110,952,649, comprising 669,072,000 ordinary shares, to RM115,591,598, comprising 682,072,000 ordinary shares through third tranche of private placement at issue price of RM0.36 per ordinary share.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

23. SHARE CAPITAL (Cont'd)

The Company increased its issued and fully paid-up ordinary shares from RM101,028,626 to RM110,952,649 in previous financial year:

- (a) 13,000,000 new ordinary shares through first tranche of private placement at issue price of RM0.36 per ordinary share; and
- (b) 12,250,000 new ordinary shares through second tranche of private placement at issue price of RM0.435 per ordinary share.

The new ordinary shares issued rank pari passu with the then 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 ordinary share at meeting of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

24. MERGER RESERVES

The merger reserves represent the difference between the carrying value of the investment in subsidiary companies and the share capital of the Company's subsidiary companies upon consolidation under the merger accounting principle.

25. BANK BORROWINGS

	The Group	
	2023 RM	2022 RM
Secured		
Term loans	31,055,253	26,795,494
Bank overdrafts	45,912,853	27,404,325
Factoring payable	33,884,836	22,284,460
Invoice financing	60,343,808	54,254,270
Bankers' acceptance	2,247,000	-
Revolving credits	27,909,803	18,927,167
	201,353,553	149,665,716
Current		
Term loans	12,403,831	5,696,147
Bank overdrafts	45,912,853	27,404,325
Factoring payable	33,884,836	22,284,460
Invoice financing	60,343,808	54,254,270
Bankers' acceptance	2,247,000	-
Revolving credits	27,909,803	18,927,167
	182,702,131	128,566,369
Non-Current		
Term loans	18,651,422	21,099,347
	201,353,553	149,665,716

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

25. BANK BORROWINGS (Cont'd)

The weighted average effective interest rates for bank borrowings (per annum) as at reporting date are as follows:

	The Group	
	2023 %	2022 %
Term loans	3.50 to 6.82	3.50 to 6.57
Bankers' acceptance	4.87 to 4.95	5.00 to 5.35
Above the Cost of Funds		
Bank overdrafts	1.00 to 1.50	1.00 to 1.50
Factoring payable	1.00	1.00
Invoice financing	1.00 to 2.00	1.00 to 1.50
Revolving credits	0.75 to 1.50	0.75 to 1.50

The bank borrowings are secured by way of:

- Fixed charged over designated collections account, sinking fund account and other accounts;
- Charged over goods as defined in Master Security Agreement;
- All Monies Legal Charge or all Monies Deed of Assignment and Power of Attorney over investment properties;
- Insurance policy is taken up under the name of directors of the Company and assigned to the Bank; and
- Corporate guarantee by the Company and third parties.

26. LEASE LIABILITIES

The maturity analysis of the lease liabilities are as follows:

	The Group	
	2023 RM	2022 RM
Minimum lease payments:		
Less than one year	12,879,801	16,154,226
Later than one year but not later than five years	25,443,999	18,137,920
Later than five years	152,159	108,896
Total minimum lease payments	38,475,959	34,401,042
Less: Unearned interest	(3,245,763)	(3,136,468)
Present value of lease liabilities	35,230,196	31,264,574

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

26. LEASE LIABILITIES (Cont'd)

The lease liabilities component is analysed as follows:

	The Group	
	2023 RM	2022 RM
Current	11,304,957	14,211,084
Non-current	23,925,239	17,053,490
	35,230,196	31,264,574

The Group does not face a significant liquidity risk with regard to their lease liabilities.

The lease liabilities are denominated in Ringgit Malaysia and comprise land and buildings, building equipment and obligations under finance lease on machineries and motor vehicles.

Land and buildings

The Group applied the incremental borrowing rate to the lease liabilities of 5.81% (2022: 4.46%) per annum.

Obligations under finance lease

The Group's obligations under finance lease bear effective interest at rate ranging from 3.91% to 7.77% (2022: 3.91% to 7.77%) per annum. The obligations under finance lease are secured by a charge over the property, plant and equipment as disclosed in Note 12.

27. TRADE PAYABLES

	The Group	
	2023 RM	2022 RM
Payables:		
Third parties	268,784,986	166,188,879
Related party	-	20,203
	268,784,986	166,209,082
Retention sum payables:		
Third parties	48,897,762	38,388,285
Related party	293,523	293,523
	49,191,285	38,681,808
	317,976,271	204,890,890

The normal credit terms granted to the Group ranges from 30 to 90 days (2022: 30 to 90 days).

Included in trade payables are the following balances denominated in a currency other than the functional currency of the entity to which they relate:

	The Group	
	2023 RM	2022 RM
United States Dollars	-	719,698

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

28. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Other payables	2,209,419	3,634,095	45,595	52,776
Provision for defect liabilities	3,729,505	890,100	-	-
Accruals	3,378,007	2,973,489	37,850	38,256
Deposits received	2,850	11,650	-	-
	9,319,781	7,509,334	83,445	91,032

Included in other payables of the Group is an amount of RM3,600 payable to a director of the Company as at 31 December 2023.

29. RELATED PARTY TRANSACTIONS

(a) Identify related parties

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

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

(b) Significant related party transactions and balances

Related party transactions have been entered in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the related party transactions of the Group and of the Company are as follows:

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Subsidiary companies:				
Interest income	-	-	1,119,669	493,103
Related party:				
Director				
Rental expenses	(116,400)	(78,000)	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

29. RELATED PARTY TRANSACTIONS (Cont'd)

(c) Compensation of key management personnel

The remuneration of key management personnel during the financial year are as follows:

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Executive directors:				
Salaries and other emoluments	2,191,818	1,727,349	-	-
Defined contribution plans	268,821	206,487	-	-
	2,460,639	1,933,836	-	-
Non-executive directors:				
Fees	204,000	204,000	204,000	204,000
Other emoluments	20,000	12,000	20,000	12,000
	224,000	216,000	224,000	216,000
	2,684,639	2,149,836	224,000	216,000

The estimated monetary value of benefits-in-kind received and receivable by the directors otherwise than in cash from the Group amounted to RM39,450 (2022: RM37,117).

