

NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF ECOSCIENCE INTERNATIONAL BERHAD (“ECOSCIENCE” OR “COMPANY”) DATED 21 JUNE 2022 (“ELECTRONIC PROSPECTUS”)

(Unless otherwise indicated, specified or defined in this notice, the definitions in the Prospectus shall apply throughout this notice)

Website

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad’s (“Bursa Securities”) website at www.bursamalaysia.com (“Website”).

Availability and Location of Paper/Printed Prospectus

Any applicant in doubt concerning the validity or integrity of the Electronic Prospectus should immediately request a paper/printed copy of the Prospectus directly from the Company, Hong Leong Investment Bank Berhad or Tricor Investor & Issuing House Services Sdn Bhd. Alternatively, the applicant may obtain a copy of the Prospectus from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the Application Forms are not available in electronic format.

Jurisdictional Disclaimer

The IPO and the distribution of the Electronic Prospectus are subject to the laws of Malaysia. Bursa Securities, the Company, Directors, Promoters, Principal Adviser, Sponsor, Underwriter and Placement Agent have not authorised anyone and take no responsibility for the distribution of the Electronic Prospectus outside Malaysia. No action has been taken to permit any offering of the IPO Shares based on the Electronic Prospectus in any jurisdiction other than Malaysia. The Electronic Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe for or purchase, any of our IPO Shares in any jurisdiction or in any circumstances in which such an offer is not authorised or is unlawful or to any person to whom it is unlawful to make such offer or invitation. Prospective applicants who may be in possession of the Electronic Prospectus are required to take note, to inform themselves and to observe such restrictions.

Close of Application

Applications for the IPO Shares will be accepted from **10.00 a.m.** on **21 June 2022** and will close at **5.00 p.m.** on **1 July 2022**. Any change to the timetable will be advertised by Ecoscience in a widely circulated Bahasa Malaysia and English daily newspapers within Malaysia.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for informational and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after the closing of the application period.

Persons Responsible for the Internet Site in which the Electronic Prospectus is Posted

The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities. Users’ access to the website and the use of the contents of the Website and/or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained in the Website.

The contents of the Electronic Prospectus as provided by the Company to Bursa Securities are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind, and shall not at any time be relied upon as such.

P R O S P E C T U S



ECOSCIENCE INTERNATIONAL BERHAD

(Registration No. 202001024633 (1380953-M))
(Incorporated in Malaysia under the Companies Act 2016)

INITIAL PUBLIC OFFERING (“**IPO**”) OF 112,169,500 ORDINARY SHARES IN ECOSCIENCE INTERNATIONAL BERHAD (“**ECOSCIENCE**”) (“**SHARES**”) COMPRISING PUBLIC ISSUE OF 82,169,500 NEW SHARES AND OFFER FOR SALE OF 30,000,000 EXISTING SHARES (**COLLECTIVELY, THE “IPO SHARES”**) AT AN ISSUE / OFFER PRICE OF RM0.30 PER IPO SHARE PAYABLE IN FULL ON APPLICATION IN CONJUNCTION WITH THE LISTING OF ECOSCIENCE ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD (“**BURSA SECURITIES**”) IN THE FOLLOWING MANNER:

- (I) 17,000,000 IPO SHARES TO THE MALAYSIAN PUBLIC;
- (II) 6,800,000 IPO SHARES TO THE ELIGIBLE DIRECTORS, EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF ECOSCIENCE AND ITS SUBSIDIARIES;
- (III) 42,500,000 IPO SHARES BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY; AND
- (IV) 45,869,500 IPO SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS

Principal Adviser, Sponsor, Underwriter and Placement Agent



Hong Leong Investment Bank Berhad
(Registration No. 197001000928 (10209-W))

(A Participating Organisation of Bursa Malaysia Securities Berhad)
(A Trading Participant of Bursa Malaysia Derivatives Berhad)

NO SECURITIES WILL BE ALLOTTED OR ISSUED BASED ON THIS PROSPECTUS AFTER 6 MONTHS FROM THE DATE OF THIS PROSPECTUS.

THIS PROSPECTUS HAS BEEN REGISTERED BY THE SECURITIES COMMISSION MALAYSIA (“**SC**”). THE REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS OUR IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF OUR ORDINARY SHARES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE “RISK FACTORS” COMMENCING ON PAGE 228.

THE ACE MARKET OF BURSA SECURITIES IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET OF BURSA SECURITIES. THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET OF BURSA SECURITIES. YOU SHOULD BE AWARE OF THE RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION.

THE ISSUE, OFFER OR INVITATION FOR THE IPO IS A PROPOSAL NOT REQUIRING APPROVAL, AUTHORISATION OR RECOGNITION OF THE SECURITIES COMMISSION MALAYSIA UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007.

THIS PROSPECTUS IS DATED 21 JUNE 2022

ECOSCIENCE INTERNATIONAL BERHAD

PROSPECTUS



ECOSCIENCE INTERNATIONAL BERHAD

(Registration No. 202001024633 (1380953-M))
(Incorporated in Malaysia under the Companies Act 2016)

All defined terms used in this Prospectus are defined under “Presentation of Information” on page viii, “Definitions” commencing on page x and “Glossary of Technical Terms” on page xv.

RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Offerors have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

HLIB, being our Principal Adviser, Sponsor, Underwriter and Placement Agent in relation to our IPO, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

STATEMENTS OF DISCLAIMER

Our Company has obtained the approval from Bursa Securities for the listing of and quotation for our Shares. Our admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares.

Bursa Securities is not liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

This Prospectus, together with the Application Form, has also been lodged with the Registrar of Companies, who takes no responsibility for its contents.

OTHER STATEMENTS

You should note that you may seek recourse under Sections 248, 249 and 357 of the CMSA for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission, or for any misleading or deceptive act in relation to this Prospectus or the conduct of any other person in relation to our Company.

Shares listed on Bursa Securities are offered to the public on the premise of full and accurate disclosure of all material information concerning our IPO, for which any person set out in Section 236 of the CMSA, is responsible.

You should note that any agreement by our Underwriter to underwrite our Shares is not to be taken as an indication of the merits of our Shares being offered.

Our Shares being offered in our IPO are offered solely on the basis of the information contained and representations made in this Prospectus. Our Company, Directors, Promoters, Offerors, Principal Adviser, Sponsor, Underwriter and Placement Agent have not authorised anyone to provide any information or to make any representation not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by our Company, Directors, Promoters, Offerors, Principal Adviser, Sponsor, Underwriter and Placement Agent, or any of their respective directors or any other persons involved in our IPO.

This Prospectus has been prepared and published in the context of an IPO under the laws of Malaysia. It does not comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority of any jurisdiction other than Malaysia.

The distribution of this Prospectus and our IPO are subject to the laws of Malaysia. This Prospectus will not be distributed outside Malaysia. Our Company, Directors, Promoters, Offerors, Principal Adviser, Sponsor, Underwriter and Placement Agent have not authorised and take no responsibility for the distribution of this Prospectus outside Malaysia. No action has been taken to permit a public offering of our Shares in any jurisdiction other than Malaysia based on this Prospectus. Accordingly, this Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe for or purchase any of our Shares being offered in our IPO in any jurisdiction or in any circumstance in which such an offer is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the sale of our Shares offered under our IPO in certain jurisdictions may be restricted by law. Prospective investors who may be in possession of this Prospectus are required to inform themselves and to observe such restrictions.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith. It shall be your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO as stated in this Prospectus and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected. We will further assume that you had accepted our IPO in Malaysia and will be subjected only to the laws of Malaysia in connection therewith.

However, we reserve the right in our absolute discretion to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

It shall be your sole responsibility to consult your legal and/or other professional advisers on the laws to which our IPO or you are or might be subjected. Neither we nor our Principal Adviser, Sponsor, Underwriter and Placement Agent nor any other advisers in relation to our IPO shall accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, avoidable or void in any country or jurisdiction.

ELECTRONIC PROSPECTUS

This Prospectus can also be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the electronic Prospectus and the copy of this Prospectus registered with the SC are the same.

You are advised that the internet is not a fully secured medium. Your Internet Share Application may be subject to risks in data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions. These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in any doubt about the validity or integrity of an electronic Prospectus, you should immediately request from us or our Issuing House, a paper/printed copy of this Prospectus. If there are any discrepancies between the contents of the electronic Prospectus and the paper/printed copy of this Prospectus for any reason whatsoever, the contents of the paper/printed copy of this Prospectus, which are identical to the copy of this Prospectus registered with the SC, shall prevail.

In relation to any reference in this Prospectus to third party internet sites ("**Third Party Internet Sites**"), whether by way of hyperlinks or by way of description of the Third Party Internet Sites, you acknowledge and agree that:

- (i) we and our Principal Adviser do not endorse and are not affiliated in any way with the Third Party Internet Sites. Accordingly, we and our Principal Adviser are not responsible for any availability of, or the contents or any data, information, file or other material provided on the Third Party Internet Sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;
- (ii) we and our Principal Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, particularly in fulfilling any terms of any of your agreements with the Third Party Internet Sites. We and our Principal Adviser are also not responsible for any loss or damage or costs that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, information, file or other material provided by such parties; and
- (iii) any data, information, file or other material downloaded from the Third Party Internet Sites is done at your own discretion and risk. We and our Principal Adviser are not responsible, liable or under obligations for any damage to your computer system or loss of data resulting from the downloading of any such data, information, file or other material.

Where an electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:

- (i) the Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of the electronic Prospectus, to the extent of the contents of the electronic Prospectus on the web server of the Internet Participating Financial Institutions which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institutions are not responsible for the integrity of the contents of the electronic Prospectus which has been obtained from the web server of the Internet Participating Financial Institutions and subsequently communicated or disseminated in any manner to you or other parties;
- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in the electronic Prospectus, the accuracy and reliability of the electronic Prospectus cannot be guaranteed because the internet is not a fully secured medium; and
- (iii) the Internet Participating Financial Institutions are not liable (whether in tort or contract or otherwise) for any loss, damages or costs, that you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in the electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institutions, and/or problems occurring during data transmission, which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

INDICATIVE TIMETABLE

An indicative timetable for our IPO is set out below:

Event	Tentative date
Issuance of Prospectus/Opening of application for our IPO Shares	10.00 a.m., 21 June 2022
Closing of application for our IPO Shares	5.00 p.m., 1 July 2022
Balloting of application for our IPO Shares	6 July 2022
Allotment of our IPO Shares to successful applicants	14 July 2022
Listing	18 July 2022

If there is any change to the timetable, we will advertise the notice of such change in a widely circulated English and Bahasa Malaysia daily newspapers in Malaysia.

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PRESENTATION OF INFORMATION

All references to “our Company” or “Ecoscience” in this Prospectus are to Ecoscience International Berhad. All references to “our Group” or “Ecoscience Group” in this Prospectus are to our Company and our subsidiaries, taken as a whole. All references to “we”, “us”, “our” or “ourselves” are to our Company, and where the context requires, our Company and our subsidiaries. Unless the context otherwise requires, references to “management” are to our Directors and key senior management as at the date of this Prospectus. Statements as to our beliefs, expectations, estimates and opinions are those of our management.

The word “approximately” used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest thousandth or 1 decimal place. Any discrepancies in the tables between the amounts listed and the totals in this Prospectus are due to rounding. Certain acronyms, technical terms and other abbreviations used are defined in “Definitions” and “Glossary of Technical Terms” sections of this Prospectus.

Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. References to persons shall include companies and corporations.

Any reference to any provisions of the statutes, rules and regulations, enactments or rules of stock exchange shall (where the context admits), be construed as reference to provisions of such statutes, rules and regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendment or re-enactment to statutes, rules and regulations, enactments or rules of stock exchange for the time being in force.

All reference to dates and times are references to dates and times in Malaysia unless otherwise stated. All references to the “LPD” in this Prospectus are to 27 May 2022, which is the latest practicable date prior to the registration of this Prospectus with the SC.

This Prospectus includes statistical data provided by us and various third parties and cites third party projections regarding growth and performance of the market and industry in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each case, the source is stated in this Prospectus. Where there is no source stated, it can be assumed that the information originates from us or is extracted from the IMR Report prepared by Vital Factor Consulting Sdn Bhd, which is included in Section 8 of this Prospectus. We have appointed Vital Factor Consulting Sdn Bhd to provide an independent market and industry review. In compiling its data for the review, Vital Factor Consulting Sdn Bhd had relied on its research methodology, industry sources, published materials, its own private databases and direct contacts within the industry.

We believe that the information on the industry as contained in this Prospectus and other statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the market and industry in which we operate. Third party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. No assurance can be given that the estimated figures will be achieved, and you should not place undue reliance on the third party projections cited in this Prospectus.

The information on our website or any website, directly or indirectly, linked to our website does not form part of this Prospectus. If there is any discrepancy between the contents of such website relating to our Group and this Prospectus, the information contained in this Prospectus shall prevail.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Group for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our current views with respect to future events and do not guarantee future performance. Forward-looking statements can be identified by the use of forward-looking terminology such as the words “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast”, “project” or similar expressions and include all statements that are not historical facts.

Forward-looking statements include, without limitation, statements relating to:

- (i) our future overall business development and operations plans;
- (ii) our future earnings, cash flow and liquidity;
- (iii) potential growth opportunities;
- (iv) our business strategies, trends and competitive position; and
- (v) the general industry environment, including the demand and supply of our products.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors, including, without limitations, those discussed in Section 9 of this Prospectus on “Risk Factors” and Section 12.3 of this Prospectus on “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the LPD.

Save as required under Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus), we will not have any obligation or provide any undertaking to release publicly any updates or revision to any forward-looking statement contained in this Prospectus to reflect any changes in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

DEFINITIONS

The following terms in this Prospectus bear the same meanings as set out below unless the term is defined otherwise or the context requires otherwise:

Acquisition of AEPL	: Acquisition by Ecoscience of the entire equity interest in AEPL comprising 200,000 ordinary shares for a purchase consideration of RM15,741,099.60, satisfied via the issuance of 78,705,498 new Shares at an issue price of RM0.20 per Share, which was completed on 10 August 2021
Acquisition of EMESB	: Acquisition by Ecoscience of the entire equity interest in EMESB comprising 5,750,000 ordinary shares for a purchase consideration of RM35,825,000, satisfied via the issuance of 179,125,000 new Shares at an issue price of RM0.20 per Share, which was completed on 10 August 2021
Acquisitions	: Collectively, Acquisition of AEPL and Acquisition of EMESB
Act	: Companies Act 2016
ADA	: Authorised Depository Agent, a person appointed by Bursa Depository under the Rules of Bursa Depository
Admission	: Admission of our Shares to the Official List
Application	: Application for our IPO Shares by way of the Application Form, Electronic Share Application or Internet Share Application
Application Form	: Application form for the application of our IPO Shares
ATM	: Automated teller machine
Board	: Board of Directors of our Company
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd
Bursa Securities	: Bursa Malaysia Securities Berhad
CAGR	: Compound annual growth rate
Caiwan Capital	: Caiwan Capital Sdn Bhd, a company wholly-owned by Wong Choi Ong
CCC	: Certificate of completion and compliance issued by the relevant authority or person under the Street, Drainage and Building Act 1974 and any by-laws made under it or such relevant legislation applicable at the material time or any certificate of the same nature issued or approved by the relevant authority in Malaysia and Singapore
CDS	: Central Depository System
CIDB	: Construction Industry Development Board
CMSA	: Capital Markets and Services Act 2007
Constitution	: Constitution of our Company
COVID-19	: Coronavirus disease 2019
Director	: A member of our Board

DEFINITIONS (CONT'D)

DOSH	: Department of Occupational Safety and Health Malaysia
Dynagear Technologies	: Dynagear Technologies Sdn Bhd, a company wholly-owned by Pan Kum Wan
EBITDA	: Earnings before interest, taxation, depreciation and amortisation
Ecoscience or Company	: Ecoscience International Berhad
Ecoscience Group or Group	: Collectively, Ecoscience and our subsidiaries
Ecoscience Shares or Shares	: Ordinary shares in our Company
Electronic Share Application	: Application for our IPO Shares made available to the Malaysian Public under the Public Issue through a Participating Financial Institution's ATM
Eligible Persons	: Collectively, eligible directors and employees of our Group and persons who have contributed to the success of our Group, and have been allocated with the IPO Shares in the manner as set out in Section 4.1.1(ii) of this Prospectus
EPCC	: Engineering, Procurement, Construction & Commissioning
EPS	: Earnings per Share
ESP	: Electrostatic Precipitators
Executive Directors	: Collectively, Wong Choi Ong and Pan Kum Wan
Exquisite Capitals	: Exquisite Capitals Sdn Bhd
Financial Years Under Review	: Collectively, the FYE 2018, FYE 2019, FYE 2020 and FYE 2021
FYE	: Financial year ended 31 December
GP	: Gross profit
HESB	: Hynergy Engineering Sdn Bhd
HLIB	: Hong Leong Investment Bank Berhad
HSE	: Health, safety and environment
IFRS	: International Financial Reporting Standards
IMR Report	: Independent Market Research Report prepared by Vital Factor Consulting Sdn Bhd as set out in Section 8 of this Prospectus
Internet Participating Financial Institutions	: Participating financial institutions for the Internet Share Application, which is set out in Section 15.6 of this Prospectus
Internet Share Application	: Application for our IPO Shares through an Internet Participating Financial Institution

DEFINITIONS (CONT'D)

IPO	: Initial public offering comprising the Public Issue and Offer for Sale, collectively
IPO Price	: Issue/offer price of RM0.30 per IPO Share pursuant to our IPO
IPO Shares	: Collectively, the Issue Shares and Offer Shares
ISO	: International Organization for Standardization
Issue Shares	: 82,169,500 new Shares to be issued by our Company pursuant to the Public Issue
Issuing House	: Tricor Investor & Issuing House Services Sdn Bhd
Key Senior Management	: Key senior management of our Group, namely Andy Tan Boon Kiong, Tia Tuan Sim, Thing Jin Suan, Anson Sing Yun Xiang and Goh Yu Meng
kg	: Kilogram
KLK Group	: Kuala Lumpur Kepong Berhad and its group of companies
Listing	: Listing of and quotation for the entire enlarged issued share capital of Ecoscience on the ACE Market of Bursa Securities
Listing Requirements	: ACE Market Listing Requirements of Bursa Securities
LAD	: Liquidated ascertained damages
LPD	: 27 May 2022, being the latest practicable date prior to the registration of this Prospectus with the SC
Malaysian Public	: Malaysian citizens, companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Market Day	: A day on which Bursa Securities is open for trading in securities
M&E	: Mechanical and electrical
MFRS	: Malaysian Financial Reporting Standards
MIDA	: Malaysian Investment Development Authority
MITI	: Ministry of International Trade and Industry
NA	: Net assets
NBV	: Net book value
Offer for Sale	: Offer for sale of the Offer Shares by our Offerors at the IPO Price
Offer Shares	: 30,000,000 existing Shares to be offered pursuant to the Offer for Sale
Offerors	: Collectively, Wong Choi Ong and Pan Kum Wan
Official List	: A list specifying all securities listed on Bursa Securities
Olam Group	: Collectively, Olam Group Limited and its group of companies. Olam Group Limited has succeeded Olam International Limited as the listed entity on the Singapore Exchange (SGX) Mainboard on 16 March 2022

DEFINITIONS (CONT'D)