30. CAPITAL COMMITMENTS

	The Group	
	2023 RM	2022 RM
Approved and contracted for:		
Building equipment	3,984,469	2,655,745
Machineries	691,813	1,450,563
	4,676,282	4,106,308

31. FINANCIAL GUARANTEE CONTRACTS

	The Company	
	2023 RM	2022 RM
Corporate guarantee given to licensed banks to secure credit facilities granted to subsidiary companies	231,172,963	221,124,588
Corporate guarantee for suppliers	25,143,353	8,938,448
Corporate guarantee for contract customers	64,327,634	46,627,757

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statements of cash flows as cash flows (used in)/from financing activities.

	Bank borrowings (Note 25) The Group	
	2023 RM	2022 RM
As at 1 January 2023	122,261,391	37,194,522
Purchase of property, plant and equipment	4,409,512	11,100,150
Net drawdown of bank borrowings	28,769,797	73,966,719
Interest expense incurred (Note 8)	10,891,356	6,246,921
Interest expense paid	(10,891,356)	(6,246,921)
As at 31 December 2023	155,440,700	122,261,391

	Lease liabilities (Note 26) The Group	
	2023 RM	2022 RM
As at 1 January 2023	31,264,574	17,919,427
Additions to right-of-use assets	16,049,428	25,517,257
Derecognition of right-of-use assets	(214,781)	(28,928)
Payments of lease liabilities - principal	(11,869,025)	(12,143,182)
Interest expense incurred (Note 8)	1,851,257	1,571,705
Interest expense paid	(1,851,257)	(1,571,705)
As at 31 December 2023	35,230,196	31,264,574

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

33. FINANCIAL INSTRUMENTS

Classification of financial instruments

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	The Group		The Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Financial assets				
<i><u>Fair value through profit or loss</u></i>				
Other financial assets	2,153,989	2,080,845	2,153,989	2,080,845
<i><u>At amortised cost</u></i>				
Trade receivables	240,715,356	173,813,454	-	-
Other receivables and refundable deposits	12,914,996	8,475,067	1,000	1,000
Amount due from subsidiary companies	-	-	44,382,534	30,882,035
Other financial assets	2,087,297	2,038,594	-	-
Fixed deposits with licensed banks	46,542,807	31,897,592	-	-
Cash and bank balances	70,391,327	74,252,749	6,210,769	14,681,400
Financial liabilities				
<i><u>At amortised cost</u></i>				
Trade payables	317,976,271	204,890,890	-	-
Other payables and accruals	5,587,426	6,607,584	83,445	91,032
Bank borrowings	201,353,553	149,665,716	-	-
Lease liabilities	35,230,196	31,264,574	-	-

Financial risk management objectives and policies

The Group and the Company are exposed to financial risk arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and market risk.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of those risks.

i) Credit risk

Credit risk is the risk of a financial loss to the Group and to the Company that may arise if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk mainly from trade receivables, other receivables and refundable deposits and contract assets; whereas the Company's exposure to credit risk mainly from amount owing by subsidiary companies and financial guarantee given to licensed banks and third parties.

The management has in place a credit procedure to monitor and minimise the exposure of default. Receivables are monitored on a regular and an ongoing basis. Credit evaluations are performed on all customers requiring credit over certain amount.

For cash and cash equivalents, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Company provides advances to subsidiary companies and monitors the results of the subsidiary companies regularly.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

33. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (cont'd)

i) Credit risk (cont'd)

Concentration profile

Concentration of credit risk arises when a number of customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Group monitors various portfolios to identify and assess risk concentration.

The Group major concentration of credit risk relates to the amount due from three (2022: three) receivables which constituted 47% (2022: 50%) of its trade receivables at the end of the reporting period.

Exposure to credit risk

The carrying amount of the financial assets recorded on the statements of financial position at the end of the reporting period represents the Group's and the Company's maximum exposure to credit risk in relation to financial assets. No financial assets carry a significant exposure to credit risk.

In addition, the Company are exposed to credit risk in relation to financial guarantee given to licensed banks and third parties. The financial guarantees have not been recognised in the financial statements since the fair value on initial recognition was not material as the financial guarantees provided by the Company did not contribute towards credit enhancement of the subsidiary companies' borrowings in view of the securities pledged by the subsidiary companies. The maximum exposure to credit risk in relation to the financial guarantees contract is as disclosed in Note 31.

Credit quality analysis

The Group and the Company consider the probability of default upon initial recognition of trade and other receivables and contract assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group and the Company categorise a receivable as impaired when a debtor fails to make contractual payments more than 365 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group and the Company. Where receivables have been written off, the Group and the Company continue to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

An impairment analysis is performed at each reporting date using provision matrix to measure expected credit losses for all trade receivables and contract assets.

The expected credit losses incorporate historical default experience, customer financial information, past trend of payments of each customer individually and forward-looking information such as forecast of economic conditions.