Olam Palm	: Olam Palm Gabon SA
Olam Rubber	: Olam Rubber Gabon SA
Participating Financial Institutions	: Participating financial institutions for the Electronic Share Application, which are set out in Section 15.5 of this Prospectus
PAT	: Profit after taxation
PBT	: Profit before taxation
Pink Form Allocations	: Allocation of 6,800,000 IPO Shares to the Eligible Persons
Placement Agent	: HLIB
Placement Agreement	: Placement agreement dated 25 May 2022 entered into among our Company, the Offerors and the Placement Agent for the placement of 88,369,500 IPO Shares made available by private placement, of which 45,869,500 IPO Shares are allocated to selected investors and 42,500,000 IPO Shares are allocated to identified Bumiputera investors approved by MITI
Principal Adviser	: HLIB
Promoters	: Collectively, Wong Choi Ong, Pan Kum Wan, Rajawali Wang, Caiwan Capital, Dynagear Technologies and Visionary Support
Prospectus	: This prospectus dated 21 June 2022 in relation to our IPO
Prospectus Guidelines	: Prospectus Guidelines issued by the SC
Public Issue	: Public issue of the Issue Shares at the IPO Price subject to the terms and conditions of this Prospectus
Rajawali Wang	: Rajawali Wang Sdn Bhd
SC	: Securities Commission Malaysia
Share Registrar	: Tricor Investor & Issuing House Services Sdn Bhd
Share Transfer	: Transfer of a total of 153,000,000 Shares held by Wong Choi Ong and Pan Kum Wan to Rajawali Wang during the prescription period, which is carried out after the Offer for Sale and Public Issue
SICDA	: Securities Industry (Central Depositories) Act 1991
Specified Shareholder	: Collectively, Wong Choi Ong, Pan Kum Wan, Rajawali Wang, Caiwan Capital, Dynagear Technologies, Visionary Support and Li Siok Go
Sponsor	: HLIB
sq ft	: Square feet
sq m	: Square metre

DEFINITIONS (CONT'D)

Substantial Shareholders	: Wong Choi Ong, Pan Kum Wan, Rajawali Wang, Caiwan Capital, Dynagear Technologies, Visionary Support and Lim Siew Kuen
Visionary Support	: Visionary Support Sdn Bhd, a company jointly and equally owned by Wong Choi Ong and Pan Kum Wan
Underwriter	: HLIB
Underwriting Agreement	: Underwriting agreement dated 1 June 2022 entered into between our Company, Offerors, and our Underwriter for the underwriting of 23,800,000 IPO Shares pursuant to our IPO

CURRENCIES

EUR	: Euro, the lawful currency of the member states of the European Union
Franc CFA	: Central African CFA franc, the lawful currency of Gabon, Cameroon, Central African Republic, Chad, Republic of the Congo, and Equatorial Guinea
IDR	: Indonesia Rupiah, the lawful currency of Indonesia
LRD	: Liberia Dollar, the lawful currency of Liberia
RM and sen	: Ringgit Malaysia and sen respectively, the lawful currency of Malaysia
SGD	: Singapore Dollar, the lawful currency of Singapore
USD	: United States Dollar, the lawful currency of the United States of America

OUR SUBSIDIARIES

AEPL	: Asia Ecoscience Pte Ltd
EMESB	: Ecoscience Manufacturing & Engineering Sdn Bhd
ETSB	: Ecoscience Technologies Sdn Bhd
TWTSSB	: Top Well Trading & Services Sdn Bhd

GLOSSARY OF TECHNICAL TERMS

The following technical terms in this Prospectus bear the same meanings as set out below unless the technical term is defined otherwise or the context requires otherwise:

ASME	: American Society of Mechanical Engineers, an independent organisation based in the United States of America that is involved in, among others, developing standards related to mechanical engineering, including pressure vessels
Biodiesel	: A type of fuel manufactured from vegetable oils or animal fats as opposed to fossil fuel derived from crude oil
Biodiesel plant	: A manufacturing plant where biodiesel is produced using vegetable oils including palm oil, or animal fats as the main feedstock
BS	: British Standards are the technical standards produced by The British Standards Institution (BSI), which is the national standards body for the United Kingdom
Construction	: Encompasses the physical construction of buildings, structures, amenities and infrastructure, as well as manufacturing and processing plants
CPKO	: Crude palm kernel oil, which refers to the oil extracted from the palm kernel that has been filtered to remove solid contaminants, but that has not been further processed, purified or refined
CPO	: Crude palm oil, which refers to the oil extracted from oil palm fruits and empty fruit bunches that have been filtered to remove solid contaminants, but has not been further processed, purified or refined
Depericarping system	: A system designed to recover oil palm seeds from press cake expelled from screw presses
Destructive testing	: Tests that are carried out to the specimen's failure, in order to understand its performance or behaviour under different conditions.
EFB	: Empty fruit bunches, which refers to the left over after the oil palm fruits have been removed from a FFB. The empty fruit bunch contains some palm oil that can be extracted with further processing
Facility	: In relation to construction of facilities, it refers to community facilities including workers quarters and staff accommodation, operational buildings such as offices, laboratories and storage areas, amenities such as schools, clinics and clubhouses, and infrastructure such as power distribution network
FFA	: Free fatty acids
FFB	: Fresh fruit bunches, which refers to the cluster of oil palm fruits (held together by the stalks and spikelets) produced by the oil palm tree
Non-destructive testing	: Tests carried out to evaluate the performance an item that does not damage or destroy the item being tested. Examples include, among others, hydrostatic tests, liquid penetrant and radiographic weld tests, and coating thickness tests.
Oil palm	: A plant cultivated for its fruit that produces FFB, from which CPO and PKO are extracted

GLOSSARY OF TECHNICAL TERMS (CONT'D)

Oil palm fruit	: The fruit of the oil palm tree, where palm oil is extracted. The main parts of the oil palm fruit are the skin, the fleshy and oily pulp, and a single seed. The pulp is the main oil-bearing part, and the oil extracted is known as CPO. The kernel in the seed is also used to extract PKO
Palm Kernel	: The fleshy and oily interior of the oil palm seed. The oil extracted from the palm kernel is known as PKO
Palm oil	: The collective term that refers to the oil that is extracted from the oil palm fruit and EFB (CPO), and palm kernel (PKO)
Palm oil mill	: A plant where FFB are processed to extract palm oil on a commercial scale. In general, all palm oil mills have equipment and machinery to produce CPO and palm kernels. Some palm oil mills are equipped with additional kernel crushing plant to further process palm kernels to extract CPKO
Palm oil refinery	: A plant where CPO is further processed to remove undesirable constituents in order to improve its properties, such as its colour, clarity and odour
Plant	: In the context of manufacturing and processing, it is the entire set of integrated machinery and equipment including the building that houses the machinery and equipment
PKO	: Palm kernel oil, which refers to the oil extracted from the palm kernel that has been filtered to remove solid contaminants, but has not been further processed, purified or refined
POME	: Palm oil mill effluent, which refers to the wastewater generated during the sterilising, decanting or condensation, and hydro-cycloning stages of palm oil milling. It contains, among others, water, chemical, dirt and organic matter such as residual palm oil, fibres and carbohydrates
Pressure vessels	: A metal tank to contain gas or liquid under pressure
Shop drawing	: The set of drawings that are prepared, based on information shown in the contract or purchase order documents, that are used to guide the fabrication process.
SOP	: Standard operating procedures
Steriliser	: A cylindrical metal tank that uses low pressure steam to cook and sterilise oil palm fresh fruit bunches to kill microorganisms, destroy unwanted enzymes, loosen the fruits from their stalks and improve the process of oil extraction. A steriliser is a type of pressure vessel
Substructure	: The part of the building or structure that is below ground. It mainly comprises the foundation, basement and retaining walls
Superstructure	: The part of a building or structure that is above ground level
Turnkey contract	: A turnkey contract is one where the scope of work covers all or most of the physical works required to construct a facility or plant, except for design and engineering

1. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name / (Designation)	Address	Nationality / Gender
Dato' Tan Yee Boon (Independent Non-Executive Chairman)	18, Jalan Mutiara Seputeh 2 Mutiara Seputeh Taman Seputeh 58000 Kuala Lumpur W.P. Kuala Lumpur	Malaysian / Male
Wong Choi Ong (Non-Independent Executive Director / Managing Director)	10, Jalan Ekoflora 2/12 Taman Ekoflora 81100 Johor Bahru Johor	Malaysian / Male
Pan Kum Wan (Non-Independent Executive Director)	No. 28, Jalan Sentral 23/6 Taman Nusa Sentral 79100 Iskandar Puteri Johor	Malaysian / Male
Law Sang Thiam (Independent Non-Executive Director)	No. 59, Jalan M9 Taman Merbok Bukit Baru 75450 Melaka Melaka	Malaysian / Male
Ang Chye Kian (Independent Non-Executive Director)	No. 1, Jalan Sentral 23/1 Taman Nusa Sentral 79100 Iskandar Puteri Johor	Malaysian / Female
Andrea Huang Jia Mei (Independent Non-Executive Director)	546, Jalan 7 Taman Ampang Utama 68000 Ampang Selangor	Malaysian / Female

1. CORPORATE DIRECTORY (CONT'D)**AUDIT AND RISK MANAGEMENT COMMITTEE**

Name	Designation	Directorship
Law Sang Thiam	Chairman	Independent Non-Executive Director
Ang Chye Kian	Member	Independent Non-Executive Director
Andrea Huong Jia Mei	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Ang Chye Kian	Chairman	Independent Non-Executive Director
Andrea Huong Jia Mei	Member	Independent Non-Executive Director
Law Sang Thiam	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Andrea Huong Jia Mei	Chairman	Independent Non-Executive Director
Ang Chye Kian	Member	Independent Non-Executive Director
Law Sang Thiam	Member	Independent Non-Executive Director

COMPANY SECRETARIES : Tan Bee Hwee
SSM Practicing : 202008001497
Certificate No.
Professional : The Malaysian Institute of Chartered Secretaries and
qualification Administrators ("**MAICSA**")
(MAICSA membership no. 7021024)

Wong Wai Foong
SSM Practicing : 202008001472
Certificate No.
Professional : MAICSA
qualification (MAICSA membership no. 7001358)

Unit 30-01, Level 30, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
W.P. Kuala Lumpur

Telephone no. : 03 2783 9191

REGISTERED OFFICE : Unit 30-01, Level 30, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
W.P. Kuala Lumpur

Telephone no. : 03 2783 9191

1. CORPORATE DIRECTORY (CONT'D)

HEAD OFFICE	: PLO 555, Jalan Keluli 8 Pasir Gudang Industrial Estate 81700 Pasir Gudang, Johor
	Telephone no. : 07 255 3126
	Website : www.ecosciencegroup.com
	E-mail : admin@ecoscience.com.my
PRINCIPAL ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT	: Hong Leong Investment Bank Berhad Level 28, Menara Hong Leong No. 6, Jalan Damanlela, Bukit Damansara 50490 Kuala Lumpur W.P. Kuala Lumpur
	Telephone no. : 03 2083 1800
SOLICITORS FOR OUR IPO	: <i>To our Company as to the laws of Malaysia</i>
	Chooi & Company + Cheang & Ariff CCA @ Bangsar Level 5, Menara BRDB 285, Jalan Maarof Bukit Bandaraya 59000 Kuala Lumpur W.P. Kuala Lumpur
	Telephone no. : 03 2055 3888
	<i>To our Company as to the laws of Singapore</i>
	Infinitus Law Corporation 77 Robinson Road #16-00 Robinson 77 Singapore 068896
	Telephone no. : 65 6221 2233
AUDITORS AND REPORTING ACCOUNTANTS	: Crowe Malaysia PLT (201906000005 (LLP0018817-LCA) & AF 1018) E-2-3 Pusat Komersial Bayu Tasek Persiaran Southkey 1 Kota Southkey 80150 Johor Bahru Johor
	Telephone no. : 07 288 6627
	Partner : Piong Yew Peng
	Professional qualification : • Fellow of CPA Australia (Membership no. 1860571) • Member of the Malaysian Institute of Accountants (Membership no. 11430)

1. CORPORATE DIRECTORY (CONT'D)

ISSUING HOUSE AND SHARE REGISTRAR : Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
W.P. Kuala Lumpur

Telephone no. : 03 2783 9299

INDEPENDENT BUSINESS AND MARKET RESEARCH CONSULTANTS : Vital Factor Consulting Sdn Bhd
V Square @ PJ City Centre (VSQ)
Block 6, Level 6
Jalan Utara
46200 Petaling Jaya
Selangor Darul Ehsan

Telephone no. : 03 7931 3188

Person-in-charge : Wooi Tan

Professional qualification : Master of Business Administration from the New South Wales Institute of Technology (now known as University of Technology Sydney), Australia; Bachelor of Science from the University of New South Wales, Australia and a Fellow of the Australian Marketing Institute and Institute of Managers and Leaders, Australia (formerly known as the Australian Institute of Management)

Please refer to Section 8 of this Prospectus for the profile of the firm and signing partner

LISTING SOUGHT : ACE Market of Bursa Securities

2. PROSPECTUS SUMMARY

This Prospectus Summary only highlights the key information from other parts of this Prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Prospectus prior to deciding on whether to invest in our Shares.

2.1 PRINCIPAL DETAILS OF OUR IPO

Number of new Shares to be issued under the Public Issue	: 82,169,500
Number of existing Shares to be offered under the Offer for Sale	: 30,000,000
Enlarged number of Shares upon Listing	: 340,000,000
IPO Price	: RM0.30
Market capitalisation upon Listing (based on the IPO Price and enlarged number of Shares upon Listing)	: RM102,000,000

2.1.1 Public Issue and Offer for Sale

Our Public Issue involves the issuance of 82,169,500 Issue Shares, representing approximately up to 24.2% of our enlarged number of issued Shares and the Offer for Sale involves the offering of 30,000,000 Shares, representing approximately up to 8.8% of our enlarged number of issued Shares. The Public Issue and Offer for Sale of 112,169,500 IPO Shares in aggregate shall be allocated in the manner as set out in Section 4.1.1 of this Prospectus, whereby 17,000,000, 6,800,000 and 88,369,500 IPO Shares shall be allocated to the Malaysian Public, Eligible Persons and by way of private placement respectively.

Please refer to Section 4 of this Prospectus for further details of our IPO.

2.1.2 Moratorium on our Shares

The entire shareholdings in our Company held by Wong Choi Ong, Rajawali Wang and Li Siok Go after our IPO and Share Transfer are subject to moratorium for 6 months from the date of our Listing. Upon expiry of the said 6-month period, their aggregate shareholdings amounting to at least 45% of the total number of issued shares of our Company (adjusted for any bonus issue or subdivision of shares) will remain under moratorium for another 6 months. Thereafter, Wong Choi Ong, Rajawali Wang and Li Siok Go may sell, transfer or assign up to a maximum of one-third per annum (on a straight-line basis) of the Shares held by them under moratorium.

The shareholders of Rajawali Wang, namely Caiwan Capital, Dynagear Technologies and Visionary Support, have undertaken not to sell, transfer or assign any part of their shareholdings in Rajawali Wang during the moratorium period. The shareholders of Caiwan Capital, Dynagear Technologies and Visionary Support, namely Wong Choi Ong and Pan Kum Wan have each furnished a letter of undertaking to Bursa Securities that they will not sell, transfer or assign any part of their shareholdings in Caiwan Capital, Dynagear Technologies and Visionary Support during the moratorium period. Further details of the moratorium on our Shares are set out in Section 3.2 of this Prospectus.

2.2 OUR BUSINESS

We were incorporated in Malaysia under the Act on 21 August 2020 as a private limited company under the name of Ecoscience International Sdn Bhd. Subsequently, on 15 July 2021, we were converted into a public limited company and assumed our present name. On 10 August 2021, we completed the Acquisitions which resulted in AEPL and EMESB becoming our wholly-owned subsidiaries.

The principal activities of our Company and our subsidiaries are as follows:

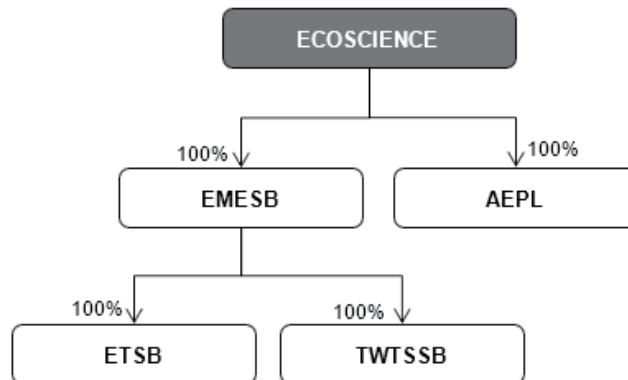
Company	Principal activities
Ecoscience	Investment holding
EMESB	Construction of plants and facilities, fabrication of equipment, and supply of materials and equipment
AEPL	Construction of plants and facilities, and fabrication of equipment
ETSB	Fabrication and supply of energy and environmental related equipment
TWTSSB	Supply of spare parts and construction materials, and provision of maintenance services ⁽¹⁾

Note:

(1) As TWTSSB does not have subsisting contracts, it is dormant as at LPD.

2. PROSPECTUS SUMMARY (CONT'D)

Our existing corporate structure is as follows:



We are a one-stop solution provider for the construction of palm oil mills and supporting facilities and fabrication of equipment. Our core activities are in the construction of plants, which are mainly palm oil mills and facilities, supported by our in-house fabrication of equipment. Other complementary activities include supply of materials and equipment, spare parts and provision of maintenance services.

Our business model is as follows:

Business Activities and Revenue Streams	Industry Focus	Geographical Markets	Distribution Channel and Customer Base
Principal Activities ⁽¹⁾	Principal Industry	Principal Markets	Main Channel - Direct
Construction of Plants and Facilities Fabrication of Equipment Supply of Materials and Equipment	Palm oil		Plantation and Plant Owners
Other Activities ⁽²⁾	Non-Palm Oil Industries ⁽³⁾	Other Markets ⁽⁴⁾	Complementary Channel - Indirect ⁽⁵⁾
- Supply of spare parts - Maintenance services - Site clearance and earthworks	- Rubber - Pulp, paper and packaging - Power generation - Rubber gloves - Explosives manufacturing	- Liberia - India	- Engineering companies - Mechanical and electrical companies

Notes:

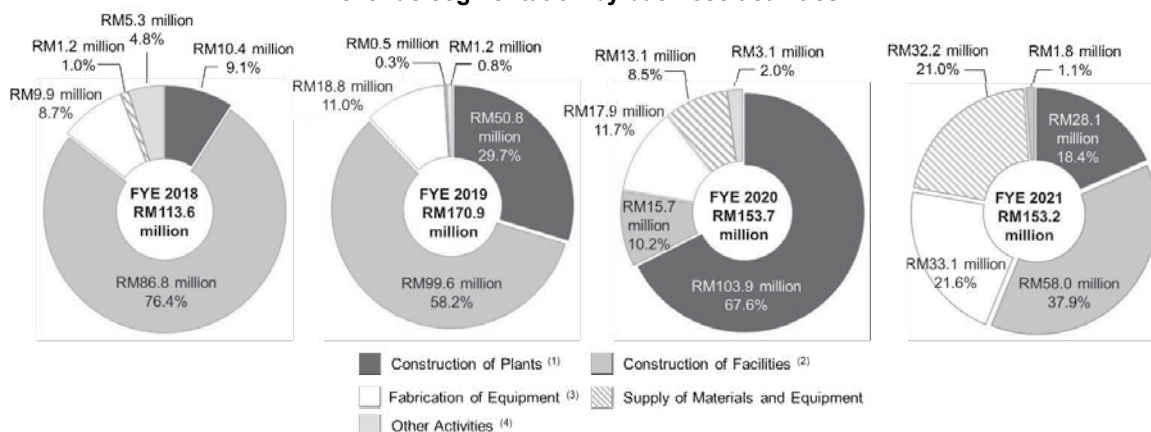
- (1) Construction of plants and facilities, fabrication of equipment and supply of materials and equipment contributed 77.8%, 11.7% and 8.5%, respectively to our total revenue for the FYE 2020. As for the FYE 2021, construction of plants and facilities, fabrication of equipment and supply of materials and equipment contributed 56.3%, 21.6% and 21.0% of our total revenue respectively. For further information on the revenue contribution by business activities, kindly refer to Section 7.1.2 of this Prospectus.
- (2) Other activities accounted for 2.0% and 1.1% of our total revenue for the FYE 2020 and FYE 2021 respectively.
- (3) Non-palm oil industries accounted for 13.1% and 28.9% of our total revenue for the FYE 2020 and FYE 2021 respectively.
- (4) Liberia accounted for 0.5% and 0.3% of our total revenue for the FYE 2020 and FYE 2021 respectively. India accounted for 1.1% of our total revenue for the FYE 2019 and no revenue was recorded from this country for the FYE 2020 and FYE 2021.
- (5) Indirect channel accounted for 9.6% and 23.4% of our total revenue for the FYE 2020 and FYE 2021 respectively.

Please refer to Sections 6 and 7 of this Prospectus for further details of our history and business.

2. PROSPECTUS SUMMARY (CONT'D)

Our revenue segmentation by business activities are as follows:

Revenue segmentation by business activities



Notes:

- (1) Includes construction of new plants and upgrades of existing plants (including buildings and equipment).
- (2) Includes construction of facilities such as workers' quarters, operational buildings, amenities and infrastructure.
- (3) Includes fabrication of standalone equipment.
- (4) Includes supply of spare parts and provision of civil works and maintenance services.

For further details of the financial information by business segments, please refer to Section 12.3.1 of this Prospectus.

2.3 COMPETITIVE STRENGTHS

Our competitive strengths are as follows:

- (i) **We provide a one-stop solution for the construction of plants and facilities for palm oil mills and plantations.**

We are positioned to provide a one-stop solution for the construction of plants and supporting facilities for palm oil mills and plantations. Our core competencies are in procurement, construction and commissioning of palm oil mills and facilities that are in support of the operations of plantations and mills. Our construction of palm oil mills is supported by our fabrication capabilities for palm oil milling equipment, as well as other equipment including those for palm oil refineries, biogas plants and biodiesel plants. Our one-stop solution provides convenience to customers as they would only need to deal with one turnkey contractor for the construction of palm oil mills and facilities.

- (ii) **We have key supporting activities including design and fabrication of palm oil milling equipment.**

We have the in-house capabilities to fabricate some of the main palm oil milling equipment when we are constructing palm oil mills. This enables us to control one of the cost components and timing of delivery for some of the main palm oil milling equipment. By fabricating some of the palm oil milling equipment in-house, we are able to provide customised solutions based on the customers' specifications and requirements. With our technical knowledge and hands-on experience in fabricating palm oil milling equipment, we are able to continuously improve the performance of the equipment.

- (iii) **We have an established track record of approximately 18 years which serves as the platform for continuing business sustainability and growth.**

We have built an established track record of approximately 18 years in providing construction and fabrication solutions for plants, facilities and equipment in Malaysia and foreign countries including Indonesia, Gabon, Liberia and India since we started our business operations in 2004.

2. PROSPECTUS SUMMARY (CONT'D)

Our established track record in construction and fabrication works in Malaysia as well as foreign countries will serve as a reference site and platform for us to grow our business.

- (iv) **Our top customers are owners of oil palm plantations and palm oil mills, other manufacturing plants and other businesses with operations in Malaysia and foreign countries to provide us with business growth opportunities as they expand their business.**

For FYE 2020 and FYE 2021, 88.2% and 67.1% respectively of our total revenue were derived from contracts secured directly with owners of oil palm plantations and palm oil mills, other manufacturing plants and other businesses. This enables us to work directly with owners to better meet their requirements and cultivate customer loyalty with the aim of generating future business opportunities as they expand their businesses.

- (v) **We serve customers in multiple countries which provides us with business growth and opportunities.**

For the Financial Years Under Review, we have successfully completed projects in Malaysia as well as foreign countries including Gabon, Indonesia, Liberia and India. Our track record of operating in these countries increases our addressable potential markets to grow our business. Malaysia and Indonesia are the world's top two producers of palm oil. Servicing customers in established and growing palm oil industries provide us with the platform for business sustainability and growth.

Please refer to Section 7.2 of this Prospectus for further details of our competitive strengths.

2.4 BUSINESS STRATEGIES AND PLANS

Our business strategies and plans are as follows:

- (i) **Expanding the supply of environmental related equipment**

We are currently involved in supplying environmental related equipment for use in palm oil and other industries, including heat recovery equipment and non-chemical water treatment equipment. We plan to develop and grow this business as part of our expansion of existing business, including by hiring new sales and marketing staff with relevant experience, and increasing marketing activities. We have started to lease this equipment to some of our customers during FYE 2020 under a trial period and have started to recognise revenue commencing from FYE 2021. As part of our business strategy, we intend to further expand the provision of non-chemical water treatment equipment to customers under the leasing of equipment model.

- (ii) **Continue to focus on our core competencies and markets**

We will continue to focus on our core competencies in the construction of palm oil mills and supporting facilities, and fabrication of equipment. Part of our strategy is to extend our reach and leverage from our track record in construction of plants and facilities, and fabrication of equipment with applications to other industry sectors. Our strategy is to grow together with our customers and to be their service provider. We will also explore business opportunities with prospective new customers to grow our customer base, including covering new geographical markets.

- (iii) **New fabrication facility and office in Indonesia**

As part of our business plan, we intend to incorporate a wholly-owned subsidiary in Indonesia and establish a new fabrication facility and office located at Balikpapan in East Kalimantan province, Indonesia. We intend to acquire land use rights to construct a new fabrication facility and office, which we have not identified as at the LPD. We plan to use this new facility to support projects involving the construction of palm oil mills and facilities, and fabrication of equipment that we may secure in Kalimantan and other parts of Indonesia in the future.

Please refer to Section 7.16 of this Prospectus for further details of our business strategies and plans.

2. PROSPECTUS SUMMARY (CONT'D)

2.5 IMPACT OF COVID-19 ON OUR BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE

Our business operations in Malaysia, Gabon, and Indonesia were affected by COVID-19, including due to the measures implemented by the governments of the respective countries to control the spread of the disease, which included restrictions on international travel, movement of people, and closure or limits to business activity, which have slowed down our work on some projects; and temporary suspension of our fabrication facility as well as worksites in Malaysia. As a result, some shipments of fabricated steel structures, machinery and equipment were disrupted. Some projects were delayed during FYE 2020 and FYE 2021 and extensions of time were sought from the customer. This resulted in slower project implementation and consequently slower progress billings.

We did not complete the fabrication of palm oil mill equipment project for Sime Darby Plantation Berhad by the contracted completion date as there were delays in the supply of parts from a supplier that was appointed by the customer due to COVID-19 control measures, and as a result, we made provision of LAD of RM0.6 million and RM0.4 million, which was set off from our progressive billing (being 90.9% of the maximum claim on the LAD of RM1.1 million) for the FYE 2020.

For the FYE 2021, we made a provision for LAD of RM0.2 million, which was the maximum claim on the LAD as at 30 November 2021, for the EPCC of ESP for biomass power plant at a palm oil mill in Johor for Ladang Petri Tenggara Sdn Bhd. This was because we were not able to complete the project by the deferred completion date of July 2021 due to movement and business operation restrictions related to the on-going COVID-19 pandemic. We had applied for extension of time from the customer up to October 2021, which is pending approval. The project was subsequently completed in November 2021.

We also experienced higher freight and logistics expenses for FYE 2020 and FYE 2021 compared to FYE 2019. We also recorded gross losses for some projects in FYE 2020 as a result of cost overrun from the delay in the progress of the projects, additional custom clearance cost, and rising shipment costs and steel prices, which we were unable to pass on to the customer.

Although ETSB's operations were temporarily suspended or operated at limited workforce capacity from 18 March 2020 to 6 May 2020 and from 26 May 2021 up to 24 October 2021, and TWTSSB's operations were suspended from 18 March 2020 up to 24 October 2021, it did not have a material impact on our revenue for FYE 2020 and FYE 2021.

Please refer to Section 7.23 of this Prospectus for further details of the impact of COVID-19 on our business operations and financial performance.

2.6 RISK FACTORS

Before investing in our Shares, you should carefully consider, along with other matters in the Prospectus, certain risks and investment considerations that may affect our future financial performance.

The following is a summary of the key risks relating to our business and operations that we are currently facing or that may develop in the future:

(i) **We are dependent on Olam Group as a customer and they continue to contribute significantly to our order book**

We are dependent on Olam Group as customers due to their contribution to our total revenue during the Financial Years Under Review. The Olam Group has contributed 78.7%, 79.7%, 68.5% and 38.2% to our total revenue for FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. Our business with the Olam Group is project based with no further revenue expected after contracts are completed, and additional revenue will only accrue through new contracts.

2. PROSPECTUS SUMMARY (CONT'D)

There is a risk that losing Olam Group as a customer will have an adverse effect on our financial performance and operating results. There can be no assurance that we will continue to secure new contracts from the Olam Group. In the event of any delay in securing new contracts from the Olam Group, our financial performance and operating results could be materially and adversely affected. Furthermore, if they terminate our business relationship prematurely, there is no assurance that we will be able to secure new customers to replace Olam Group in a timely manner and the failure to do so would adversely affect our financial performance.

(ii) Our financial performance is dependent on our ability to continually secure new projects and ensure the continuity of our order book

Our financial performance depends on our ability to secure new projects to sustain our order book. Generally, we are engaged by our customers on a fixed lump sum or fixed lump sum plus scheduled rate basis. Projects are typically awarded based on competitive bidding, and there can be no assurance that we will continue to secure new projects. Our order book is also subject to the risk of termination or suspension of projects, and variation orders that reduce the scope of work of our projects. There is no assurance that our current order book can be sustained in the future nor can we provide any assurance that the implementation of the projects and orders that are currently in our order book will not be delayed, suspended or cancelled. There can be no assurance that the GP margin for our new projects secured and/or to be secured as well as our historical GP margin achieved in the past can be sustained in the future. If there is any decline in our future GP margin, our future profitability and financial performance may be materially and adversely affected.

(iii) We are subject to risks associated with Gabon

For the Financial Years Under Review, Gabon was our largest market which amounted to RM89.7 million (79.0%), RM136.1 million (79.6%), RM106.0 million (69.0%) and RM69.5 million (45.4%) of our total revenue for FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. We are subject to Gabon's government policies, legal system, taxation system (including withholding tax), monetary policy (including exchange controls and repatriation of profits), licensing and other requirements, and laws and regulations governing business operations, labour, HSE and other policies. Failure to comply with any of the relevant laws, regulations and other requirements of operating a business in Gabon may cause the Gabonese authorities to take action against us or we may be subject to fines and/or penalties, all of which could adversely affect our business operations and financial performance. There is also a risk that changes in law, policies and regulations in Gabon may adversely affect our business operations and financial performance. In addition, any adverse changes in the palm oil industry, economy, political and social environment in Gabon would adversely impact on our business operations as well as financial performance.

(iv) We are subject to risks of delays in completing our projects and termination or suspension of contracts

Our projects include delivery milestones and timing of completion in the respective contracts. Our ability to achieve these milestones and timing of completion depends on many factors, including but not limited to, availability of steel products, pipes and other materials, availability of labour, the timely shipment and clearance through customs of materials and products from our fabrication facility in Johor to worksites in foreign countries, the ability to secure sufficient third-party sub-contractors and contract workers, timely and satisfactory coordination with third party sub-contractors, and restrictions on business operations and/or movement of people imposed by governments to control the spread of COVID-19. In this respect, there is no assurance that we will be able to meet our contractual milestones and completion date as some of these factors may be beyond our control.

If we experience any delays in implementing our projects, it is our practice to apply for an extension of time with the respective customer. However, there is no assurance that customers will grant us an extension of time.

2. PROSPECTUS SUMMARY (CONT'D)

Any delays in meeting contractual deadlines could result in adverse effects including, among others, our customers claiming LAD against us, damage to our customer relationships and damage to our reputation. For the FYE 2020, we made a provision of LAD of RM0.6 million and RM0.4 million, which was set off from our progressive billing (being 90.9% of the maximum claim on the LAD of RM1.1 million) for the fabrication of palm oil mill equipment for Sime Darby Plantation Berhad. This was due to the delay in the supply of parts from the supplier which was appointed by the customer directly. For the FYE 2021, we made a provision for LAD amounting to RM0.2 million (being the maximum claim on the LAD as at 30 November 2021) in respect to the EPCC of ESP for biomass power plant at a palm oil mill in Malaysia as a result of movement and business operation restrictions related to the on-going COVID-19 pandemic. Save as disclosed above, there was no other provision for LAD nor LAD claim against us for the Financial Years Under Review and up to the LPD.

We are also subject to the risk of early contract termination or suspension of projects by our customers, including due to factors beyond our control. During the Financial Years Under Review and up to the LPD, we have had 1 termination and 1 suspension of contracts, which was subsequently terminated by the customer in January 2022 due to funding constraints.

(v) Our business and financial performance may be affected by the prolonged COVID-19 pandemic

Our financial performance was affected by the economic and other disruptions related to COVID-19 in Malaysia and other countries where we carry out our construction or installation works including Gabon, Indonesia and Liberia. Although we continue to operate in Malaysia and other countries, any deterioration in the COVID-19 pandemic in Malaysia and/or other countries could result in the tightening of restrictions, including suspending or interruption our operations in the affected areas or countries. This could have an adverse effect on our business operations and financial performance. While we have taken measures to reduce the risk of COVID-19 among our employees and contract workers, there can be no assurance that there will not be any positive diagnosis for COVID-19 in our operational facilities or worksites. The COVID-19 pandemic may also result in delays in implementing our business strategies in accordance with the expected timeline.

Please refer to Section 9 of this Prospectus for further details of these risk factors.

2.7 DIRECTORS AND KEY SENIOR MANAGEMENT

Our Directors and Key Senior Management are as follows:

Name	Designation
<u>Directors</u>	
Dato' Tan Yee Boon	Independent Non-Executive Chairman
Wong Choi Ong	Non-Independent Executive Director / Managing Director
Pan Kum Wan	Non-Independent Executive Director
Law Sang Thiam	Independent Non-Executive Director
Ang Chye Kian	Independent Non-Executive Director
Andrea Huang Jia Mei	Independent Non-Executive Director
<u>Key Senior Management</u>	
Andy Tan Boon Kiong	Project Director
Tia Tuan Sim	Operational and Technical Director
Thing Jin Suan	Business Development Director
Anson Sing Yun Xiang	Head of Finance
Goh Yu Meng	Head of Human Resources and Administration

2. PROSPECTUS SUMMARY (CONT'D)

Please refer to Section 5 of this Prospectus for further details of our Directors and Key Senior Management.

2.8 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

The details of our Promoters and Substantial Shareholders, and their respective shareholdings in our Company before and after our IPO, are as follows:

Name and nationality/ country of incorporation	Before our IPO / After the Acquisitions				After the Public Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
Rajawali Wang ⁽³⁾ / Malaysia	-	-	-	-	-	-	-	-
Caiwan Capital/ Malaysia	-	-	-	-	-	-	-	-
Dynagear Technologies/ Malaysia	-	-	-	-	-	-	-	-
Visionary Support/ Malaysia	-	-	-	-	-	-	-	-
Wong Choi Ong/ Malaysian	106,524,626	41.3	-	-	106,524,626	31.3	-	-
Pan Kum Wan/ Malaysian	90,403,374	35.1	⁽⁴⁾ 10,069,727	3.9	90,403,374	26.6	⁽⁴⁾ 10,069,727	3.0
Lim Siew Kuen ⁽⁵⁾ / Malaysian	16,121,250	6.3	-	-	16,121,250	4.7	-	-

Name and nationality/ country of incorporation	After the Offer for Sale				After the Share Transfer and our IPO			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(2)%	No. of Shares	(2)%	No. of Shares	(2)%	No. of Shares	(2)%
Rajawali Wang ⁽³⁾ / Malaysia	-	-	-	-	153,000,000	45.0	-	-
Caiwan Capital/ Malaysia	-	-	-	-	-	-	⁽⁶⁾ 153,000,000	45.0
Dynagear Technologies/ Malaysia	-	-	-	-	-	-	⁽⁶⁾ 153,000,000	45.0
Visionary Support/ Malaysia	-	-	-	-	-	-	⁽⁶⁾ 153,000,000	45.0
Wong Choi Ong/ Malaysian	90,524,626	26.6	-	-	13,928,000	4.1	⁽⁷⁾ 153,000,000	45.0
Pan Kum Wan/ Malaysian	76,403,374	22.5	⁽⁴⁾ 10,069,727	3.0	-	-	⁽⁸⁾ 163,069,727	48.0
Lim Siew Kuen ⁽⁵⁾ / Malaysian	16,121,250	4.7	-	-	16,121,250	4.7	-	-

Notes:

- (1) Based on our total number of 257,830,500 Shares after the Acquisitions.
- (2) Based on our enlarged total number of 340,000,000 Shares after our IPO.
- (3) Rajawali Wang is an investment holding company whose shares are held by Caiwan Capital (33%), Dynagear Technologies (33%) and Visionary Support (33%).
- (4) Deemed interested by virtue of his spouse's shareholding in our Company.

2. PROSPECTUS SUMMARY (CONT'D)

- (5) Lim Siew Kuen became a substantial shareholder of our Company after the Acquisitions. He will cease to be a substantial shareholder after our IPO.
- (6) Deemed interested by virtue of its shareholding in Rajawali Wang pursuant to Section 8(4) of the Act.
- (7) Deemed interested by virtue of his shareholdings in Caiwan Capital and Visionary Support pursuant to Section 8(4) of the Act.
- (8) Deemed interested by virtue of his shareholdings in Dynagear Technologies and Visionary Support pursuant to Section 8(4) of the Act as well as his spouse's shareholding in our Company.

Please refer to Section 5 of this Prospectus for further details of our Promoters and Substantial Shareholders.

2.9 USE OF PROCEEDS

We expect to use the gross proceeds from the Public Issue amounting to approximately RM24.7 million in the following manner:

Details	RM'000	%	Estimated time frame for use of proceeds from the date of our Listing
Business expansion			Within 24 months
- Establishment of new fabrication facility and office in Indonesia	5,000	20.3	
- Expansion of environmental and energy efficiency business	1,000	4.1	
Working capital	7,851	31.8	Within 12 months
Repayment of bank borrowings	7,000	28.4	Within 12 months
Estimated listing expenses	3,800	15.4	Within 1 month
Total	24,651	100.0	

There is no minimum subscription to be raised from our IPO. The Offer for Sale will raise gross proceeds of RM9.0 million which will accrue entirely to our Offerors.

Please refer to Section 4.4 of this Prospectus for further details of the use of proceeds arising from the Public Issue.

2.10 FINANCIAL HIGHLIGHTS

The table below sets out financial highlights based on our audited combined financial statements for the Financial Years Under Review.

	<-----Audited----->			
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000
Revenue	113,627	170,928	153,693	153,163
Cost of sales	(86,062)	(133,369)	(132,220)	(125,939)
GP	27,565	37,559	21,473	27,224
PBT	10,423	17,098	8,519	11,075
Taxation	(2,687)	(4,616)	(1,999)	(3,005)
PAT	7,736	12,482	6,520	8,070
GP margin ⁽¹⁾ (%)	24.3	22.0	14.0	17.8
EBITDA ⁽²⁾	13,763	20,561	11,771	14,218
EBITDA margin ⁽³⁾ (%)	12.1	12.0	7.7	9.3
PBT margin ⁽⁴⁾ (%)	9.2	10.0	5.5	7.2

2. PROSPECTUS SUMMARY (CONT'D)

	<-----Audited----->			
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000
PAT margin ⁽⁵⁾ (%)	6.8	7.3	4.2	5.3
Basic and diluted EPS ⁽⁶⁾ (sen)	2.3	3.7	1.9	2.4
Number of Shares in issue after our IPO ('000)	340,000	340,000	340,000	340,000
NA	39,010	47,474	52,012	59,165
NA per Share ⁽⁶⁾ (sen)	11.5	14.0	15.3	17.4
Trade receivables turnover period (days)	40	45	63	51
Trade payables turnover period (days)	60	45	72	74
Inventories turnover period (days)	15	13	18	35
Current ratio (times)	1.4	1.6	1.5	1.8
Gearing ratio (times)	0.9	0.8	0.7	0.7

Notes:

(1) Computed as GP divided by revenue

(2) Computed as follows:

	<-----Audited----->			
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000
PAT	7,736	12,482	6,520	8,070
Add: Taxation	2,687	4,616	1,999	3,005
Depreciation	1,814	1,653	1,308	1,259
Interest expenses	1,747	2,021	2,215	2,078
Less: Interest income	(221)	(211)	(271)	(194)
EBITDA	13,763	20,561	11,771	14,218

(3) Computed as EBITDA divided by revenue.