(ii) Liquidity risk

Liquidity risk is the risk that the Group and the Company encounter difficulty in meeting its obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from trade payables, other payables and accruals, bank borrowings and lease liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group and the Company manage liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

33. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (cont'd)

(ii) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities at the end of the reporting period based on undiscounted contractual payments:

	Weighted average effective interest rate %	Total carrying amount RM	On demand or within 1 year RM	Within 2 to 5 years RM	More than 5 years RM	Total undiscounted cash flow RM
The Group						
2023						
Non-interest bearing:						
Trade payables		317,976,271	268,784,986	49,191,285	-	317,976,271
Other payables and accruals		5,587,426	5,587,426	-	-	5,587,426
Financial guarantee contracts*		-	95,428,444	-	-	95,428,444
Interest bearing:						
Bank borrowings	3.50 to 6.82	201,353,553	183,850,242	18,465,448	1,894,616	204,210,306
Lease liabilities	3.91 to 7.77	35,230,196	12,879,801	25,443,999	152,159	38,475,959
		560,147,446	566,530,899	93,100,732	2,046,775	661,678,406

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

33. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (cont'd)

(ii) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities at the end of the reporting period based on undiscounted contractual payments: (cont'd)

	Weighted average effective interest rate %	Total carrying amount RM	On demand or within 1 year RM	Within 2 to 5 years RM	More than 5 years RM	Total undiscounted cash flow RM
The Group						
2022						
Non-interest bearing:						
Trade payables		204,890,890	166,209,082	38,681,808	-	204,890,890
Other payables and accruals		6,607,584	6,607,584	-	-	6,607,584
Financial guarantee contracts*		-	77,520,444	-	-	77,520,444
Interest bearing:						
Bank borrowings	3.50 to 6.57	149,665,716	129,892,974	22,441,768	1,200,266	153,535,008
Lease liabilities	3.91 to 7.77	31,264,574	16,154,226	18,137,920	108,896	34,401,042
		392,428,764	396,384,310	79,261,496	1,309,162	476,954,968

* This has been included for based on the maximum amount that can be called for as the related financial guarantees contracts have not crystallised as at the end of the reporting period.

At the end of financial period, the Company only inclusive of current liabilities, therefore no maturity profile.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

33. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (cont'd)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates risk will affect the Group's and the Company's financial position or cash flows.

Foreign currency risk

The Group undertake transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuation arise.

The carrying amounts of the Group's foreign currency denominated monetary liabilities at the end of the reporting period are as follows:

	The Group	
	2023 RM	2022 RM
United States Dollar	-	(719,698)

Foreign currency sensitivity analysis

The Group is exposed to the foreign currency of United States Dollar.

The following table details the Group's sensitivity to a 10% increase and decrease in the Ringgit Malaysia against United States Dollar. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. A positive number below indicates a profit where the Ringgit Malaysia strengthens 10% against United States Dollar and vice versa.

	The Group	
	2023 RM	2022 RM
United States Dollar	-	71,970

Interest rate risk

The Group's deposits with licensed banks and bank borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its fixed deposits with licensed banks by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short-term and long-term deposits.

The Group manages its interest rate risk exposure from interest-bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

33. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (cont'd)

(iii) Market risk (cont'd)

Interest rate risk (cont'd)

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts at the end of the reporting period was:

	2023 RM	2022 RM
Fixed rate instruments		
<u>Financial assets</u>		
Fixed deposits with licensed banks	46,542,807	31,897,592
<u>Financial liabilities</u>		
Bank borrowings	458,831	658,002
Lease liabilities	35,230,196	31,264,574
Floating rate instruments		
<u>Financial liabilities</u>		
Bank borrowings	200,894,722	149,007,714

Interest rate risk sensitivity analysis

Sensitivity analysis is not disclosed for fixed rate instruments as fixed rate instruments are not exposed to interest rate risk and are measured at amortised cost.

At the end of the reporting period, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's profit/(loss) before tax for the financial year would have been approximately RM1,004,474 (2022: RM745,039) lower/higher, arising mainly as a result of lower/higher finance costs on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

Fair values of financial instruments

The carrying amounts of short-term receivables and payables, cash and cash equivalents and bank borrowings except term loans approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

The fair values of other investments are measured at fair value in the statements of financial position as at the end of the reporting period using Level 1 inputs for the purpose of fair value hierarchy in accordance with the generally accepted pricing model based on the net asset value of the unit trust fund.

The fair value of lease liabilities is determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the financial reporting period.

The carrying amount of the floating rate term loans approximated their fair values as these instruments bear interest at variables rates.

The carrying amount of the fixed rate term loans approximated their fair values as these instruments bear interest at approximated market lending rate at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

34. CAPITAL MANAGEMENT

The objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance. The Group's overall strategy remains unchanged during the current financial year.

The capital structure of the Group consists of debt (as disclosed in Notes 25 and 26) and equity (as disclosed in Notes 23 and 24).

Gearing Ratio

	The Group	
	2023 RM	2022 RM
Debt	236,583,749	180,930,290
Equity	132,988,675	122,023,072
Debt to equity ratio (%)	1.78	1.48

Debt consists of bank borrowings and lease liabilities.

Debt to equity ratio is not applicable to the Company as the Company has no debt at the end of the reporting period.

35. SUBSEQUENT EVENTS

- On 31 January 2024, the Company increased its issued and fully paid-up ordinary shares from RM115,591,598, comprising 682,072,000 ordinary shares, to RM124,210,276, comprising 708,204,000 ordinary shares through fourth tranche of private placement at issue price of RM0.325 per ordinary share.
- On 6 February 2024, Energy Crest Sdn Bhd transferred all its units of fully paid-up ordinary shares of N3 Solar, 3 units in total to a subsidiary of the Company, Nestcon Sustainable Solutions. Accordingly, N3 Solar become the wholly-owned subsidiary of Nestcon Sustainable Solutions; and
- In February 2024, a subsidiary of the Company, Nestcon Builders ("**Defendant**") received a writ of summon together with a statement of claim in relation to an outstanding sum of RM308,930 which had been due to Uni Décor Coating Sdn Bhd ("**Plaintiff**") for the two contracts awarded to Plaintiff. Nestcon Builders has filed its defence and counterclaimed for an amount of approximately RM233,000 which Nestcon Builders's position is well supported and defensible.