(4) Computed as PBT divided by revenue.

(5) Computed as PAT divided by revenue.

(6) Computed as PAT or NA divided by the enlarged total number of 340,000,000 Shares after our IPO.

The financial highlights presented above should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" as set out in Section 12.3 of this Prospectus and the Accountants' Report, together with its related notes, as set out in Section 13 of this Prospectus.

2.11 DIVIDEND POLICY

Our ability to pay dividends is dependent upon various factors including but not limited to our financial performance, cash flow requirements and capital expenditure plans. Our Board intends to recommend and distribute a dividend of at least 20% of our annual audited consolidated PAT attributable to our shareholders. Any dividend declared will be at the discretion of our Board and any final dividends declared will be subject to the approval of our shareholders at our annual general meeting.

You should take note that this dividend policy merely describes our current intention and shall not constitute legally binding statements in respect of our future dividends that are subject to our Board's discretion.

Please refer to Section 12.7 of this Prospectus for further details of the dividend policy.

3. APPROVALS AND CONDITIONS

3.1 APPROVALS AND CONDITIONS

3.1.1 Bursa Securities

Bursa Securities has, via its letter dated 10 March 2022, resolved to approve the Admission and our Listing, subject to the following conditions:

Condition imposed	Status of compliance
1. Submission of the following information with respect to the moratorium on the shareholdings of the promoters to Bursa Depository: (i) Name of shareholders; (ii) Number of shares; and (iii) Date of expiry of the moratorium for each block of shares	Complied
2. Approvals from other relevant authorities have been obtained for implementation of the listing proposal;	Complied
3. To make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Guidance Notes 15 of the Listing Requirements;	To be complied
4. To furnish Bursa Securities with a copy of the schedule of distribution showing compliance with the public shareholding spread requirements based on the entire issued share capital of Ecoscience on the first day of listing;	To be complied
5. In relation to the public offering to be undertaken by Ecoscience, to announce at least 2 market days prior to the listing date, the result of the offering including the following: (i) Level of subscription of public balloting and placement; (ii) Basis of allotment/allocation; (iii) A table showing the distribution for placement tranche as per the format in Appendix I, and (iv) Disclosure of placees who become substantial shareholders of Ecoscience arising from the public offering, if any. Please be reminded that the overall distribution of the Company's securities is properly carried out to mitigate any disorderly trading in the secondary market; and	To be complied
6. Ecoscience / HLIB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval upon the admission of Ecoscience to the Official List of the ACE Market.	To be complied

3. APPROVALS AND CONDITIONS (CONT'D)

3.1.2 SC

Our IPO is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SC has, via its letter dated 12 April 2022, approved the resultant equity structure of our Company under the Bumiputera equity requirement for public listed companies pursuant to our Listing, subject to the following conditions:

Condition imposed	Status of compliance
1. Ecoscience allocating shares equivalent to 12.5% of its enlarged number of issued shares at the point of listing to Bumiputera investors to be approved by MITI; and	To be complied
2. Ecoscience is to make available at least 50.0% of the shares offered to the Malaysian public investors via balloting to Bumiputera public investors at the point of Listing.	To be complied

The SC has, via the same letter dated 12 April 2022, noted that the effects of our Listing on the equity structure of our Company as follows:

Category of shareholders	As at 10 August 2021		⁽¹⁾ After our IPO	
	No. of Shares	%	No. of Shares	%
Bumiputera				
- Malaysian Public via balloting	-	-	8,500,000	2.50
- Bumiputera investors to be approved by the MITI	-	-	42,500,000	12.50
Total Bumiputera	-	-	51,000,000	15.00
Non-Bumiputera	257,830,500	100.00	289,000,000	85.00
Total Malaysian	257,830,500	100.00	340,000,000	100.00
Foreigner	-	-	-	-
Total	257,830,500	100.00	340,000,000	100.00

Note:

- (1) Based on the assumption that the shares allocated to Bumiputera investors to be approved by MITI and Bumiputera public investors via balloting shall be fully subscribed.

3.1.3 MITI

MITI has, via its letter dated 21 March 2022, stated that it has taken note and has no objection to our Listing.

3. APPROVALS AND CONDITIONS (CONT'D)

3.2 MORATORIUM ON OUR SHARES

In compliance with the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Specified Shareholders as follows:

- (i) the moratorium applies to their entire shareholdings for a period of 6 months from the date of our Listing ("**First 6-Month Moratorium**");
- (ii) upon the expiry of the First 6-Month Moratorium, we must ensure that their aggregate shareholdings amounting to at least 45% of our total number of issued shares of our Company (adjusted for any bonus issue or subdivision of shares) remain under moratorium for a further 6 months ("**Second 6-Month Moratorium**"); and
- (iii) upon the expiry of the Second 6-Month Moratorium, they may sell, transfer or assign up to a maximum of one-third per year (on a straight-line basis) of their Shares held under moratorium.

In this respect, our Shares that are subject to moratorium are set out below:

Name	Year 1				Year 2		Year 3	
	Moratorium shares during the First 6-Month Moratorium		Moratorium shares during the Second 6-Month Moratorium		Moratorium shares		Moratorium shares	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(1)%
Specified Shareholders								
Rajawali Wang	153,000,000	45.0	153,000,000	45.0	102,000,000	30.0	51,000,000	15.0
Wong Choi Ong	13,928,000	4.1	-	-	-	-	-	-
Li Siok Go	10,069,727	3.0	-	-	-	-	-	-
Total	176,997,727	52.1	153,000,000	45.0	102,000,000	30.0	51,000,000	15.0

Note:

- (1) Based on our enlarged total number of 340,000,000 Shares after our IPO.

Rajawali Wang, Wong Choi Ong and Li Siok Go have provided their written undertakings that they will not sell, transfer or assign any part of their interest in our Shares during the moratorium period. The shareholders of Rajawali Wang, namely Caiwan Capital, Dynagear Technologies and Visionary Support, have each provided a letter of undertaking to Bursa Securities that they will not sell, transfer or assign any part of their shareholdings in Rajawali Wang during the moratorium period. The shareholders of Caiwan Capital, Dynagear Technologies and Visionary Support, namely Wong Choi Ong and Pan Kum Wan have also provided a letter of undertaking to Bursa Securities that they will not sell, transfer or assign any part of their shareholdings in Caiwan Capital, Dynagear Technologies and Visionary Support during the moratorium period.

The moratorium, which has been fully accepted by Rajawali Wang, Wong Choi Ong and Li Siok Go, is specifically endorsed on the share certificates representing the shareholdings which are under moratorium to ensure that our Share Registrar does not register any transfer and sale that are not in compliance with the moratorium restrictions. In compliance with the restrictions, Bursa Depository will, on our Share Registrar's instructions in the prescribed forms, ensure that the trading of these Shares is not permitted during the moratorium period.

4. DETAILS OF OUR IPO

4.1 PARTICULARS OF OUR IPO

4.1.1 Public Issue and Offer for Sale

Our Public Issue of 82,169,500 IPO Shares and Offer for Sale of 30,000,000 IPO Shares, representing approximately 33.0% of our enlarged number of issued Shares, at the IPO Price is subject to the terms and conditions of this Prospectus and shall be allocated on the basis of 73.3% Public Issue and 26.7% Offer for Sale in the following manner:

(i) Malaysian Public

17,000,000 IPO Shares, representing 5.0% of our enlarged number of issued Shares, will be made available for application by the Malaysian Public by way of balloting, of which 50.0% will be set aside for Bumiputera investors.

(ii) Eligible Persons

6,800,000 IPO Shares (being Pink Form Allocations), representing 2.0% of our enlarged number of issued Shares, will be reserved for application by the Eligible Persons as follows:

Eligible Persons	Number of Eligible Persons	Aggregate number of Pink Form Allocations
Eligible directors of our Group	7	2,000,000
Eligible employees	54	4,740,000
Persons who have contributed to the success of our Group	2	60,000
Total	63	6,800,000

The allocation to our eligible directors is based on, among others, their respective roles, responsibilities and anticipated contributions to our Group. The number of IPO Shares to be allocated to our eligible directors is as follows:

Eligible directors	Designation	No. of Pink Form Allocations
<u>Ecoscience</u>		
Dato' Tan Yee Boon	Independent Non-Executive Chairman	200,000
Law Sang Thiam	Independent Non-Executive Director	200,000
Ang Chye Kian	Independent Non-Executive Director	200,000
Andrea Huang Jia Mei	Independent Non-Executive Director	200,000
<u>AEPL</u>		
Pan Ching Looi	Director	200,000
Ding Rui Zhen, Claire	Director	200,000
<u>ETSB</u>		
Thing Jin Suan	Director	800,000
Total		2,000,000

The criteria of allocation to our eligible employees who have contributed to the success of our Group (as approved by our Board) are based on, among others, the following factors:

- the eligible employee must be a full time and confirmed employee of our Group and on our Group's payroll; and
- the number of IPO Shares allocated to the eligible employees is based on their seniority, job grade, length of service, past performance and contributions to our Group.

4. DETAILS OF OUR IPO (CONT'D)

The number of IPO Shares to be allocated to our Key Senior Management is as follows:

Key Senior Management	Designation	No. of Pink Form Allocations
Andy Tan Boon Kiong	Project Director	800,000
Tia Tuan Sim	Operational and Technical Director	1,000,000
Anson Sing Yun Xiang	Head of Finance	500,000
Goh Yu Meng	Head of Human Resources and Administration	800,000
Total		3,100,000

The allocation to the persons who have contributed to the success of our Group such as, among others, our business contacts, suppliers and customers, shall be based on their contribution to our Group and as approved by our Board.

(iii) Private placement

88,369,500 IPO Shares, representing approximately 26.0% of our enlarged number of issued Shares, will be made available by way of private placement of which 45,869,500 IPO Shares are allocated to selected investors and 42,500,000 IPO Shares are allocated to identified Bumiputera investors approved by the MITI.

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4. DETAILS OF OUR IPO (CONT'D)

4.1.2 Offerors

Our Offerors will offer 30,000,000 IPO Shares, representing approximately 11.6% of our existing total number of Shares after the Acquisitions and 8.8% of our enlarged number of issued Shares, at the IPO Price as described in Section 4.1.1 above. Details of our Offerors are as follows:

Name/Address	Nature of relationship	Shareholdings before our IPO / After the Acquisitions				Offer for Sale				Shareholdings immediately after the Share Transfer and our IPO			
		Direct		Indirect		Direct		Indirect		Direct		Indirect	
		No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%	No. of Shares	(2)%	No. of Shares	(2)%
Wong Choi Ong	Promoter, Substantial Shareholder and Non-Independent Executive Director/ Managing Director	106,524,626	41.3	-	-	16,000,000	4.7	-	-	13,928,000	4.1	(4)153,000,000	45.0
10, Jalan Ekoflora 2/12, Taman Ekoflora, 81100 Johor Bahru, Johor													
Pan Kum Wan	Promoter, Substantial Shareholder and Non-Independent Executive Director	90,403,374	35.1	(3)10,069,727	3.9	14,000,000	4.1	-	-	-	-	(5)163,069,727	48.0
No. 28, Jalan Sentral 23/6, Taman Nusa Sentral, 79100 Iskandar Puteri, Johor													
Total		196,928,000	76.4			30,000,000	8.8			13,928,000	4.1		

4. DETAILS OF OUR IPO (CONT'D)**Notes:**

- (1) Based on our total number of 257,830,500 Shares after the Acquisitions.
- (2) Based on our enlarged total number of 340,000,000 Shares after our IPO.
- (3) Deemed interested by virtue of his spouse's shareholding in our Company.
- (4) Deemed interested by virtue of his shareholdings in Caiwan Capital and Visionary Support pursuant to Section 8(4) of the Act.
- (5) Deemed interested by virtue of his shareholdings in Dynagear Technologies and Visionary Support pursuant to section 8(4) of the Act as well as his spouse's shareholding in our Company.

Based on the IPO Price, the Offer for Sale will raise gross proceeds of RM9.0 million, which will accrue entirely to our Offerors. Our Offerors will bear all the expenses relating to the Offer for Sale.

4.1.3 Share Transfer

During the prescription period (one day after the launching date of the Prospectus up to a period of 30 days), our Offerors will transfer a total of 153,000,000 Shares to Rajawali Wang for a purchase consideration of RM45.9 million. Further details of the Share Transfer are set out below:

Offerors	⁽¹⁾No. of Shares held before the Share Transfer	No. of Shares to be transferred to Rajawali Wang	⁽¹⁾No. of Shares held after the Share Transfer	%
Wong Choi Ong	90,524,626	76,596,626	13,928,000	4.1
Pan Kum Wan	76,403,374	76,403,374	-	-
Total	166,928,000	153,000,000	13,928,000	4.1

Note:

- (1) Excluding the 30,000,000 Offer Shares which will be offered under the Offer for Sale.

Rajawali Wang is an investment holding company. The shareholders and their respective shareholdings in Rajawali Wang are as follows:

Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Caiwan Capital	1	33.33	-	-
Dynagear Technologies	1	33.33	-	-
Visionary Support	1	33.33	-	-
Wong Choi Ong	-	-	⁽¹⁾ 2	66.67
Pan Kum Wan	-	-	⁽²⁾ 2	66.67

Notes:

- (1) Deemed interested by virtue of his shareholdings in Caiwan Capital and Visionary Support pursuant to Section 8(4) of the Act.
- (2) Deemed interested by virtue of his shareholdings in Dynagear Technologies and Visionary Support pursuant to Section 8(4) of the Act.

Further information on Rajawali Wang including its shareholding after our IPO and the Share Transfer and its profile are set out in Section 5.1.1 and Section 5.1.2 of this Prospectus.

4. DETAILS OF OUR IPO (CONT'D)

4.1.4 Underwriting and allocation of the IPO Shares

A summary of our IPO Shares to be allocated under our IPO is as follows:

	No. of IPO Shares	(1)%
Malaysian Public (via balloting)		
• Bumiputera	8,500,000	2.5
• Non-Bumiputera	8,500,000	2.5
Eligible Persons	6,800,000	2.0
Private placement		
• Selected investors	45,869,500	13.5
• Bumiputera investors approved by the MITI	42,500,000	12.5
Total	112,169,500	33.0

Note:

(1) Based on the enlarged total number of 340,000,000 Shares after our IPO.

The 17,000,000 IPO Shares made available for application by the Malaysian Public and the 6,800,000 IPO Shares reserved for application by the Eligible Persons are fully underwritten.

The private placement of 45,869,500 IPO Shares to selected investors and 42,500,000 IPO Shares to identified Bumiputera investors approved by the MITI are not underwritten. Irrevocable undertakings will be obtained from the investors to subscribe for our IPO Shares made available under the private placement.

Our IPO is subject to the public spread requirements as stipulated under the Listing Requirements. The number of IPO Shares will not increase via any over-allotment or “greenshoe” option.

4.1.5 Clawback and reallocation

- (i) If the IPO Shares allocated to the Malaysian Public are not fully subscribed, the IPO Shares will first be made available for subscription by the Eligible Persons including the eligible Directors who may subscribe for them, and thereafter be offered to the selected investors under the private placement. Thereafter, any remaining IPO Shares will be subscribed by our Underwriter based on the terms of the Underwriting Agreement;
- (ii) If the IPO Shares allocated to the Eligible Persons are not fully subscribed, the IPO Shares will be re-allocated to the other Eligible Persons including the eligible Directors who may subscribe and have applied for excess IPO Shares (“**Excess IPO Shares**”), if any, in addition to their pre-determined allocation. Such Excess IPO Shares will be allocated to these other Eligible Persons on a fair and equitable basis in the following priority:
 - (a) firstly, allocation on a proportionate basis to the Eligible Persons who have applied for Excess IPO Shares based on the number of Excess IPO Shares applied for; and
 - (b) secondly, to minimise odd lots.

4. DETAILS OF OUR IPO (CONT'D)

Our Board reserves the right to allocate to the Eligible Persons including eligible Directors who may have applied for Excess IPO Shares on top of their pre-determined allocation in such manner as it deems fit and expedient in the best interest of our Company. Our Board also reserves the right to accept any Excess IPO Shares application, in full or in part, without assigning any reason.

In the event of undersubscription by the Eligible Persons (after re-allocation of the Excess IPO Shares to the other Eligible Persons), such IPO Shares will first be made available for subscription by the Malaysian Public, and thereafter be offered to the selected investors under the private placement. Thereafter, any remaining IPO Shares will be subscribed by our Underwriter based on the terms of the Underwriting Agreement;

- (iii) If the IPO Shares allocated to identified Bumiputera investors approved by the MITI under the private placement are not fully subscribed, such IPO Shares will first be made available for subscription by the institutional investors under the private placement. Thereafter, any remaining IPO Shares will be made available for subscription by the Bumiputera Malaysian Public and thereafter to the other public investors, via the balloting process. Any remaining IPO shares which are not subscribed by the Malaysian Public, will then be made available to selected investors via private placement; and
- (iv) If the IPO Shares allocated to selected investors under the private placement are not fully subscribed, such IPO Shares will first be made available for subscription by the Malaysian Public followed by the Eligible Persons.

The clawback and reallocation provisions will not apply in the event there is an over-subscription or under-subscription in all of the allocations of our IPO Shares at the closing date of our IPO.

The allocation of our IPO Shares shall be on a fair and equitable manner and shall take into account the desirability of distributing our IPO Shares to a reasonable number of applicants with a view of broadening our Company's shareholding base to meet the public shareholding spread requirements of Bursa Securities and to establish a liquid market for our Shares.

4.1.6 Share capital

	No. of Shares	RM
Issued share capital after the Acquisitions	257,830,500	51,566,101.60
New Shares to be issued under the Public Issue	82,169,500	⁽¹⁾ 23,504,850.00
Enlarged issued share capital upon Listing	340,000,000	75,070,951.60
Existing Shares to be offered under the Offer for Sale	30,000,000	9,000,000
IPO Price per IPO Share		0.30
Market capitalisation upon Listing (based on the IPO Price and enlarged number of issued Shares after our IPO)		102,000,000
Pro forma NA per Share (based on the pro forma combined statement of financial position as at 31 December 2021)		⁽²⁾ 0.24

Notes:

- (1) After deducting the estimated listing expenses of approximately RM1.1 million which is directly attributable to our IPO and set-off against our share capital.
- (2) Computed based on the pro forma NA after our IPO and adjusting for the use of proceeds from our Public Issue and the enlarged total number of 340,000,000 Shares after our IPO.

4. DETAILS OF OUR IPO (CONT'D)

The Offer for Sale would not have any effect on our issued share capital as the Offer Shares are already in existence prior to our IPO.

4.1.7 Classes of shares and ranking

As at the date of this Prospectus, we have only one class of shares in our Company, namely ordinary shares.

The Issue Shares will, upon allotment and issuance, rank equally in all respects with our existing Shares including voting rights, and will be entitled to all dividends, rights and distributions that may be declared, paid or made after the date of allotment of the IPO Shares, subject to any applicable Rules of Bursa Depository.

Subject to any special rights attached to any shares which we may issue in the future, our shareholders shall, in proportion to the number of the Shares held by them, be entitled to share in the profits paid out by us as dividends or other distributions. Similarly, if we are liquidated, our shareholders shall be entitled to the surplus (if any), in accordance with our Constitution, after the satisfaction of any preferential payments in accordance with the Act and our liabilities.

Each shareholder shall be entitled to be present and to vote at our general meeting in person or by proxy or by attorney or by other duly authorised representative. Each shareholder shall be entitled to appoint more than one proxy to attend and vote at our general meeting provided the shareholder specifies the proportion of their shareholdings to be represented by each proxy. At any general meeting convened by us, a resolution put to the vote at the meeting shall be decided by way of a poll. On a poll, every shareholder present in person or by proxy or by attorney or by other duly authorised representative shall have one vote for every Share held or represented.

4.1.8 Minimum subscription level

There is no minimum subscription in terms of the amount of proceeds to be raised from our IPO. However, in order to comply with the public spread requirements of the Listing Requirements, the minimum subscription level will be the number of Shares required to be held by public shareholders.