The financial impact could not be ascertained at this juncture as the case is in its preliminary stage.

36. LITIGATION

Received a writ of summon in relation to a claim by Rainbow Option Sdn. Bhd. ("**Plaintiff**") against Nestcon Builders, a subsidiary company of the Group ("**Defendant**"), that during the development and construction of a building project, the Defendant had, amongst others, breached their duties and/or obligations in the following manner:

- the construction works and/or activities carried out at project site has caused unreasonable noise disturbance after the permitted working hours, which in turn, has caused disruption to Plaintiff's restaurant business; and
- inadequate measures to manage, regulate and/or control the traffic flow to prevent unreasonable disruption and/or interference in the surrounding vicinity, which in turn, has on various occasions prevented access to Plaintiff's restaurant.

No provision was made at the end of the reporting period as the outcome for this case presently undetermined.

LIST OF PROPERTIES

No.	Postal Address	Description of Property/ Existing Use/ Expiry of Lease (if any)/ Category of Land Use (if any)	Approximate Age (Years)	Land Area/ Built-up Area (sq ft)	Date of Purchase	Audited NBV as at 31 December 2023 (RM'000)
1.	B-11-07, Block B Astoria Ampang Jalan Ampang 50450 Kuala Lumpur	Serviced apartment on 11th floor/ Investment property/ Leasehold of 99 years expiring on 25 January 2094/ Building	5	Not applicable/ 1,505	11 July 2019	1,076
2.	G-01-1, Primer Garden Town Villas Jalan Hijau Pelangi U9/55 Cahaya SPK, Seksyen U9 40150 Shah Alam Selangor	Ground and first floor (lower unit) of a 3-storey town house/ Investment property/ Leasehold of 99 years expiring on 27 December 2108/ Building	9	2,343/ 2,305	22 October 2012	673

ANALYSIS OF SHAREHOLDINGS

AS AT 29 MARCH 2024

Total Number of Issued Shares	:	708,204,000
Issued and Fully Paid-up	:	RM124,210,276.00
Class of Shares	:	Ordinary Shares
Voting Rights	:	One (1) Vote Per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	8	0.484	100	0.000
100 - 1,000	255	15.454	118,400	0.016
1,001 - 10,000	685	41.515	3,881,100	0.548
10,001 - 100,000	496	30.060	18,326,100	2.587
100,001 – 35,410,199 (*)	204	12.363	410,953,700	58.027
35,410,200 and above (**)	2	0.121	274,924,600	38.819
	1,650	100.000	708,204,000	100.000

Remarks:

(*) Less than 5% of issued shares holdings

(**) 5% and above of issued shares holdings

DIRECTORS' INTERESTS IN SHARES

(Based on the Register of Directors' Shareholding)

Name	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Mohd Noor Bin Setapa	-	-	-	-
Datuk Ir. Dr. Lim Jee Gin	363,243,758	51.291	-	-
Ong Yong Chuan	64,680,842	9.133	165,000 ⁽¹⁾	0.023
Lim Joo Seng	2,000,000	0.282	-	-
Nor Azzam Bin Abdul Jalil	-	-	-	-
Yeoh Sheong Lee	500,000	0.071	-	-
Roslinda Binti Awang @ Mat Yazid	-	-	-	-

Note:

⁽¹⁾ Deemed interest by virtue of his/her spouse's interest pursuant to Section 59(II) of the Companies Act 2016.

SUBSTANTIAL SHAREHOLDERS

(Based on the Register of Substantial Shareholders)

Name	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Datuk Ir. Dr. Lim Jee Gin	363,243,758	51.291	-	-
Ong Yong Chuan	64,680,842	9.133	165,000 ⁽¹⁾	0.023
Hii Pick Hung	165,000	0.023	64,680,842 ⁽¹⁾	9.133

Note:

⁽¹⁾ Deemed interest by virtue of his/her spouse's interest pursuant to Section 59(II) of the Companies Act 2016.

ANALYSIS OF SHAREHOLDINGS

AS AT 29 MARCH 2024 (CONT'D)

LIST OF TOP THIRTY (30) LARGEST SHAREHOLDERS

(Without aggregating the securities from different securities accounts belonging to the same registered holder)

No.	Name of Shareholders	Total No. of Shares Held	%
1.	LIM JEE GIN	210,243,758	29.686
2.	ONG YONG CHUAN	64,680,842	9.133
3.	AMSEC NOMINEES (TEMPATAN) SDN BHD		
	AMBANK (M) BERHAD	27,750,000	3.918
4.	RHB NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR LIM JEE GIN	27,000,000	3.812
5.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR KOH POH SENG (100430)	26,132,000	3.689
6.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR LIM JEE GIN (7012027)	25,000,000	3.530
7.	KENANGA NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR LIM JEE GIN	25,000,000	3.530
8.	AMSEC NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR LIM JEE GIN	23,000,000	3.247
9.	MAYBANK NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR LIM JEE GIN	22,000,000	3.106
10.	RHB NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR LIM JEE GIN	18,000,000	2.541
11.	CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN. BHD.		
	PLEDGED SECURITIES ACCOUNT FOR DATO' ONG CHOO MENG (MY3273)	14,500,000	2.047
12.	CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN. BHD.		
	PLEDGED SECURITIES ACCOUNT FOR LIM JEE GIN (MY4470)	13,000,000	1.835
13.	MAYBANK NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR LIM AIK HOE	12,870,200	1.817
14.	AMSEC NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR GUNUNG RESOURCES SDN BHD	12,685,900	1.791
15.	MAYBANK NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR LIM AIK KIAT	9,632,700	1.360
16.	MAYBANK NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR LIM AIK FU	7,500,000	1.059
17.	MAYBANK NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR LIM CHEE HSIUNG	6,180,000	0.872
18.	AMSEC NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR TAN CHYI BOON (SMART)	5,000,000	0.706
19.	BIMSEC NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR HIQ MEDIA (MALAYSIA) SDN. BHD. (MGNM43005)	5,000,000	0.706
20.	HIQ MEDIA (MALAYSIA) SDN. BHD.	5,000,000	0.706
21.	AMSEC NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR HONSIN APPAREL SDN. BHD. (SMART)	4,000,000	0.564
22.	APEX NOMINEES (TEMPATAN) SDN. BHD.		
	PLEDGED SECURITIES ACCOUNT FOR ONG KAH HOE (MARGIN)	3,800,000	0.536
23.	CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN. BHD.		
	PLEDGED SECURITIES ACCOUNT FOR ONG SOON LIM (MY4640)	3,651,900	0.515
24.	TA NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR DATO' ONG CHOO MENG	3,500,000	0.494
25.	CGS INTERNATIONAL NOMINEES MALAYSIA (TEMPATAN) SDN. BHD.		
	PLEDGED SECURITIES ACCOUNT FOR ANDREW TAN JUN SUAN (MY1868)	3,338,400	0.471
26.	BIMSEC NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR ANDREW TAN JUN SUAN (MGNM88133)	3,000,000	0.423
27.	TA NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR ONG TZU CHUEN	3,000,000	0.423
28.	LIM JIA WOEI	2,720,000	0.384
29.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR ANDREW TAN JUN SUAN (7005150)	2,572,800	0.363
30.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD		
	PLEDGED SECURITIES ACCOUNT FOR CHIN WAI HON (7006116)	2,541,300	0.358

NOTICE OF FOURTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourth Annual General Meeting (“4th AGM”) of the Company will be held as a fully virtual meeting through live streaming and online remote voting from the broadcast venue at S-4-04, The Gamuda Biz Suites, Jalan Anggerik Vanilla 31/99, 40460 Kota Kemuning, Shah Alam, Selangor (“**Broadcast Venue**”) using Remote Participation and Voting (“**RPV**”) facilities provided by Propoll Solutions Sdn Bhd (“**Propoll**”) via its Propoll Online website at www.propollsolutions.com.my (Domain Registration No. D1A403203) on Thursday, 30 May 2024 at 10:00 a.m. to transact the following businesses:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2023 together with the Reports of the Directors and Auditors thereon. *[Please refer to Explanatory Note 1]*
2. To approve the payment of Non-Executive Directors’ fees for an amount of up to RM232,050.00 payable to Non-Executive Directors on a monthly basis for the period from 31 May 2024 until the next Annual General Meeting (“AGM”) of the Company, in such proportions and manner as the Directors may determine as follows: *[Please refer to Explanatory Note 2]*
[Ordinary Resolution 1]

No	Type of Director	Non-Executive Directors’ fees of the Company (RM)
1.	Chairman of the Board	68,250.00
2.	Independent Non-Executive Directors	163,800.00
	Total	232,050.00

AND THAT to approve the Non-Executive Directors’ benefits (excluding Directors’ fees) for an amount of up to RM20,000.00 payable to Non-Executive Directors for the period from 31 May 2024 until the next AGM of the Company, in such manner as the Directors may determine as follows:

No	Type of Director	Non-Executive Directors’ benefits (excluding Directors’ fees) of the Company (RM)
1.	Chairman of the Board	5,000.00
2.	Independent Non-Executive Directors	15,000.00
	Total	20,000.00

3. To re-elect the following Directors who retire pursuant to Clause 82 of the Company’s Constitution and being eligible, have offered themselves for re-election:
 - (i) En. Nor Azzam Bin Abdul Jalil; and *[Ordinary Resolution 2]*
 - (ii) Mr. Yeoh Sheong Lee. *[Ordinary Resolution 3]*
4. To re-appoint Messrs. Morison LC PLT as the Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. *[Ordinary Resolution 4]*

NOTICE OF FOURTH ANNUAL GENERAL MEETING (CONT'D)

AS SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modifications, the following resolution:

5. **ORDINARY RESOLUTION**

- AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016

[Please refer to
Explanatory Note 3]
[Ordinary Resolution 5]

***“THAT** subject always to the Companies Act 2016 (the **“Act”**), the Constitution of the Company and the ACE Market Listing Requirements (**“AMLR”**) of Bursa Malaysia Securities Berhad (**“Bursa Securities”**) and approvals of the relevant regulatory authorities, where such approval is required, the Directors of the Company be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act to issue and allot shares in the capital of the Company, grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer (**“New Shares”**) from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution, when aggregated with the total number of any such shares issued does not exceed 10% of the total number of issued shares (excluding any treasury shares) of the Company for the time being (**“Proposed General Mandate”**).*

***THAT** the existing shareholders of the Company do hereby waive their pre-emptive rights pursuant to Section 85(1) of the Act read together with Rule 7.08 of the AMLR of Bursa Securities and the Company’s Constitution to be offered the New Shares to be allotted and issued under the Proposed General Mandate, which rank equally with the existing issued shares in the Company;*

***THAT** such approval on the Proposed General Mandate shall continue to be in force until:*

- (a) the conclusion of the next AGM of the Company held after the approval was given;*
- (b) the expiration of the period within which the next AGM of the Company is required to be held after the approval was given; or*
- (c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting,*

whichever is the earlier.

***THAT** the Directors be and are hereby also empowered to obtain approval from the Bursa Securities for the listing and quotation for such new Shares on Bursa Securities;*

***AND THAT** authority be and is hereby given to the Directors of the Company, to give effect to the Proposed General Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of the Company and/or as may be imposed by the relevant authorities.*

***AND FURTHER THAT** the Directors of the Company be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed General Mandate.”*

6. To transact any other business of which due notice shall have been given in accordance with the Company’s Constitution and/or the Act.