Pursuant to the Listing Requirements, at least 25% of our enlarged number of issued Shares must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the time of our Admission. Prior to our Admission, we will ensure that this requirement is met through the balloting process and the private placement exercise to ensure that a minimum 200 public shareholders holding not less than 100 Shares each is in place and at least 25% of our enlarged number of issued Shares are held by public shareholders.

If the public spread requirement is not met, we may not be permitted to proceed with the Listing. In such event, monies paid in respect of all applications will be returned in full, without interest or any share of revenue or benefits arising therefrom. If such monies are not returned in full within 14 days after we become liable to do so, the provision of Section 243(2) of the CMA shall apply accordingly.

4. DETAILS OF OUR IPO (CONT'D)

4.2 BASIS OF ARRIVING AT THE IPO PRICE

Our Directors, Promoters, Offerors, Principal Adviser, Sponsor, Underwriter and Placement Agent have determined and agreed to the IPO Price of RM0.30 per IPO Share, based on the following factors:

- (i) our Group's EPS of approximately 2.4 sen based on our PAT of approximately RM8.1 million for the FYE 2021 and our enlarged total number of 340,000,000 Shares after our IPO, which translates into a net price-to-earnings multiple of approximately 12.5 times;
- (ii) our pro forma combined NA per Share of RM0.24 as at 31 December 2021 based on our enlarged total number of 340,000,000 Shares after our IPO and subsequent to the use of proceeds from our Public Issue;
- (iii) our competitive strengths as set out in Section 7.2 of this Prospectus; and
- (iv) our business strategies and plans as set out in Section 7.16 of this Prospectus.

You should note that the market price of our Shares upon Listing is subject to the vagaries of market forces and other uncertainties. You should form your own views on the valuation of our IPO Shares and reasonableness of the bases used before deciding to invest in our IPO Shares. You are also reminded to carefully consider the risk factors as set out in Section 9 of this Prospectus.

4.3 DILUTION

Dilution is the amount by which the IPO Price exceeds our pro forma combined NA per Share after our IPO. Our audited NA per Share as at 31 December 2021 was RM0.23 per Share, based on our existing total number of 257,830,500 Shares prior to our Listing.

After taking into account our enlarged number of issued Shares from the issuance of 82,169,500 Issue Shares and after adjusting for the use of the proceeds from our IPO, our pro forma combined NA per Share as at 31 December 2021 would be RM0.24 per Share. This represents an immediate increase in pro forma combined NA per Share of RM0.01 or 4.0% to our existing shareholders and an immediate dilution in pro forma combined NA per Share of RM0.06 or 20.0% from the IPO Price to our new investors.

The table below illustrates such dilution on a per Share basis:

	RM
IPO Price	0.30
Audited consolidated NA per Share as at 31 December 2021	0.23
Pro forma consolidated NA per Share as at 31 December 2021 after the Public Issue and the use of proceeds	0.24
Increase in pro forma consolidated NA per Share to existing shareholders	0.01
Dilution in pro forma consolidated NA per Share to new investors	0.06
Dilution in pro forma consolidated NA per Share to new investors as a percentage of the IPO Price	20.0%

4. DETAILS OF OUR IPO (CONT'D)

Save as disclosed below, there has been no acquisition of any of our Shares by our Directors, Promoters, Substantial Shareholders or Key Senior Management or persons connected with them, or any transaction entered into by them which grants them the right to acquire any of our Shares since our incorporation:

	No. of Shares before our IPO	No. of IPO Shares	No. of Shares after our IPO	Total consideration (RM)	Average cost per Share (RM)
Promoter and Substantial Shareholder Rajawali Wang	-	-	153,000,000	45,900,000.00	0.30
Promoters, Substantial Shareholders and Directors Wong Choi Ong	106,524,626	-	13,928,000	2,785,600.00	0.20
Pan Kum Wan	90,403,374	-	-	-	-
Substantial Shareholder Lim Siew Kuen	16,121,250	-	16,121,250	3,224,250.00	0.20
Key Senior Management Andy Tan Boon Kiong ⁽²⁾	6,937,710	⁽¹⁾ 800,000	7,737,710	1,627,542.00	0.21
Tia Tuan Sim ⁽³⁾	2,576,884	⁽¹⁾ 1,000,000	3,576,884	815,376.80	0.23
Goh Yu Meng ⁽⁴⁾	5,150,565	⁽¹⁾ 800,000	5,950,565	1,270,113.00	0.21

Notes:

- (1) Assuming all the Pink Form Allocations are fully subscribed. Subject to the clawback and reallocation provisions as set out in Section 4.1.5 of this Prospectus, our Directors and Key Senior Management may subscribe for additional Excess IPO Shares under those allocated for other Eligible Persons as well as the IPO Shares under the Public Issue.
- (2) 800,000 IPO Shares will be reserved for application by Andy Tan Boon Kiong under the Pink Form Allocations. After the Acquisitions, he holds 6,937,710 Shares, representing 2.7% of the total number of 257,830,500 Shares in issue. Assuming he does not subscribe for his Pink Form Allocations, his shareholdings in our Company will be immediately diluted from 2.7% to 2.0% after our IPO.
- (3) 1,000,000 IPO Shares will be reserved for application by Tia Tuan Sim under the Pink Form Allocations. After the Acquisitions, he holds 2,576,884 Shares, representing 1.0% of the total number of 257,830,500 Shares in issue. Assuming he does not subscribe for his Pink Form Allocations, his shareholdings in our Company will be immediately diluted from 1.0% to 0.8% after our IPO.
- (4) 800,000 IPO Shares will be reserved for application by Goh Yu Meng under the Pink Form Allocations. After the Acquisitions, she holds 5,150,565 Shares, representing 2.0% of the total number of 257,830,500 Shares in issue. Assuming she does not subscribe for her Pink Form Allocations, her shareholdings in our Company will be immediately diluted from 2.0% to 1.5% after our IPO.

4. DETAILS OF OUR IPO (CONT'D)

4.4 USE OF PROCEEDS

We expect to use the gross proceeds from the Public Issue amounting to approximately RM24.7 million in the following manner:

Details	RM'000	%	Estimated time frame for use of proceeds from the date of our Listing
Business expansion			Within 24 months
- Establishment of new fabrication facility and office in Indonesia	5,000	20.3	
- Expansion of environmental and energy efficiency business	1,000	4.1	
Working capital	7,851	31.8	Within 12 months
Repayment of bank borrowings	7,000	28.4	Within 12 months
Estimated listing expenses	3,800	15.4	Within 1 month
Total	24,651	100.0	

Further details of the proposed use of the gross proceeds from the Public Issue are as follows:

4.4.1 Business expansion

We have earmarked RM6.0 million of our gross proceeds from the Public Issue for our business expansion, of which RM5.0 million is allocated to set up a new fabrication facility and office in Indonesia and the remaining RM1.0 million is allocated for our expansion of environmental and energy efficiency business.

We have commenced our business in Indonesia since 2007 and are currently serving customers in Indonesia, primarily in the construction of palm oil mills and fabrication of equipment segments. We derived revenue amounting to RM9.0 million (7.9% of total revenue), RM7.8 million (4.6% of total revenue), RM18.7 million (12.2% of total revenue) and RM41.4 million (27.0% of total revenue) from the Indonesian Market for the Financial Years Under Review respectively. In order to enhance our market presence and capture further business opportunities in these business segments, we intend to incorporate a wholly-owned subsidiary in Indonesia and establish a new fabrication facility and office located at Balikpapan in East Kalimantan province, Indonesia to commence business operations by fourth quarter of 2023. The fabrication facility will be used to support projects involving the construction of palm oil mills and facilities, and fabrication of equipment that we may secure in Kalimantan and other parts of Indonesia in the future.

Based on the Indonesian Law no. 5 of 1960 on Principles Agrarian Rules, Law no. 25 of 2007 on Investment, Law no. 11 of 2020 on Job Creation (Omnibus Law) and Government Regulation No. 18 of 2021 on Right to Manage, Land Rights, Strata Title and Land Registration, only Indonesian citizens may have freehold of "Hak Milik" on the land in Indonesia. Foreign companies, such as the wholly-owned subsidiary that we plan to incorporate in Indonesia, are allowed to hold land use rights. Consequently, we intend to acquire land use rights of a piece of land of approximately 1 acre to construct a new fabrication facility and office. As at the LPD, our Group is still in the midst of identifying a suitable piece of land. In the event the allocated proceeds are insufficient for the acquisition of land use rights and construction of new fabrication facility and office, any shortfall will be funded via internally generated funds and/or bank borrowings.

4. DETAILS OF OUR IPO (CONT'D)

The total estimated cost of business expansion in Indonesia is as follows:

Details	RM'000
Acquisition of land use rights	2,500
Construction of fabrication facility and office ⁽¹⁾	2,000
Fabrication facility equipment ⁽²⁾	500
Total	5,000

Notes:

- (1) Includes permits and licenses fees and purchases of office furniture and fittings.
 (2) This includes purchases of equipment such as forklifts, cranes and welding tool.

Pursuant to the Foreign Exchange Notices issued by Bank Negara Malaysia ("**BNM**"), a resident entity will only be required to seek prior approval from BNM to invest in foreign currency assets if the investment of its group companies exceeds RM50 million annual aggregate limit. In view that aggregate of the existing foreign investment of the Group and the fund allocated by the Company to set up a new fabrication facility and office in Indonesia (RM5.0 million) is less than RM50 million, no approval from BNM would be required for purposes of such investment. In the event the annual aggregate of the foreign investment of the Group exceeds RM50 million, we will apply for BNM's approval.

In addition to the above, we are currently involved in supplying environmental related equipment for use in palm oil and other industries, including heat recovery equipment and non-chemical water treatment equipment. As part of our expansion plan, we plan to purchase and install 12 units of non-chemical water treatment equipment to develop and grow this business through providing the equipment to customers under the leasing of equipment model with a total estimated cost of RM1.0 million.

In March 2022, we appointed Oasis Chemical Sdn Bhd as an authorised distributor for our non-chemical water treatment equipment in Sarawak. Subsequent to 20 April 2021 (being the date where our Group started to lease the non-chemical water treatment equipment to our first customer) and up to the LPD, we have not secured any new customer for the provision of non-chemical water treatment equipment under the leasing of equipment model, and we have not purchased any new non-chemical water treatment equipment that is to be offered to customers on the leasing of equipment model. We intend to further expand this business in the fourth quarter of 2022.

Any excess amount required for business expansion will be funded by internally generated funds and/or bank borrowings. Our business expansion into other locations and environmental and energy efficiency business are expected to generate business opportunities for us, which will in turn contribute positively to our revenue and earnings.

Please refer to Section 7.16.2 and Section 7.16.3 of this Prospectus for further details on our business strategies and indicative timeline in relation to the business expansion plans.

4.4.2 Working capital

We have earmarked RM7.9 million of our gross proceeds from the Public Issue for our working capital requirements. The proposed allocations of the proceeds are set out below:

Details	RM'000
Payment to subcontractors for work performed	4,000
Purchase of construction materials	3,000
Other operating expenses ⁽¹⁾	851
Total	7,851

Note:

- (1) This includes, among others, staff costs, factory overhead and travelling expenses.

4. DETAILS OF OUR IPO (CONT'D)

Construction material costs and service costs are our largest cost of sales items (collectively contributing between 91.6% to 94.3% in the FYE 2018 to FYE 2021). As such, we have allocated approximately 28.4% of the proceeds earmarked for working capital requirements to pay our subcontractor and suppliers. The allocation of proceeds for our working capital requirements will reduce our dependency on external financing.

4.4.3 Repayment of bank borrowings

We have earmarked RM7.0 million of our gross proceeds from the Public Issue to partially repay our bank borrowings as follows:

Banking facility	Purpose	Interest rate	Outstanding amount as at the LPD (RM'000)	Proposed repayment (RM'000)
Malayan Banking Berhad - Bank overdrafts	Working capital	Base lending rate + 1.50%	5,696	4,000
Bank Kerjasama Rakyat Malaysia Berhad - Bank overdrafts	Working capital	Base lending rate + 1.00%	2,987	2,000
Bank Muamalat Malaysia Berhad - Bank overdrafts	Working capital	Base lending rate + 1.50%	1,482	1,000
Total				7,000

Based on the above, the expected annual interest savings is approximately RM0.5 million based on the prevailing interest rates ranging between 6.8% per annum and 7.3% per annum for the banking facilities from the above financial institutions.

4.4.4 Estimated listing expenses

RM3.8 million of the gross proceeds from the Public Issue is intended to be used for our listing expenses as follows:

Details	RM'000
Professional fees ⁽¹⁾	3,000
Underwriting commission, placement fees and brokerage fees	421
Printing and advertising	100
Miscellaneous expenses and contingencies ⁽²⁾	279
Total	3,800

Notes:

- (1) Includes advisory fees for, amongst others, our Principal Adviser, Solicitors, Auditors and Reporting Accountants, Independent Business and Market Research Consultants, Share Registrar, Company Secretaries and internal control review consultants.
- (2) This includes any other incidental charges or related expenses in connection with our IPO, such as fees to be paid to relevant authorities, applicable service tax and IPO event expenses.

If the actual listing expenses are higher than anticipated, the deficit will be funded from proceeds allocated for working capital and vice versa.

Pending the eventual use of the gross proceeds from the Public Issue for the above intended purposes, the funds will be placed in short-term deposits with licensed financial institutions or short-term money market instruments.

4. DETAILS OF OUR IPO (CONT'D)

We will not receive any proceeds from the Offer for Sale. The Offer for Sale will raise gross proceeds of RM9.0 million which will accrue entirely to our Offerors. Our Offerors will be bearing the fees in Section 4.5 including the placement fee in respect of our IPO proportionate to the number of IPO Shares from the Offer for Sale.

4.5 BROKERAGE FEE, UNDERWRITING COMMISSION AND PLACEMENT FEE

All fees relating to the IPO Shares from Public Issue and Offer for Sale shall be borne proportionately between our Company and the Offerors based on the number of IPO Shares from Public Issue and Offer for Sale.

4.5.1 Brokerage fee

We and our Offerors will pay brokerage fees to be incurred for the issue of 17,000,000 IPO Shares made available for application by the Malaysian Public at a rate of 1.0% on the IPO Price in respect of all successful applications which bear the stamp of either HLIB, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or the Issuing House.

4.5.2 Underwriting commission

HLIB, as our Underwriter, has agreed to underwrite up to 23,800,000 IPO Shares made available for application by the Malaysian Public and the Eligible Persons. As stipulated in the Underwriting Agreement, we and the Offerors will pay our Underwriter an underwriting commission of 1.5% of the total value of the underwritten IPO Shares at the IPO Price.

4.5.3 Placement fee

HLIB, as our Placement Agent, has agreed to place out 88,369,500 IPO Shares to selected investors and/or identified Bumiputera investors approved by the MITI. We and our Offerors will pay our Placement Agent a placement fee of 1.5% of the value of the IPO Shares at the IPO Price placed out by our Placement Agent.

The placement fee for the Issue Shares and Offer Shares placed out at the IPO Price will be proportionately borne by us and our Offerors, respectively.

4.6 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We have entered into the Underwriting Agreement with the Offerors and the Underwriter to underwrite 23,800,000 IPO Shares, subject to the clawback and reallocation provisions as set out in Section 4.1.5 of this Prospectus and upon the terms and subject to the conditions of the Underwriting Agreement.

Details of the underwriting commission are set out in Section 4.5.2 of this Prospectus, while the salient terms of the Underwriting Agreement are as follows:

- (i) the obligations of the Underwriter under the Underwriting Agreement are conditional on certain conditions precedent which shall be fulfilled or waived on or before the closing date of the offering to be made to the Malaysian Public and the Eligible Persons, or any such date as may be extended from time to time by our Company together with the mutual agreement of the Underwriter in writing, subject to the prior written approval of the relevant authorities, if required;

4. DETAILS OF OUR IPO (CONT'D)

- (ii) the Underwriter may by notice to our Company and the Offerors given at any time before the date of Listing, terminate, cancel and withdraw the underwriting commitment if in the opinion of the Underwriter:
- (a) there is any breach by our Company and/or the Offeror(s) (as the case may be) of any of the representations, warranties, undertakings or any other provisions set out in the Underwriting Agreement or which is contained in any certificate under or in connection with the Underwriting Agreement in any respect; and where such misrepresentation or breach is capable of remedy, the same not being remedied within 5 Market Days or on such other day which the parties may mutually agree in writing, but in any event no later than the closing date from the provision of a written notice to our Company and the Offerors, as the case may be, by the Underwriter;
 - (b) without prejudice to **Clause (a)** above, there is failure on the part of our Company and/or the Offeror(s) (as the case may be) to perform any of our / their respective obligations contained in the Underwriting Agreement;
 - (c) our Company and/or the Offeror(s) withhold any information from the Underwriter, which, in the opinion of the Underwriter, is likely to give rise to any event, change or development involving an adverse effect, or that will or is likely to prejudice or have an adverse effect, whether individually or in the aggregate and whether or not arising in the ordinary course of business:
 - (i) on the condition (financial or otherwise), earnings, general affairs, management, shareholders' equity, business, assets, liquidity, liabilities, prospects, properties or results of operations of our Company or our Group;
 - (ii) on the ability of our Company or our Group or the Offeror(s) to perform in any respect our / their obligations under or with respect to, or to consummate the transactions contemplated by, this Prospectus, the Application Form, the Placement Agreement or the Underwriting Agreement; or
 - (iii) on the IPO,

(**"Material Adverse Event"**);
 - (d) any statement contained in this Prospectus and/or the Application Form has become or been discovered to be untrue, inaccurate or misleading in any respect;
 - (e) matters have arisen or have been discovered which would, if this Prospectus and/or the Application Form were to be issued at that time, constitute a material omission therefrom;

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4. DETAILS OF OUR IPO (CONT'D)

- (f) there shall have occurred, happened or come into effect any event or series of events beyond the control of the Underwriter by reason of Force Majeure which would have or can reasonably be expected to have, a material adverse effect on the business, operations, financial condition or prospects of our Group or the success of the IPO or which is reasonably likely to have the effect of making any material obligation under the Underwriting Agreement incapable of performance in accordance with its terms or our Company shall sustain any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labour disturbance or dispute or any action, order or decree of any court or arbitrator or governmental or regulatory authority, in each case, that has caused or could reasonably be expected to give rise to a Material Adverse Event. **"Force Majeure"** means causes which are unpredictable and beyond the reasonable control of the party claiming force majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation including but not limited to:
- (i) war, acts of warfare, sabotages, hostilities, invasion, incursion by armed force, act of hostile army, nation or enemy, civil war or commotion, hijacking, terrorism;
 - (ii) riot, uprising against constituted authority, civil commotion, disorder, rebellion, organized armed resistance to the government, insurrection, revolt, military or usurped power; or
 - (iii) natural catastrophe including but not limited to earthquakes, floods, fire, storm, lightning, tempest, explosions, accident, epidemics, pandemics, escalation of the current pandemic (such diseases or epidemics to include but not be limited to avian flu and COVID-19) or other acts of God;
- (g) any government requisition, mandatory control orders or restrictions in movement or other occurrence of any nature whatsoever which results in or is likely to give rise to, a Material Adverse Event;
- (h) any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), economic conditions or exchange control or currency exchange rates which in the opinion of the Underwriter is likely to give rise to a Material Adverse Event (whether in the primary market or in respect of dealings in the secondary market). For the avoidance of doubt, if the FTSE Bursa Malaysia KLCI ("**Index**") is, at the close of normal trading on Bursa Securities, on any Market Day:
- (i) on or after the date of the Underwriting Agreement; and
 - (ii) prior to the date of Listing,
- lower than 90% of the level of Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least 3 consecutive Market Days, it shall be deemed a material adverse change in the stock market condition;
- (i) trading of all securities on Bursa Securities has been suspended or other material form of general restriction in trading for 3 consecutive Market Days or more;
 - (j) any new law or regulation or change in law, regulation, directive, policy or ruling in any applicable jurisdiction which causes or is likely to give rise to, a Material Adverse Event;

4. DETAILS OF OUR IPO (CONT'D)

- (k) any part of the IPO is stopped or delayed by our Company or any regulatory authorities for any reason whatsoever (unless such stoppage or delay has been approved in writing by the Underwriter);
- (l) any commencement of legal proceedings, formal investigations, enquiries or action against the Company, any member of our Group or the Offerors, or any of our directors or associate of our Company, any member of our Group and/or the Offerors, which causes, or is likely to give rise to, a Material Adverse Event or make it impracticable to market the IPO or to enforce contracts to allot and /or transfer the IPO Shares;
- (m) the Listing does not take place on or before 18 July 2022 or such other extended date as may be agreed by the Underwriter in writing;
- (n) the Placement Agreement shall have been terminated or rescinded in accordance with the terms thereof or any of the conditions precedent set forth in the Placement Agreement not having been satisfied in full or to the extent not satisfied as such, waived by the Placement Agent therein in accordance with its terms;
- (o) approval for the IPO is withdrawn, modified or is varied or supplemented subject to terms and conditions not acceptable to the Underwriter; or
- (p) the closing date does not take place on or before 1 July 2022 or any later date as our Company, the Offerors and the Underwriter may mutually agree upon in writing.