NOTICE OF FOURTH ANNUAL GENERAL MEETING (CONT'D)

BY ORDER OF THE BOARD

TEO SOON MEI (SSM PC No. 201908000235) (MAICSA 7018590)
Company Secretary

Kuala Lumpur
Dated: 30 April 2024

Explanatory Notes on Ordinary and Special Business:

1. Item 1 of the Agenda

This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not requires a formal approval of the shareholders for the Audited Financial Statements. As such, this Agenda item is not put forward for voting.

2. Item 2 of the Agenda

Section 230(1) of the Companies Act 2016 provides that the fees of the directors and any benefits payable to the directors including any compensation for loss of employment of a director or former director of a public company or a listed company and its subsidiaries, shall be approved at a general meeting.

The Company had, at its Third (3rd) AGM held on 29 May 2023, obtained approval from the shareholders in respect of the Non-Executive Directors' fees and benefits for the period from 1 January 2023 until the next AGM of the Company to be held in 2024:

	The Company	
	Directors' Fees (RM)	Meeting Allowance and Claimable Benefits (RM)
Chairman of the Board	60,000.00	5,000.00
Independent Non-Executive Directors	144,000.00	15,000.00
Total	204,000.00	20,000.00

The Directors' Fees and meeting allowance and claimable benefits payable to the Chairman of the Board and Independent Non-Executive Directors of the Company for the financial year ended 2023 had not exceeded the amount as set out in Column I that were approved by the shareholders at the 3rd AGM of the Company in 2023. Details of the Directors' Remuneration for the financial year ended 31 December 2023 are enumerated in the Corporate Governance Report of the Company 2023.

The Company is seeking shareholders' approval for the payment of Non-Executive Directors' fees for an amount up to RM232,050.00 and Non-Executive Directors' benefits for an amount up to RM20,000.00 payable to the Non-Executive Directors on a monthly basis for the period from 31 May 2024 until the next AGM of the Company under Ordinary Resolution 1.

The estimated Directors' fees proposed for the financial period from 31 May 2024 until the next AGM of the Company are derived based on the current Board size.

The benefits payable to the Directors comprising of meetings allowances based on actual attendance of meetings by the Directors and other claimable benefits including reimbursable expenses incurred in the course of carrying out their duties as Directors. The payment of benefits to the Directors will be made by the Company on a monthly basis and/or as and when incurred.

Ordinary Resolution 1 is to facilitate payment of Directors' fees and benefits for the financial year 2024/2025.

In the event that the proposed Directors' fees and benefits payable are insufficient due to the enlarged Board size, the Company will seek shareholders' approval at the next AGM of the Company for the additional Directors' fees and benefits payable to meet the shortfall.

NOTICE OF FOURTH ANNUAL GENERAL MEETING (CONT'D)

3. Item 5 of the Agenda

Ordinary Resolution 5 is to seek a renewal of the general mandate for allotment and issuance of shares by the Company from time to time and to grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer, provided that the aggregate number of shares allotted pursuant to this resolution does not exceed the prescribed limit under the AMLR of Bursa Securities ("**General Mandate**").

However, pursuant to Section 85(1) of the Act, Clause 52 of the Company's Constitution and Rule 7.08 of AMLR of Bursa Securities, the New Shares will have to be offered to the existing shareholders of the Company unless there is a direction to the contrary given in the general meeting of the Company. Should the existing shareholders of the Company approve the proposed Ordinary Resolution 5, they are waiving their pre-emptive rights pursuant to Section 85(1) of the Act, which then would allow the Directors to issue New Shares to any person without having to offer the said New Shares equally to all existing shareholders of the Company prior to the issuance. This will result in a dilution to the shareholding percentage of the existing shareholders of the Company.

The purpose of this General Mandate, if passed, will enable the Directors to take swift action in case of a need to issue and allot new shares in the Company for fund raising activities, including but not limited to placement of shares for the purpose of funding the Company's current and/or future investment projects, working capital, acquisitions and/or for issuance of shares as settlement of purchase consideration, or such other purposes as the Directors may deem fit in the best interest of the Company, provided that the aggregate number of shares or convertible securities issued must not be more than 10% of the total number of issued shares. This General Mandate, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next AGM of the Company.

The Board of Directors of the Company is of the view that the General Mandate is in the best interest of the Company and its shareholders as it will provide flexibility to the Company to issue New Shares without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional costs and time. It will also enable the Directors to take swift action in case of a need to issue and allot New Shares in the Company fund raising activities, including but not limited to further placement of shares for the purpose of funding the Company's current and/or future investment projects, working capital, acquisitions and/or for issuance of shares as settlement of purchase consideration, or other circumstances arise which involve grant of rights to subscribe for shares, conversion of any securities into shares, or allotment of shares under an agreement or option or offer, or such applications as the Directors may deem fit in the best interest of the Company and its shareholders, provided that the aggregate number of shares or convertible securities issued must not be more than 10% of the total number of issued shares of the Company.

The proposed Ordinary Resolution 5 is a renewal of the previous year's mandate. As of the date of this Notice, the Company had issued 13,000,000 and 26,132,000 new ordinary shares at an issue price of RM0.36 and RM0.325 per ordinary share respectively pursuant to the Private Placement of up to 10% of the issued ordinary shares in the Company ("**Private Placement**") based on the previous mandate granted to the Directors at the 3rd AGM of the Company held on 29 May 2023. Details of the total proceeds raised from the Private Placement and its utilisation of proceeds are disclosed in the Company's Annual Report 2023.

Notes:

- (1) *In respect of deposited securities, only members whose names appear in the Record of Depositors on 23 May 2024 (General Meeting Record of Depositors) shall be entitled to attend, participate and vote at the 4th AGM, or to appoint proxy(ies) to attend, participate and vote on their behalf.*
- (2) *The 4th AGM of the Company will be held as a fully virtual meeting through live streaming and online remote voting using Remote Participation and Voting ("**RPV**") facilities provided by Propoll Solutions Sdn Bhd ("**Propoll**") via its Propoll Online website at www.propollsolutions.com.my. Please refer to the Administrative Guide for the 4th AGM which is available at the Company's website at <http://www.nestcon.my/> for the procedures to register, participate and vote remotely at the 4th AGM through the RPV facilities.*
- (3) *Shareholders are to attend, participate, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "**participate**") remotely at the 4th AGM using the RPV.*

NOTICE OF FOURTH ANNUAL GENERAL MEETING (CONT'D)

- (4) *The Broadcast Venue of the 4th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairperson of the meeting to be at the main venue of the meeting. The Broadcast Venue is to inform shareholders where the electronic AGM production and streaming would be conducted from. No shareholder(s)/ proxy(ies) from the public will be physically present at the meeting venue on the day of the 4th AGM.*
- (5) *A member who is entitled to attend and vote at the 4th AGM shall be entitled to appoint not more than two (2) proxies to attend, participate and vote on his/her behalf at the 4th AGM. A proxy may but need not be a member of the Company, and need also not be an advocate, an approved company auditor or a person approved by the registrar of the Company. Where a member appoints two (2) proxies to attend the 4th AGM, the member shall specify the proportion of his/her shareholding to be represented by each proxy, failing which the appointment shall be invalid.*
- (6) *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, he/she may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.*
- (7) *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. The appointment of two (2) or more proxies in respect of any particular Omnibus Account shall be invalid unless the exempt authorised nominee specifies the proportion of its shareholding to be represented by each proxy.*
- (8) *The instrument appointing a proxy and the power of attorney or other authority, if any, shall be in writing under the hand of appointer or of his attorney duly authorised in writing or a copy of that power of attorney, certified by an advocate and solicitor, or where the appointer is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorised. Any alteration in the proxy form must be initialled.*
- (9) *The instrument appointing a proxy may be made via hardcopy or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the 4th AGM or at any adjournment thereof:*
- (i) *In Hardcopy Form*
- The Proxy Form shall be deposited at S-4-04, The Gamuda Biz Suites, Jalan Anggerik Vanilla 31/99, 40460 Kota Kemuning, Shah Alam, Selangor.*
- (ii) *By Electronic Means*
- The Proxy Form can be electronically submitted via Propoll's Online website at www.propollsolutions.com.my.*
- (10) *Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Securities, all the resolutions set out in this Notice of 4th AGM will be put to vote by poll.*
- (11) *Those Proxy Forms which are indicated with "✓" in the spaces provided to show how the votes are to be cast will also be accepted. Any alteration in the Proxy Form must be initialed.*

NOTICE OF FOURTH ANNUAL GENERAL MEETING (CONT'D)

Personal Data Privacy:

By submitting an instrument appointing proxy(ies) and/or representative(s) to attend, speak and vote at the 4th AGM and/or any adjournment thereof, a member of the Company:

- (i) consents to the collection, use and disclose of the member's personal data by the Company (or its agents) for the purpose of processing and the administration by the Company (or its agents) of proxies and representatives appointed for the 4th AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 4th AGM (including any adjournment thereof), and in order for the Company (or its agent) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");*
- (ii) warrants that the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclose of the proxy(ies) and/or representative(s) personal data by the Company for the Purposes; and*
- (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses, and damages as a result of the member's breach of warranty.*

STATEMENT ACCOMPANYING THE NOTICE OF THE FOURTH ANNUAL GENERAL MEETING (Pursuant to Rule 8.29(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. Director standing for election or appointment.

There is no individual seeking election or appointment as a Director at the forthcoming the 4th AGM.

2. Directors standing for re-election.

En. Nor Azzam Bin Abdul Jalil and Mr. Yeoh Sheong Lee ("**the retiring Director**" or collectively "**the retiring Directors**") are due for retirement by rotation and are standing for re-election as Directors of the Company at the 4th AGM. For the purpose of determining the eligibility of the each of the retiring Directors to stand for re-election at the 4th AGM, the Board through its NC had assessed each of the retiring Directors, and considered the following:

- (i) Contribution to interaction;
- (ii) Knowledge and caliber;
- (iii) Provision of quality of input to the Board; and
- (iv) Understanding of role.

The NC and the Board have considered the results of the assessment conducted on these Directors and collectively agree that they each meet the criteria of character, experience, integrity, competence and time required to effectively discharge their respective roles as Directors, as prescribed by Rule 2.20A of the AMLR of Bursa Securities and additionally have satisfied the Directors' fit and proper assessment criteria. The Board approved the NC's recommendation that the Directors who retire in accordance with Clause 82 of the Constitution namely, En. Nor Azzam Bin Abdul Jalil and Mr. Yeoh Sheong Lee are eligible to stand for re-election. These two (2) retiring Directors had abstained from deliberations and decisions on their own eligibility and suitability to stand for re-election at the relevant NC and Board meetings.

The profiles of these retiring Directors are set out on Page 22 and 23 of the Company's Annual Report 2023.

3. Statement relating to a general mandate for the issue of securities in accordance with Rule 6.04(3) of the AMLR of Bursa Securities.

Please refer to the Explanatory Note 3 of the Notice of the 4th AGM set out on Page 139.