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5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT

5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Promoters' and Substantial Shareholders' shareholdings

The shareholdings of our Promoters and/or Substantial Shareholders in our Company after the Acquisitions and after our IPO are as follows:

Name and nationality/ country of incorporation	Before our IPO / After the Acquisitions				After the Public Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
Rajawali Wang ⁽³⁾ / Malaysia	-	-	-	-	-	-	-	-
Caiwan Capital/ Malaysia	-	-	-	-	-	-	-	-
Dynagear Technologies/ Malaysia	-	-	-	-	-	-	-	-
Visionary Support/ Malaysia	-	-	-	-	-	-	-	-
Wong Choi Ong/ Malaysian	106,524,626	41.3	-	-	106,524,626	31.3	-	-
Pan Kum Wan/ Malaysian	90,403,374	35.1	⁽⁴⁾ 10,069,727	3.9	90,403,374	26.6	⁽⁴⁾ 10,069,727	3.0
Lim Siew Kuen ⁽⁵⁾ / Malaysian	16,121,250	6.3	-	-	16,121,250	4.7	-	-

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5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Name and nationality/ country of incorporation	After the Offer for Sale				After our IPO and Share Transfer			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(2)%	No. of Shares	(2)%	No. of Shares	(2)%	No. of Shares	(2)%
Rajawali Wang ⁽³⁾ / Malaysia	-	-	-	-	153,000,000	45.0	-	-
Caiwan Capital/ Malaysia	-	-	-	-	-	-	⁽⁶⁾ 153,000,000	45.0
Dynagear Technologies/ Malaysia	-	-	-	-	-	-	⁽⁶⁾ 153,000,000	45.0
Visionary Support/ Malaysia	-	-	-	-	-	-	⁽⁶⁾ 153,000,000	45.0
Wong Choi Ong/ Malaysian	90,524,626	26.6	-	-	13,928,000	4.1	⁽⁷⁾ 153,000,000	45.0
Pan Kum Wan/ Malaysian	76,403,374	22.5	⁽⁴⁾ 10,069,727	3.0	-	-	⁽⁸⁾ 163,069,727	48.0
Lim Siew Kuen ⁽⁵⁾ / Malaysian	16,121,250	4.7	-	-	16,121,250	4.7	-	-

Notes:

- (1) Based on our total number of 257,830,500 Shares after the Acquisitions.
- (2) Based on our enlarged total number of 340,000,000 Shares after our IPO.
- (3) Rajawali Wang is an investment holding company whose shares are held by Caiwan Capital (33%), Dynagear Technologies (33%) and Visionary Support (33%).
- (4) Deemed interested by virtue of his spouse's shareholding in our Company.
- (5) Lim Siew Kuen became a substantial shareholder of our Company after the Acquisitions. He will cease to be a substantial shareholder after our IPO.
- (6) Deemed interested by virtue of its shareholding in Rajawali Wang pursuant to Section 8(4) of the Act.
- (7) Deemed interested by virtue of his shareholdings in Caiwan Capital and Visionary Support pursuant to Section 8(4) of the Act.
- (8) Deemed interested by virtue of his shareholdings in Dynagear Technologies and Visionary Support pursuant to Section 8(4) of the Act as well as his spouse's shareholding in our Company.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Save for our above Promoters and Substantial Shareholders, there are no other persons who are able to, directly or indirectly, jointly or severally, exercise control over our Company. As at the LPD, our Promoters and Substantial Shareholders have the same voting rights as our other shareholders and there is no arrangement between Ecoscience and its shareholders with any third parties, the operation of which may, at a subsequent date, result in the change in control of Ecoscience.

5.1.2 Profiles of Promoters and/or Substantial Shareholders

The profiles of our Promoters and/or Substantial Shareholders are as follows:

Wong Choi Ong

Promoter, Substantial Shareholder and Non-Independent Executive Director / Managing Director

Wong Choi Ong, a Malaysian aged 58, is our Non-Independent Executive Director / Managing Director. He is one of the founders of our Group. He was appointed to our Board on 21 August 2020.

Mr Wong attended Sekolah Menengah Batu Anam in Segamat, Johor from 1978 to 1981. He brings with him approximately 38 years of working experience, of which approximately 28 years were in construction of palm oil mills and facilities.

He started his career with Ladang Dunlop Estate rubber plantation, where he was a general worker between 1983 and 1984. He subsequently established Wee Lip Welding Works in 1985 in partnership with his friend. Wee Lip Welding Works was involved in the manufacturing of welded metal doors and windows, and he left the partnership in 1990. Subsequently, he joined Pembina Progressive Jaya which was involved in the fabrication of storage tanks and palm oil refinery plant fabrication and erection, in 1991 as a partner and he left the partnership in 1993.

In 1994, he worked as an in-house contractor for Mascot Engineering & Construction Sdn Bhd where he was involved in the fabrication and installation of palm oil equipment until 2002. In early 2003, he started to carry out sub-contract work for the fabrication and installation of palm oil equipment for MSHK Engineering Sdn Bhd and at the same time he incorporated Lajumax Sdn Bhd in May 2003 where he is one of the co-founders to carry out business as a fabrication and installation sub-contractor. Lajumax Sdn Bhd was subsequently dissolved in November 2008 as Mr Wong wanted to focus on growing the business of EMESB.

In November 2003, he established EMESB together with Tia Tuan Sim, our Operational and Technical Director. Over the years, he has been instrumental in the growth and development of our Group. He has contributed significantly in penetrating foreign markets including the expansion into Indonesia, Gabon and Liberia. He is responsible for driving the future direction of our Group, development of business strategies and business opportunities, marketing as well as building and maintaining business relationships with our customers. He assumed his current position as our Managing Director on 20 August 2021.

Pan Kum Wan

Promoter, Substantial Shareholder and Non-Independent Executive Director

Pan Kum Wan, a Malaysian aged 71, is our Non-Independent Executive Director and General Manager. He was appointed to our Board on 2 August 2021.

Mr Pan obtained a Bachelor of Science in Chemical Engineering from the Loughborough University of Technology, United Kingdom in 1976. He brings with him approximately 45 years of working experience, of which approximately 24 years were in palm oil refinery operation and 21 years in the construction of palm oil mills and facilities.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

He started his career in 1977 when he joined Tampoi Oil Products Sdn Bhd, a company involved in palm oil refinery as Production Engineer. In 1979, he left and joined Sawit Oil Industries Sdn Bhd, a company in palm oil refinery as a site engineer. He was then promoted to the post of Factory Manager in 1982, a position he held until he left the company in 1984. In 1985, he joined Felda Refinery Corporation, a palm oil refinery and food manufacturing company, as Factory Manager. In 1994, he left Malaysia to work in the People's Republic of China where he joined Beijing King Voray Edible Oil Co. Ltd, an edible oil refining company as General Manager.

Subsequently, he left in 1997 to join Yantai Thian Sheng Edible Oil Co Ltd, a vegetable oil refinery company as General Manager. He subsequently returned to work in Malaysia in 2001 to take up the position of Project Manager for Sahamas Sdn Bhd, a company involved in the fabrication and installation of palm oil milling equipment. In 2004, he left the company to work in Singapore where he joined Novo Environment Technology Services Pte Ltd, a provider of environmental engineering products as Senior Manager responsible for product development in water filtration systems and heat economiser systems. He left Novo Environment Technology Services Pte Ltd in 2005.

In 2006, he joined EMESB as General Manager and since then, he has been contributing significantly to the growth and development of our Group including the expansion of our business operations to serve foreign markets. He is responsible for the management and implementation of projects to ensure timely delivery to customers. He is also involved in implementation of business strategies and business development.

Rajawali Wang

Promoter and Substantial Shareholder

Rajawali Wang was incorporated in Malaysia under the Act on 13 July 2021 as a private limited liability company under its present name. As at the LPD, the issued share capital of Rajawali Wang is RM3 comprising 3 ordinary shares. The principal activity of Rajawali Wang is investment holding, holding shares solely in our Company.

As at the LPD, the directors of Rajawali Wang are Wong Choi Ong and Pan Kum Wan. The shareholders and their respective shareholdings in Rajawali Wang are as follows:

Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Caiwan Capital	1	33.33	-	-
Dynagear Technologies	1	33.33	-	-
Visionary Support	1	33.33	-	-
Wong Choi Ong	-	-	⁽¹⁾ 2	66.67
Pan Kum Wan	-	-	⁽²⁾ 2	66.67

Notes:

- (1) Deemed interested by virtue of his shareholdings in Caiwan Capital and Visionary Support pursuant to Section 8(4) of the Act.
- (2) Deemed interested by virtue of his shareholdings in Dynagear Technologies and Visionary Support pursuant to Section 8(4) of the Act.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Caiwan Capital

Promoter and Substantial Shareholder

Caiwan Capital was incorporated in Malaysia under the Act on 5 July 2021 as a private limited liability company. It is an investment holding company holding shares solely in our Company. As at the LPD, the issued share capital of Caiwan Capital is RM100 comprising 100 ordinary shares and Wong Choi Ong is the sole director and shareholder.

Dynagear Technologies

Promoter and Substantial Shareholder

Dynagear Technologies was incorporated in Malaysia under the Act on 5 July 2021 as a private limited liability company. It is an investment holding company holding shares solely in our Company. As at the LPD, the issued share capital of Dynagear Technologies is RM100 comprising 100 ordinary shares and Pan Kum Wan is the sole director and shareholder.

Visionary Support

Promoter and Substantial Shareholder

Visionary Support was incorporated in Malaysia under the Act on 2 July 2021 as a private limited liability company. It is an investment holding company holding shares solely in our Company. As at the LPD, the issued share capital of Visionary Support is RM100 comprising 100 ordinary shares. The directors and shareholders of Visionary Support as at the LPD are Wong Choi Ong and Pan Kum Wan in which they each hold 50% equity interest respectively.

Lim Siew Kuen

Substantial Shareholder

Lim Siew Kuen, a Malaysian aged 59, is our Substantial Shareholder. He obtained his Bachelor's Degree in Mechanical Engineering from the National University of Singapore in 1987.

He started his career in 1987 as an Engineer with PH Hydraulics & Engineering Pte Ltd, Singapore, a fabricator of hydraulic material handling machinery for marine applications. He left Singapore to work in Indonesia in 1990 when he joined PT Menara Elok, a company involved in fabrication of machinery, as a Sales Manager. Subsequently, he left the company in 1992 to join PT Mekasindo Dharma International, a company providing industrial equipment and supplies, as the General Manager. In 1996, he joined PT Dutaflo Hidrolik, a distributor of hydraulic products and components, as the Managing Director where he was responsible for managing the company's operations. He left the company in 2005. In 2006, he joined PT Palmas Project Engineering, a company involved in the construction of palm oil mills and refineries, as a Technical Manager. He was promoted to Project Manager in 2012 and was subsequently to Director in 2017, where he is responsible for managing the company's business operations and its sales and marketing functions. Please refer to Section 11.1 of this Prospectus for further details of his involvement in PT Palmas Project Engineering.

Lim Siew Kuen became a substantial shareholder of EMESB on 11 January 2006. He is currently a director and shareholder of Power Plas Services Sdn Bhd, a company principally involved in trading of pumps.

Lim Siew Kuen will cease to be our substantial shareholder after our IPO.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.1.3 Changes in our Promoters' and Substantial Shareholders' shareholdings

The changes in our Promoters' and Substantial Shareholders' shareholdings since our incorporation are as follows:

Name	As at 21 August 2020 (date of incorporation)			After the Acquisitions			After the Public Issue		
	Direct		Indirect	Direct		Indirect	Direct		Indirect
	No. of Shares	%	No. of Shares	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
Rajawali Wang	-	-	-	-	-	-	-	-	-
Caiwan Capital	-	-	-	-	-	-	-	-	-
Dynagear Technologies	-	-	-	-	-	-	-	-	-
Visionary Support	-	-	-	-	-	-	-	-	-
Wong Choi Ong	1	50.0	-	106,524,626	41.3	-	-	106,524,626	31.3
Pan Kum Wan	-	-	-	90,403,374	35.1	(4)10,069,727	3.9	90,403,374	26.6
Lim Siew Kuen	-	-	-	16,121,250	6.3	-	-	16,121,250	4.7
Khor Bee Leng ⁽³⁾	1	50.0	-	-	-	-	-	-	-

Name	After the Offer for Sale			After the Share Transfer		
	Direct		Indirect	Direct		Indirect
	No. of Shares	(2)%	No. of Shares	No. of Shares	(2)%	No. of Shares
Rajawali Wang	-	-	-	153,000,000	45.0	-
Caiwan Capital	-	-	-	-	-	(5)153,000,000
Dynagear Technologies	-	-	-	-	-	(5)153,000,000
Visionary Support	-	-	-	-	-	(5)153,000,000
Wong Choi Ong	90,524,626	26.6	-	13,928,000	4.1	(6)153,000,000
Pan Kum Wan	76,403,374	22.5	(4)10,069,727	-	-	(7)163,069,727
Lim Siew Kuen	16,121,250	4.7	-	16,121,250	4.7	-
Khor Bee Leng ⁽³⁾	-	-	-	-	-	-

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Notes:

- (1) Based on our total number of 257,830,500 Shares after the Acquisitions.
- (2) Based on our enlarged total number of 340,000,000 Shares after our IPO.
- (3) Khor Bee Leng is one of the subscribers as at the incorporation of our Company. After the Acquisitions, she transferred her subscriber share to Wong Choi Ong on 25 August 2021.
- (4) Deemed interested by virtue of his spouse's shareholding in our Company.
- (5) Deemed interested by virtue of its shareholding in our Company pursuant to Section 8(4) of the Act.
- (6) Deemed interested by virtue of his shareholdings in Caiwan Capital and Visionary Support pursuant to Section 8(4) of the Act.
- (7) Deemed interested by virtue of his shareholdings in Dynagear Technologies and Visionary Support pursuant to Section 8(4) of the Act as well as his spouse's shareholding in our Company.

5.1.4 Remuneration and benefits of our Promoters and Substantial Shareholders

Save for the issuance of our Shares as consideration for the Acquisitions, the dividends paid by AEPL and EMESB, and the aggregate remuneration and benefits paid and proposed to be paid for services rendered to our Group in all capacities to our Group, there are no other amounts or benefits that have been paid or intended to be paid to our Promoters and Substantial Shareholders within the 2 years preceding the date of this Prospectus.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2 DIRECTORS

5.2.1 Directors' shareholdings

The shareholdings of our Directors after the Acquisitions and after our IPO, assuming full subscription of the IPO Shares reserved for our Directors under the Pink Form Allocations, are as follows:

Name/(Designation)	Nationality	After the Acquisitions				After our IPO and the Share Transfer			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
Dato' Tan Yee Boon (Independent Non-Executive Chairman)	Malaysian	-	-	-	-	200,000	0.1	-	-
Wong Choi Ong (Non-Independent Executive Director / Managing Director)	Malaysian	106,524,626	41.3	-	-	13,928,000	4.1	(4)153,000,000	45.0
Pan Kum Wan (Non-Independent Executive Director)	Malaysian	90,403,374	35.1	(3)10,069,727	3.9	-	-	(5)163,069,727	48.0
Law Sang Thiam (Independent Non-Executive Director)	Malaysian	-	-	-	-	200,000	0.1	-	-
Ang Chye Kian (Independent Non-Executive Director)	Malaysian	-	-	-	-	200,000	0.1	-	-
Andrea Huang Jia Mei (Independent Non-Executive Director)	Malaysian	-	-	-	-	200,000	0.1	-	-

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Notes:

- (1) Based on our total number of 257,830,500 Shares after the Acquisitions.
- (2) Based on our enlarged total number of 340,000,000 Shares after our IPO, assuming that all Pink Form Allocations are fully subscribed. Subject to the clawback and reallocation provisions as set out in Section 4.1.5 of this Prospectus, our eligible Directors and Key Senior Management may subscribe for additional Excess IPO Shares under those allocated for other Eligible Persons as well as the IPO Shares under the Public Issue.
- (3) Deemed interested by virtue of his spouse's shareholding in our Company.
- (4) Deemed interested by virtue of his shareholdings in Caiwan Capital and Visionary Support pursuant to Section 8(4) of the Act.
- (5) Deemed interested by virtue of his shareholdings in Dynagear Technologies and Visionary Support pursuant to Section 8(4) of the Act as well as his spouse's shareholding in our Company.

5.2.2 Profiles of our Directors

The profiles of our Directors are as follows:

Dato' Tan Yee Boon

Independent Non-Executive Chairman

Dato' Tan Yee Boon, a Malaysian aged 47, is our Independent Non-Executive Chairman. He was appointed to our Board on 2 August 2021.

He obtained his Bachelor of Laws from the University of Glamorgan (now known as the University of South Wales), United Kingdom, in 1997. He subsequently obtained the Certificate of Legal Practice from the Legal Profession Qualifying Board of Malaysia in 1998.

In 1998, he began his career with Cheang & Ariff as a Chambering Student and was admitted as an advocate and solicitor of the High Court in 1999. In the same year, he joined Ranjit Ooi & Robert Low as a Legal Assistant. He subsequently joined Khaw & Partners as a Legal Assistant in 2000, and was made a Partner of the firm in 2011. In 2013, he left the firm and started his own legal practice, David Lai & Tan, where he is currently the Partner of the firm.

As at the LPD, he sits on the board of directors of public listed and private companies in Malaysia and Hong Kong as disclosed in Section 5.2.4 of this Prospectus, including EV Dynamics (Holdings) Limited (formerly known as China Dynamics (Holdings) Limited) (since 2016) and TIL Enviro Limited (since 2018), which are all listed on the Main Board of the Stock Exchange of Hong Kong. He is also an Independent Non-Executive Director of Protasco Berhad (since 2013), and the Acting Chairman and an Independent Non-Executive Director of Propel Global Berhad (since 2022, which has taken over the listing status of Daya Materials Berhad on 28 April 2022 in which Dato' Tan remains a director), which are all listed on the Main Market of Bursa Securities, and an Independent Non-Executive Director of Binasat Communications Berhad (since 2017), which is listed on the ACE Market of Bursa Securities.

Wong Choi Ong

Non-Independent Executive Director / Managing Director

Please refer to Section 5.1.2 of this Prospectus for his profile.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Pan Kum Wan

Non-Independent Executive Director

Please refer to Section 5.1.2 of this Prospectus for his profile.

Law Sang Thiam

Independent Non-Executive Director

Law Sang Thiam, a Malaysian aged 46, is our Independent Non-Executive Director. He was appointed to our Board on 2 August 2021. He is also the Chairman of our Audit and Risk Management Committee and a member of our Remuneration and Nomination Committees.

Mr Law obtained his Bachelor of Accounting from the University of Malaya in 2000. He has been a member of the Malaysian Institute of Accountants since 2003 and Malaysian Institute of Certified Public Accountants since 2004.

He began his career with Arthur Andersen & Co in 2000 as an Audit Assistant before leaving the firm in 2002 to join Ernst & Young (now known as Ernst & Young PLT) as Audit Associate. During his tenure with the said accounting firms, he was involved in audit assignments of companies in various industries, as well as other engagements involving corporate exercises.

In 2016, Mr Law left Ernst & Young as an Audit Director to establish his own accounting firm, Ivan Law & Co. In 2017, he established Taxavenue Advisory PLT, a firm in Malaysia providing tax advisory services. He is currently the Managing Partner of both Ivan Law & Co and Taxavenue Advisory PLT.

As at the LPD, Mr Law is an Independent Non-Executive Director of MCE Holdings Berhad, a company listed on the Main Market of Bursa Securities and Spring Art Holdings Berhad, a company listed on the ACE Market of Bursa Securities.

Ang Chye Kian

Independent Non-Executive Director

Ang Chye Kian, a Malaysian aged 60, is our Independent Non-Executive Director. She was appointed to our Board on 2 August 2021. She is also the chairman of our Remuneration Committee and a member of our Nomination and Audit and Risk Management Committees.

She obtained her Diploma of Managerial Principles from Stamford College Singapore in 1981. In 1991, she was admitted as an associate of the Malaysian Institute of Management.

Ms Ang began her career with the Malaysia Shipyard and Engineering Sdn Bhd, a shipbuilder and fabricator, as an Audit Assistant in 1982. She left the company in 1985 and joined MUI Finance Berhad, a financial services company, as an Account Assistant until 1989. In 1990, she joined AmBank (M) Berhad as a credit control officer responsible for administration, collection and litigation. She was subsequently promoted to Documentation and Disbursement Officer, a position she held from 1994 to 1996 before being promoted to Senior Marketing and Processing Officer from 1997 to 2000. Subsequently, she took up the position of Senior Credit Executive of rehabilitation and restructuring division within AmBank (M) Berhad from 2001 to 2005 before being promoted to Manager, and was responsible for loans approval in Retail Financing from 2006 to 2011. She was the Head, Manager in Lending Operations from 2012 to 2014 and subsequently held the post of Head, Manager for Credit Process and Evaluation from 2015 until her retirement from AmBank (M) Berhad in 2017.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Andrea Huang Jia Mei

Independent Non-Executive Director

Andrea Huang Jia Mei, a Malaysian aged 40, is our Independent Non-Executive Director. She was appointed to our Board on 2 August 2021. She is also the Chairman of our Nomination Committee and a member of our Remuneration and Audit and Risk Management Committees.

Andrea obtained her Diploma in Commerce (Financial Accounting) and Advanced Diploma in Commerce (Financial Accounting) from Tunku Abdul Rahman College, Malaysia in 2003 and in 2005 respectively. She has been a Member of the Association of Chartered Certified Accountants since 2011, and a Chartered Accountant with the Malaysian Institute of Accountants since 2018.

Andrea started her career as an Audit Assistant with Sha, Tan & Co in 2005, and was promoted to Audit Semi-Senior in 2007. She was subsequently promoted and held the post of Audit Senior between 2008 and 2011, where she was responsible for managing audits of companies, including public listed companies. Between July 2011 to September 2014, she was on a career break. In September 2014, she was appointed as a director of T & S Secretarial Services Sdn Bhd and held this directorship until March 2021. T & S Secretarial Services Sdn Bhd is involved in the provision of secretarial and management services. She is currently a Director of T&S Boardroom Sdn Bhd, a company which provides secretarial support services. She is also a director of several private limited companies providing secretarial, tax, accounting and consultancy services, as disclosed in Section 5.2.4 of this Prospectus. As at the LPD, Andrea is an Independent Non-Executive Director of Siab Holdings Berhad, a company involved in the provision of building construction services and other complementary services such as information and communications technology solutions and services. She is also the Independent Non-Executive Director of Unique Fire Holdings Berhad and Yew Lee Pacific Group Berhad.

5.2.3 Remuneration and material benefits-in-kind of our Directors

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for the FYE 2021 and FYE 2022 are as follows:

FYE 2021

Director	Salaries (RM'000)	Fees (RM'000)	Benefits- in-kind (RM'000)	⁽¹⁾ Other emoluments (RM'000)	Total (RM'000)
Wong Choi Ong	2,198	262	28	174	2,662
Pan Kum Wan	1,400	262	17	92	1,771

Proposed for FYE 2022

Director	Salaries (RM'000)	Fees (RM'000)	Benefits- in-kind (RM'000)	⁽¹⁾ Other emoluments (RM'000)	Total (RM'000)
Dato' Tan Yee Boon	-	⁽²⁾ 35	-	3	38
Wong Choi Ong	2,337	328	28	185	2,878
Pan Kum Wan	1,466	328	17	97	1,908
Law Sang Thiam	-	⁽²⁾ 21	-	3	24
Ang Chye Kian	-	⁽²⁾ 21	-	3	24
Andrea Huang Jia Mei	-	⁽²⁾ 21	-	3	24

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Notes:

- (1) These comprise contributions to Employees Provident Fund, Social Security Organisation and Employment Insurance System, and allowances.
- (2) Being director's fees from the date they were appointed to our Board.

The remuneration for each of our Directors is subject to review and recommendation by our Remuneration Committee and approval by our Board. The fees and benefits payable to our Directors shall be further approved by our shareholders pursuant to an ordinary resolution passed at a general meeting.

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5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2.4 Principal directorships in other corporations and principal business activities performed outside our Group

Save as disclosed below, none of our Directors have any principal directorships in other corporations for the past 5 years up to the LPD or any principal business activities performed outside our Group as at the LPD:

Name	Company	Principal business activities	Designation	Involvement in principal business activities other than as a director
Dato' Tan Yee Boon	<u>Present involvement</u> Binasat Communications Berhad	Investment holding, while its subsidiaries are principally involved in the provision of supporting services for satellite, mobile and fibre optic communications networks	Independent Non-Executive Director (appointed on 6 June 2017)	-
	David Lai & Tan Services Sdn Bhd	Provision of legal advice and legal services ⁽¹⁾	Director (appointed on 5 December 2019)	Shareholder with 33.3% direct equity interest
	Daya CMT Sdn Bhd	Provision of industrial facilities management, including builder works, facility operation and maintenance services, upgrades and retrofits, as well as design and build plant facility	Director ⁽²⁾ (appointed on 17 July 2014)	-

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Name	Company	Principal business activities	Designation	Involvement in principal business activities other than as a director
	Daya Materials Berhad (listing status taken over by Propel Global Berhad)	Investment holding and provision of management services to the subsidiaries, which are involved in the offering a range of products and services to both the upstream and downstream sectors of the oil and gas industry as well as building construction of non-residential buildings and industrial facilities management services	Independent Non-Executive Director (appointed on 30 November 2020)	-
	Freshdotads Sdn Bhd	Advertising; export and import of a variety of goods without any particular specialization not elsewhere classified (N.E.C.)	Director (appointed on 2 January 2018)	Shareholder with 99.0% direct equity interest
	Fruitsfarm In The City Holdings Sdn Bhd	Retail sale of fresh or preserved vegetables and fruits; and wholesale of meat, fish, fruits and vegetables not elsewhere classified (N.E.C.) and growing of fruits bearing vegetables	Director (appointed on 3 October 2018)	Shareholder with 15.0% direct equity interest
	Prevenances Corporate Advisory Sdn Bhd	Providing training management and consultancy services in insurance and property	Director (appointed on 20 December 2016)	Shareholder with 50.0% direct equity interest

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Name	Company	Principal business activities	Designation	Involvement in principal business activities other than as a director
	Protasco Berhad	Investment holding, while its subsidiaries are involved in the maintenance of federal and state roads, property development and construction	Independent Non-Executive Director (appointed on 18 January 2013)	-
	Runningmind Sdn Bhd	Providing business management consultancy services, advisory services in products branding and other business support services	Director (appointed on 1 December 2016)	Shareholder with 100.0% direct equity interest
	TK Venture Capital Sdn Bhd	Export and import of a variety of goods without any particular specialization not elsewhere classified (N.E.C.)	Director (appointed on 4 April 2018)	Shareholder with 100.0% direct equity interest
	EV Dynamics (Holdings) Limited (formerly known as China Dynamics (Holdings) Limited)	Investment holding, while its subsidiaries are involved in development of new energy business and trading of metals and minerals	Independent Non-Executive Director (appointed on 17 June 2016)	-
	TIL Enviro Limited	Investment holding, while its subsidiary is involved in wastewater treatment services and managing and operating wastewater treatment facilities	Independent Non-Executive Director ⁽³⁾ (appointed on 4 October 2018)	-

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Name	Company	Principal business activities	Designation	Involvement in principal business activities other than as a director
	Fruitsfarm In The City By Kerlin Global Sdn Bhd	Growing of fruits bearing vegetables; retail sale of fresh or preserved vegetables and fruits; and wholesale of meat, fish, fruits and vegetables not elsewhere classified (N.E.C.)	-	Shareholder with 15.0% direct equity interest
	OOB Productions Sdn Bhd	E-commerce media advertising services and other related activities	-	Shareholder with 10.0% direct equity interest
	Gemberry Sdn Bhd	Buying, selling, renting and operating of self-owned or leased real estate (residential buildings); activities of holding companies; export and import of a variety of goods without any particular specialization not elsewhere classified (N.E.C.)	Director (appointed on 23 April 2021)	Shareholder with 100.0% direct equity interest
	David Lai & Tan	Legal firm	Partner	-
	Propel Global Berhad (taken over listing status of Daya Materials Berhad)	Activities of holding companies, while its subsidiaries are involved in the offering of a range of products and services to both the upstream and downstream sectors of the oil and gas industry as well as building technical services for commercial and industrial buildings and facilities	Acting Chairman/ Independent Non-Executive Director (appointed on 8 April 2022)	-

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Name	Company	Principal business activities	Designation	Involvement in principal business activities other than as a director
	Past involvement Central Corporation Berhad	Manufacturing and sales of self-adhesive label stocks and tapes of its own brand and trading of other self-adhesive label stocks and tapes	Independent Non-Executive Director (appointed on 16 June 2015, resigned on 3 October 2019)	-
	Central Global Berhad	Investment holding, while its subsidiaries are involved in the manufacturing, marketing and trading of self-adhesive label stocks and tapes as well as construction and construction related activities	Independent Non-Executive Director (appointed on 10 June 2019, retired on 22 June 2021)	-
	Perfect Propel Sdn Bhd	Investment holding in shares of a company involved in providing industrial facilities management including builder works, facility operation and maintenance services, upgrades and retrofits as well as design and build plant facility	Director (appointed on 22 April 2014, resigned on 15 May 2020)	-
	Core Economy Investment Group Ltd	Investment in listed and non-listed securities	Director (appointed on 1 June 2009, resigned on 31 May 2017)	-

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Name	Company	Principal business activities	Designation	Involvement in principal business activities other than as a director
	Worldgate Global Logistics Ltd	Integrated logistics solution provider	Non-Executive Director (appointed on 7 March 2016, resigned on 11 May 2018)	-
Wong Choi Ong	<u>Present involvement</u>			
	Rajawali Wang	Investment holding, holding shares solely in our Company	Director (appointed on 13 July 2021)	Shareholder with 66.67% indirect equity interest
	Caiwan Capital	Investment holding, holding shares solely in our Company	Director (appointed on 5 July 2021)	Shareholder with 100.0% direct equity interest
	Visionary Support	Investment holding, holding shares solely in our Company	Director (appointed on 2 July 2021)	Shareholder with 50.0% direct equity interest
	De Era Clinic Southkey Sdn Bhd	To run business as general and medical aesthetic services, trade as general traders in medical and pharmaceutical goods, skin and health care products and investment company	-	Shareholder with 0.95% direct equity interest

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Name	Company	Principal business activities	Designation	Involvement in principal business activities other than as a director
	<u>Past involvement</u> Buildwiser Sdn Bhd	Investment holding, construction of buildings not elsewhere classified (N.E.C.), manufacturing of prefabricated structural components for building or civil engineering of cement, concrete or artificial stone	Director (appointed on 6 June 2018, resigned on 6 October 2020) ⁽⁴⁾	-
	HESB	Dormant, intended principal activity of environmental contract engineering (struck off on 30 November 2021) ⁽⁵⁾	Director (appointed on 11 August 2016)	Shareholder with 40% indirect equity interest prior to the struck off on 30 November 2021
	Top Well Trading & Services	Dormant, intended principal activity of trading services (struck off on 7 September 2021)	-	Shareholder with 70% equity interest prior to the struck off on 7 September 2021
	Ecosciences Engineering & Construction Gabon	Dormant, intended principal activity of trading services (struck off on 20 August 2021)	-	Shareholder with 70% equity interest prior to the struck off on 20 August 2021
Pan Kum Wan	<u>Present involvement</u> Pintasan Lagenda (M) Sdn Bhd	Property investment	Director (appointed on 29 June 1995)	Shareholder with approximately 33.3% direct equity interest
	Rajawali Wang	Investment holding, holding shares solely in our Company	Director (appointed on 13 July 2021)	Shareholder with 66.67% indirect equity interest

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Name	Company	Principal business activities	Designation	Involvement in principal business activities other than as a director
	Dynagear Technologies	Investment holding, holding shares solely in our Company	Director (appointed on 5 July 2021)	Shareholder with 100.0% direct equity interest
	Visionary Support	Investment holding, holding shares solely in our Company	Director (appointed on 2 July 2021)	Shareholder with 50.0% direct equity interest
	De Era Clinic Southkey Sdn Bhd	To run business as general and medical aesthetic services, trade as general traders in medical and pharmaceutical goods, skin and health care products and investment company	-	Shareholder with 0.95% direct equity interest
	<u>Past involvement</u> Buildwiser Sdn Bhd	Investment holding, construction of buildings not elsewhere classified (N.E.C.), manufacturing of prefabricated structural components for building or civil engineering of cement, concrete or artificial stone	Director (appointed on 6 June 2018, resigned on 6 October 2020) ⁽⁴⁾	-
	HESB	Dormant, intended principal activity of environmental contract engineering (struck off on 30 November 2021) ⁽⁵⁾	-	Shareholder with 40% indirect equity interest prior to the struck off on 30 November 2021

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Name	Company	Principal business activities	Designation	Involvement in principal business activities other than as a director
Law Sang Thiam	Present involvement			
	Spring Art Holdings Berhad	Investment holding, while its subsidiaries are involved in manufacturing of ready-to-assemble furniture products	Independent Non-Executive Director (appointed on 19 November 2018)	Shareholder with approximately 0.1% direct equity interest
	MCE Holdings Berhad	Investment holding, while its subsidiaries are involved in manufacturing and assembly of automotive parts, trading of spare parts and other trading goods; manufacturing and assembly of automotive lightings; provision of healthcare services; and designing, developing, manufacturing and assembly of electric motorcycle and any form of electric vehicle, and its systems and components including battery pack, and other electric vehicle related components	Independent Non-Executive Director (appointed on 7 March 2022)	-
	Ivan Law & Co	Provision of accounting services	Managing Partner	-
	Taxavenue Advisory PLT	Provision of tax advisory services	Managing Partner	-

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Name	Company	Principal business activities	Designation	Involvement in principal business activities other than as a director
Andrea Huang Jia Mei	Present involvement			
	• Sha Tax Services Sdn Bhd	Provision of taxation, accounting and corporate management services	Director (appointed on 10 June 2018)	Shareholder with 90% indirect equity interest
	• T&S Advisors Sdn Bhd	Provision of advisory, consultancy and marketing services in insolvencies, mergers and acquisition, corporate recovery, corporate restructuring, initial public offering, secretarial work and tax planning	Director (appointed on 18 September 2014)	Shareholder with: (a) direct equity interest of 35%; and (b) indirect equity interest of 65% ⁽⁶⁾
	• KK Sha Consulting Sdn Bhd	Provision of goods and services tax, accountancy and corporate management services	Director (appointed on 24 October 2014)	Shareholder with: (a) direct equity interest of 50%; and (b) indirect equity interest of 50% ⁽⁶⁾
	• T&S Boardroom Sdn Bhd	Provision of secretarial support services	Director (appointed on 30 July 2020)	Shareholder with 100% direct equity interest
	• AK Bizz Platform Sdn Bhd	Provision of business management consultancy services; bookkeeping and auditing activities; and tax consultancy	Director (appointed on 9 March 2020)	Shareholder with 100% direct equity interest

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Name	Company	Principal business activities	Designation	Involvement in principal business activities other than as a director
	Siab Holdings Berhad	Investment holding, while its subsidiaries are involved in the provision of building construction services and other complementary services such as information and communications technology solutions and services	Independent Non-Executive Director (appointed on 24 June 2021)	-
	T&S Governance Sdn Bhd	Accounting, bookkeeping and auditing activities; tax consultancy	Director (appointed on 5 October 2021)	Shareholder with 100% direct equity interest
	Unique Fire Holdings Berhad	Activities of holding companies, while its subsidiaries are involved in the assembly, manufacturing and distribution of active fire protection systems, equipment and accessories of building environment, and distribution of custom graphics designed fire extinguishers, and other active fire protection systems, equipment and accessories and related services	Independent Non-Executive Director (appointed on 8 October 2021)	-
	Yew Lee Pacific Group Berhad	Activities of holding companies, while its subsidiaries are involved in manufacturing of industrial brushes and trading of industrial hardware and machinery parts	Independent Non-Executive Director (appointed on 6 August 2021)	-

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Name	Company	Principal business activities	Designation	Involvement in principal business activities other than as a director
	Past Involvement T & S Secretarial Services Sdn Bhd	Provision of secretarial and management services	Director (appointed on 3 September 2014, resigned on 12 March 2021)	-

Notes:

- (1) The legal advice and legal services provided are such legal support and related services that are not required to be performed by an advocate and solicitor as defined under section 3 of the Legal Profession Act 1976, such as acting as a stakeholder of shares in a transaction for acquisition of shares.
- (2) There is no existing or potential conflict of interest as Daya CMT Sdn Bhd's principal business activity is provision of industrial facilities management, including builder works, facility operation and maintenance services, upgrades and retrofits, as well as design and build plant facility, which is different from our Group's principal business activities of constructing plants mainly for palm oil mills and facilities supported by our in-house fabrication of equipment.
- (3) TIL Enviro Limited is a wastewater treatment service provider operating and managing four (4) wastewater treatment facilities located in Yinchuan, China to provide wastewater treatment services to the local government by treating domestic and industrial wastewater. There is no existing or potential conflict of interest as TIL's wastewater treatment in the provision of wastewater treatment services of treating domestic and industrial wastewater in Yinchuan, which is different from our Group's fabrication and supply of non-chemical water treatment equipment for use in palm oil and other industries. Furthermore, Dato' Tan Yee Boon is an independent non-executive director of TIL Enviro Limited and is therefore not involved in the management and day-to-day operations of the company.
- (4) There is no existing or potential conflict of interest as Buildwiser Sdn Bhd's principal business activity is investment holding, construction of buildings, manufacturing of prefabricated structural components for building or civil engineering of cement, concrete or artificial stone, which is different from our Group's principal business activities of constructing plants mainly for palm oil mills and facilities supported by our in-house fabrication of equipment. Furthermore, Wong Choi Ong and Pan Kum Wan have ceased to be directors of Buildwiser Sdn Bhd on 6 October 2020.
- (5) HESB was struck off on 30 November 2021 (based on the date of the Notice 308(4), as set out on the Companies Commission of Malaysia's website), and dissolved on 29 December 2021 (based on the date of the Gazette (2) 308(4) / Gazette 551(3), as set out on the Companies Commission of Malaysia's website).

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

- (6) Deemed interested by virtue of her spouse's shareholding in the company.

The involvement of Dato' Tan Yee Boon, Law Sang Thiam and Andrea Huang Jia Mei, our Independent Non-Executive Directors, and Wong Choi Ong and Pan Kum Wan, our Executive Directors, in those business activities outside our Group does not give rise to any conflict of interest situation with our business.

Dato' Tan Yee Boon, Law Sang Thiam and Andrea Huang Jia Mei, being our Independent Non-Executive Directors, are not involved in the day-to-day operations of our Group. Their involvement in other business activities outside our Group will not affect their contributions to our Group and would not be expected to affect the operations of our Group as the principal activities of these companies are not similar to our Group's business.