This page is intentionally left blank



NESTCON BERHAD
[Registration No. 202001008684 (1365004-W)]
(Incorporated in Malaysia)

PROXY FORM

(before completing this Proxy Form, please refer to the notes below)

Number of Shares Held		CDS Account No.	
------------------------------	--	------------------------	--

*I/We _____ NRIC No./Passport No./Company No. _____
(FULL NAME IN BLOCK LETTER)

of _____
(FULL ADDRESS)

with email _____ and mobile phone no. _____

being a *member/members of **NESTCON BERHAD**, do hereby appoint(s):

Full Name (in Block) [Proxy 1]	NRIC/Passport No.	Proportion of shareholding	
Address:		No of shares	%
Email Address:			
Mobile Phone No.:			

And/or failing whom,

Full Name (in Block) [Proxy 2]	NRIC/Passport No.	Proportion of shareholding	
Address:		No of shares	%
Email Address:			
Mobile Phone No.:			

or failing whom, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Fourth Annual General Meeting ("4th AGM") of the Company to be held as a fully virtual meeting through live streaming and online remote voting from the broadcast venue at S-4-04, The Gamuda Biz Suites, Jalan Anggerik Vanilla 31/99, 40460 Kota Kemuning, Shah Alam, Selangor ("Broadcast Venue") using the Remote Participation and Voting ("RPV") facilities provided by Propoll Solutions Sdn Bhd via its Propoll Online website at www.propollsolutions.com.my (Domain Registration No.: D1A403203) on Thursday, 30 May 2024 at 10.00 a.m. and at any adjournment thereof.

Please indicate with an "X" in the spaces provided below how you wish your votes to be casted. If no specific direction as to voting is given, the proxy(ies) will vote or abstain for voting at his/her discretion

ORDINARY RESOLUTION		FOR	AGAINST
ORDINARY BUSINESS			
1.	To approve the payment of Non-Executive Directors' fees for an amount of up to RM232,050.00 payable to Non-Executive Directors on a monthly basis for the period from 31 May 2024 until the next Annual General Meeting of the Company, in such proportions and manner as the Directors may determine AND THAT to approve the Non-Executive Directors' benefits (excluding Directors' fees) for an amount of up to RM20,000.00 payable to Non-Executive Directors for the period from 31 May 2024 until the next Annual General Meeting of the Company, in such manner as the Directors may determine.		
2.	Re-election of En. Nor Azzam Bin Abdul Jalil as Director pursuant to Clause 82 of the Company's Constitution.		
3.	Re-election of Mr. Yeoh Sheong Lee as Director pursuant to Clause 82 of the Company's Constitution.		
4.	Re-appointment of Messrs. Morison LC PLT as the Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
SPECIAL BUSINESS			
5.	Authority to issue shares pursuant to the Companies Act 2016.		

Dated this _____ day of _____ 2024

Signature of Member/Common Seal

*Strike out whichever is not desired.

Notes:

- (1) In respect of deposited securities, only members whose names appear in the Record of Depositors on 23 May 2024 (General Meeting Record of Depositors) shall be entitled to attend, participate and vote at the 4th AGM, or to appoint proxy(ies) to attend, participate and vote on their behalf.
- (2) The 4th AGM of the Company will be held as a fully virtual meeting through live streaming and online remote voting using Remote Participation and Voting ("RPV") facilities provided by Propoll Solutions Sdn. Bhd. ("Propoll") via its Propoll Online website at www.propollsolutions.com.my. Please refer to the Administrative Guide for the 4th AGM which is available at the Company's website at <http://www.nestcon.my/> for the procedures to register, participate and vote remotely at the 4th AGM through the RPV facilities.
- (3) Shareholders are to attend, participate, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 4th AGM using the RPV.
- (4) The Broadcast Venue of the 4th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairperson of the meeting to be at the main venue of the meeting. The Broadcast Venue is to inform shareholders where the electronic AGM production and streaming would be conducted from. No shareholder(s)/ proxy(ies) from the public will be physically present at the meeting venue on the day of the 4th AGM.
- (5) A member who is entitled to attend and vote at the 4th AGM shall be entitled to appoint not more than two (2) proxies to attend, participate and vote on his/her behalf at the 4th AGM. A proxy may but need not be a member of the Company, and need also not be an advocate, an approved company auditor or a person approved by the registrar of the Company. Where a member appoints two (2) proxies to attend the 4th AGM, the member shall specify the proportion of his/her shareholding to be represented by each proxy, failing which the appointment shall be invalid.
- (6) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, he/she may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
- (7) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. The appointment of two (2) or more proxies in respect of any particular Omnibus Account shall be invalid unless the exempt authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
- (8) The instrument appointing a proxy and the power of attorney or other authority, if any, shall be in writing under the hand of appointer or of his attorney duly authorised in writing or a copy of that power of attorney, certified by an advocate and solicitor, or where the appointer is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorised. Any alteration in the proxy form must be initialled.
- (9) The instrument appointing a proxy may be made via hardcopy or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the 4th AGM or at any adjournment thereof:
- (i) In Hardcopy Form
The Proxy Form shall be deposited at **S-4-04, The Gamuda Biz Suites, Jalan Anggerik Vanilla 31/99, 40460 Kota Kemuning, Shah Alam, Selangor.**
- (ii) By Electronic Means
The Proxy Form can be electronically submitted via Propoll's Online website at www.propollsolutions.com.my.
- (10) Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice of 4th AGM will be put to vote by poll.
- (11) Those Proxy Forms which are indicated with "v" in the spaces provided to show how the votes are to be cast will also be accepted. Any alteration in the Proxy Form must be initialled.

Personal data privacy:

By submitting an instrument appointing proxy(ies) and/or representative(s) to attend, speak and vote at the 4th AGM and/or any adjournment thereof, the member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of the 4th AGM dated 30 April 2024.

Please fold here

**AFFIX
STAMP**

The Poll Administrator of
NESTCON BERHAD [Registration No. 202001008684 (1365004-W)]
c/o: **PROPOLL SOLUTIONS SDN BHD**
S-4-04, The Gamuda Biz Suites,
Jalan Anggerik Vanilla 31/99,
40460 Kota Kemuning,
Shah Alam, Selangor.

Please fold here