Further, the involvement of our Executive Directors in other businesses or corporations does not preclude them from allocating or committing their time and effort to our Group as they are not involved in the management and day-to-day operations of these businesses, other than attending meetings of the board of directors on which they serve. Such businesses do not require their involvement on a daily basis as these businesses are managed by their respective management. As such, our Executive Directors are of the view that although they are involved in other businesses as set out above, they are able to devote sufficient time and attention to the affairs of our Group to carry out their respective duties.

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5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.3 BOARD PRACTICES**5.3.1 Responsibilities of our Board**

Our Board has adopted a charter which sets out, among others, the following principal responsibilities of our Board for the effective discharge of its functions:

- (i) to review, approve and ensure a strategic business plan (including the Group's sustainability strategies, priorities and targets) that promotes sustainability is adopted for the Group; and is responsible to monitor implementation of the strategic business plan by the Management;
- (ii) to oversee and understand the conduct of our Group's businesses and sustainability issues relevant to the Group and its business (including climate-related risks and opportunities) and evaluate whether our businesses and sustainability issues are being properly managed and targets set are achieved. Further, strategies, priorities and targets set as well as performance towards these targets shall be communicated to internal and external stakeholders;
- (iii) to understand the principal business and business sustainability risks faced by our Group and ensure implementation of appropriate internal control and risk management system to manage such risks;
- (iv) to promote good corporate governance culture within our Group together with the senior management which reinforces ethical, prudent and professional behavior;
- (v) to ensure our senior management has the necessary skills and experience, and there are succession planning procedures in place. This includes, but not limited to, implementation of appropriate system(s) for recruitment, training and replacement of senior management personnel;
- (vi) to review the adequacy and integrity of our Group's internal control and risk management system;
- (vii) to oversee the development and implementation of investors relations programme or shareholder communication policy for our Group to enable effective communication with stakeholders;
- (viii) to review and approve the Company's financial statements and annual report;
- (ix) to ensure the integrity of the Company's financial and non-financial reporting;
- (x) to undertake a formal and objective annual evaluation to determine the effectiveness of the Board, the Board committees and each individual Director; and
- (xi) to ensure that our Group adheres to high standards of ethics and corporate behaviour.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.3.2 Term of office of our Board

Details of the term of office of our Board are as follows:

Name	Designation	Date of appointment	Date of expiration of the current term of office	No. of years in office up to the LPD
Dato' Tan Yee Boon	Independent Non-Executive Chairman	2 August 2021	Subject to rotation at the first annual general meeting	Less than a year
Wong Choi Ong	Non-Independent Executive Director / Managing Director	21 August 2020	Subject to rotation at the first annual general meeting	Less than two years
Pan Kum Wan	Non-Independent Executive Director	2 August 2021	Subject to rotation at the first annual general meeting	Less than a year
Law Sang Thiam	Independent Non-Executive Director	2 August 2021	Subject to rotation at the first annual general meeting	Less than a year
Ang Chye Kian	Independent Non-Executive Director	2 August 2021	Subject to rotation at the first annual general meeting	Less than a year
Andrea Huong Jia Mei	Independent Non-Executive Director	2 August 2021	Subject to rotation at the first annual general meeting	Less than a year

Pursuant to Clause 76 of our Constitution, at the first annual general meeting of our Company, all our Directors shall retire from office, and at the annual general meeting in every subsequent year, 1/3 of our Directors, or if their number is not 3 or a multiple of 3, then the number nearest to 1/3 shall retire from office once at least in every 3 years but shall be eligible for re-election. A retiring director shall be eligible for re-election and shall retain office until the close of the meeting at which he retires.

5.3.3 Audit and Risk Management Committee

Our Audit and Risk Management Committee assists our Board in its oversight responsibilities with regard to our financial reporting process, internal controls and governance, risk appetite as well as the risk management and compliance framework, and the governance structure.

The key duties and responsibilities of our Audit and Risk Management Committee are as follows:

- (i) consider and recommend to our Board on the appointment or re-appointment of the external auditors, to fix the audit and non-audit fees and any questions regarding resignation or dismissal, including recommendation for nomination of a person or persons as external auditors;
- (ii) annually assess the suitability, objectivity and independence of the external auditors;
- (iii) discuss with the external auditors before the audit commences, the audit plan, the nature and scope of the audit and the coordination with competent auditors where more than 1 audit firm is involved in the audit of the Group's financial statements;
- (iv) review the external auditors' management letter and evaluation of system of internal controls, and management's responses to the recommendations for improvements;
- (v) ensure that assistance and full access to all information and documents required by the external auditors are given by our management;

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

- (vi) review with the external auditors the evaluation on the system of internal controls and the audit report and report the same to our Board;
- (vii) review the effectiveness of internal audit function, including the ability, competency and qualification of the internal audit team and / or outsourced internal auditors (if any) to perform its duties;
- (viii) review the adequacy of the scope, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- (ix) review and approve matters concerning the employment or appointment (or re-appointment) of head of in-house internal audit and / or outsourced internal auditors (as the case may be) and the reasons for the resignation or termination of either party;
- (x) review and approve the internal audit plan and internal audit reports and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
- (xi) receive and review on a regular basis the reports, findings and recommendations of the internal audit team and / or outsourced internal auditors (if any) and to ensure that appropriate actions have been taken to implement the audit recommendations;
- (xii) ensure the internal audit team and / or outsourced internal auditor (if any) have full and unrestricted assistance and access to all information and documents required by the internal audit team and / or outsourced internal auditor (if any) are given by our management;
- (xiii) review and recommend risk management framework, strategies, policies and risk tolerance/appetite to our Board for approval;
- (xiv) review and assess the adequacy and effectiveness of our risk management and framework internal control policies and framework in identifying, measuring, monitoring and controlling risks and the extent, to which these are operating effectively;
- (xv) ensure infrastructure, resources and systems are in place for risk management, i.e. ensure that the staff responsible for implementing risk management systems perform those duties independently of the risk originating activities of our Company and Group (where applicable);
- (xvi) review periodic risk management and business exposures reports from the respective business units of our Company and Group (where applicable) on risk exposures, risk portfolio compositions and risk management activities;
- (xvii) review and recommend new policies or changes to policies, and to consider their risk implications;
- (xviii) review disclosures statements relating to management of sustainability, risk management and internal control in our annual report.
- (xix) review any related party transactions or conflict of interests situation that may arise within our Group, including any transaction, procedure or course of conduct that raises questions of management integrity, as well as to assess the financial risks relating to such transactions, and to ensure that such transactions are disclosed in the annual report; and
- (xx) carry out other responsibilities, functions or assignments as may be defined by our Board from time to time.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

The Audit and Risk Management Committee may seek advice from independent parties and other professionals in discharging their duties.

Our Audit and Risk Management Committee comprises:

Name	Position	Directorship
Law Sang Thiam	Chairman	Independent Non-Executive Director
Ang Chye Kian	Member	Independent Non-Executive Director
Andrea Huong Jia Mei	Member	Independent Non-Executive Director

5.3.4 Remuneration Committee

Our Remuneration Committee assists our Board on matters relating to the compensation, bonuses, incentives and remuneration for our Directors and Key Senior Management.

The key duties and responsibilities of our Remuneration Committee are as follows:

- (i) determine and recommend to our Board the remuneration of our Directors (including executive and non-executive directors) and Key Senior Management in all forms inclusive of cash and non-cash benefits, options and privileges granted by our Group;
- (ii) review and recommend to our Board, on annual basis, in relation to the remuneration structures of all Executive Directors, non-executive Directors and Key Senior Management in all forms;
- (iii) review and implement remuneration policies and procedures in relation to the remuneration of Board and Key Senior Management periodically;
- (iv) oversee any major changes in employee remuneration and benefit structures throughout our Group;
- (v) recommend to our Board any performance related pay schemes for our Company or Group;
- (vi) engage external professional advisers to assist and/or advise our Remuneration Committee, on remuneration matters, where necessary;
- (vii) provide clarification to shareholders during general meetings on matters pertaining to remuneration of our Directors and Key Senior Management as well as the overall remuneration framework of our Group; and
- (viii) carry out other responsibilities, functions or assignments as may be agreed by our Board from time to time.

In considering any remuneration package and structure, our Remuneration Committee will take into consideration levels of remuneration that are aligned with our Group's business strategy and long-term objectives and level of responsibilities to be undertaken.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Our Remuneration Committee comprises:

Name	Position	Directorship
Ang Chye Kian	Chairman	Independent Non-Executive Director
Law Sang Thiam	Member	Independent Non-Executive Director
Andrea Huong Jia Mei	Member	Independent Non-Executive Director

5.3.5 Nomination Committee

Our Nomination Committee assists our Board in its oversight responsibilities with regard to the effectiveness of our Board and its committee, and the contributions and performance of individual Director.

The key duties and responsibilities of our Nomination Committee are as follows:

- (i) identify, nominate and recommend to our Board, suitable candidates to be appointed as Directors of our Group after considering the required mix of diversity, including gender, skills, knowledge, experience and other core competencies, expertise, professionalism and integrity which the directors should bring to the Board. Existing board positions (including non-listed companies) held by a director should also be considered;
- (ii) consider in making its recommendations, candidates for directorships proposed by the existing Directors and within the bounds of practicability, by the Key Senior Management, major shareholders, independent search firms and / or other independent sources;
- (iii) recommend to our Board, directors to fill the seats on Board committees;
- (iv) assist the Board in its annual review of its required mix of skills and experience and other qualities, including core competencies which non-executive Directors should bring to our Board;
- (v) establish and review the terms and conditions of employment of Executive Directors and Key Senior Management including Chief Executive Officer (“CEO”), Chief Operating Officer (“COO”) and Chief Financial Officer (“CFO”) of our Group having regard to their duties and responsibilities;
- (vi) review the succession plans of our Board, Board committees, Executive Directors and the senior management including CEO, COO and CFO of our Group on an on-going basis, and oversee the development of a diverse pipeline for Board and management succession;
- (vii) assist our Board in implementing an assessment programme to assess the effectiveness of the Board as a whole, Board committees, the contribution of each individual director, Key Senior Management such as CEO, COO and CFO of our Group on an annual basis. The assessment programme shall also include achievement of sustainability targets. All activities carried out by the Nomination Committee in the discharge of its duties shall be disclosed in the annual report;
- (viii) recommend to our Board for the continuation or discontinuation in service of directors as an Executive Directors or non-executive Directors;
- (ix) recommend directors who are retiring by rotation to be put forward for re-election;
- (x) review and assess the independence of independent Directors annually and determine if the Independent Directors can bring independence and objective judgement for Board deliberations;

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

- (xi) evaluate and review the composition, term of office and performance (including amongst others, addressing our Group's material sustainability risks and opportunities) of the Board and each of its members annually to determine whether the Board and Board Committees have carried out their duties in accordance with the Board Charter and terms of reference for re-election;
- (xii) consider and recommend to our Board for approval, the appropriate size of the Board and Board committees to facilitate effective decision making after taking into consideration the scope and nature of the operations of our Group;
- (xiii) review the appointment and termination of Key Senior Management of our Group;
- (xiv) review, evaluate and determine training programmes and training needs for our Board on a continuous basis which the trainings aid the Board in discharging their duties and ensure that all newly appointed Directors undergo appropriate induction programmes;
- (xv) facilitate achievement of Board diversity and targets; and
- (xvi) carry out such other duties or functions as may be delegated by our Board from time to time or required by the regulatory authority.

Our Nomination Committee comprises:

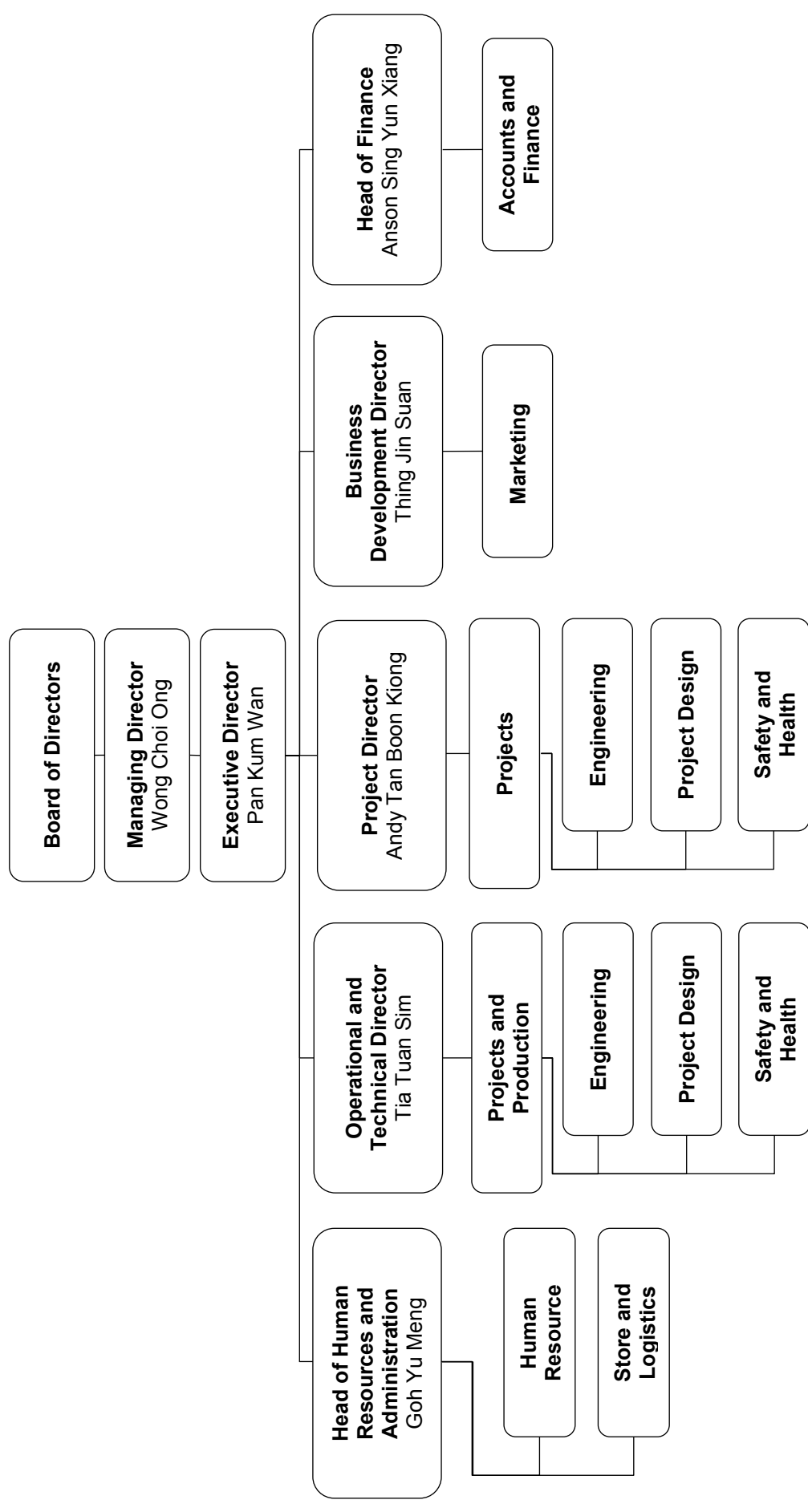
Name	Position	Directorship
Andrea Huong Jia Mei	Chairman	Independent Non-Executive Director
Ang Chye Kian	Member	Independent Non-Executive Director
Law Sang Thiam	Member	Independent Non-Executive Director

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5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.4 KEY SENIOR MANAGEMENT

5.4.1 MANAGEMENT REPORTING STRUCTURE



5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.4.2 Key Senior Management's shareholdings

The shareholdings of our Key Senior Management after the Acquisitions and after our IPO, assuming full subscription of the IPO Shares reserved for our Key Senior Management under the Pink Form Allocations, are as follows:

Name / (Designation)	Nationality	After the Acquisitions			After our IPO		
		Direct	Indirect		Direct	Indirect	
		No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%
Andy Tan Boon Kiong (Project Director)	Malaysian	6,937,710	2.7	-	-	7,737,710	2.3
Tia Tuan Sim (Operational and Technical Director)	Malaysian	2,576,884	1.0	-	-	3,576,884	1.1
Thing Jin Suan (Business Development Director)	Malaysian	-	-	-	-	800,000	0.2
Anson Sing Yun Xiang (Head of Finance)	Malaysian	-	-	-	-	500,000	0.2
Goh Yu Meng (Head of Human Resources and Administration)	Malaysian	5,150,565	2.0	-	-	5,950,565	1.8

Notes:

- (1) Based on our total number of 257,830,500 Shares after the Acquisitions.
- (2) Based on our enlarged total number of 340,000,000 Shares after our IPO, assuming that all Pink Form Allocations are fully subscribed. Subject to the clawback and reallocation provisions as set out in Section 4.1.4 of this Prospectus, our Directors and Key Senior Management may subscribe for additional Excess IPO Shares under those allocated for other Eligible Persons as well as the IPO Shares under the Public Issue.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.4.3 Profiles of our Key Senior Management

The profiles of our Key Senior Management are as follows:

Andy Tan Boon Kiong

Project Director

Andy Tan Boon Kiong, a Malaysian aged 45, is our Project Director. He is responsible for our Group's projects in Gabon.

He obtained a Bachelor's Degree in Mechanical and Manufacturing Systems Engineering from Sheffield Hallam University, United Kingdom in 2002. He also obtained a certificate of competency granted under the Factories and Machinery Act 1967 by the chief and deputy chief inspectors of Factories and Machinery which qualified him as a First Grade Steam Engineer.

He began his career in 2002 with Sime Darby Plantation Sdn Bhd as Junior Engineer. He was subsequently promoted to the position of Mill Manager, where he was responsible for palm oil mill operations and projects. He left the company in 2013 to work in Indonesia when he joined PT Super Venture, a company involved in developing and maintaining palm oil mills, as Head of Projects. He was responsible for overseeing palm oil mill construction and maintenance projects in Indonesia.

In 2015, he returned to Malaysia and joined EMESB as General Manager of our Group's operations in Gabon. He was promoted to his current position on 1 August 2021 and is currently responsible for managing and overseeing the implementation of our projects in Gabon.

Tia Tuan Sim

Operational and Technical Director

Tia Tuan Sim, a Malaysian aged 44, is our Operational and Technical Director. He is responsible for the overall operations of our Group's projects and engineering department. He is one of the founders of our Group.

He obtained a degree in Bachelor of Chemical Engineering from University Teknologi Malaysia in 2001.

He began his career in 2001 when he joined Sahamas Sdn Bhd, a company involved in the fabrication and installation of palm oil milling equipment, as Project Engineer. He subsequently left the company in 2003 and joined Tractors Manufacturing & Assembly Sdn Bhd as Project Engineer where he was responsible for monitoring projects and supervising the workshop operations. In the same year, he left the company to establish EMESB together with Wong Choi Ong, our Managing Director. He was the Project Engineer of EMESB before he was promoted to his current position on 1 August 2021.

Thing Jin Suan

Business Development Director

Thing Jin Suan, a Malaysian aged 39, is our Business Development Director. He is responsible for our Group's growth strategies, business development and sales and marketing operations.

He obtained his Bachelor of Chemical Engineering degree from the University of Sheffield, United Kingdom in 2005. He subsequently obtained his Master's in Business Administration from Lancaster University, United Kingdom, in 2012.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

He began his career in 2005 with Linde Industrial Gases (M) Sdn Bhd, a producer of industrial gasses, as Process Engineer. He left the company in the same year and joined Tapis Teknik Sdn Bhd, a manufacturer of filtration and separation equipment, as Sales and Application Engineer before he was promoted to Regional Sales Manager in 2007. He subsequently left the company in 2012 and joined Sterling Engineering and Trading Sdn Bhd, a company involved in trading of engineering products, as its director. He was responsible for sales and marketing, and overseeing the company's operations.

In 2015, he left and joined EMESB as Product Development Manager where he was responsible for developing growth strategies, business development, and overseeing the company's sales and marketing operations. He was promoted to his current position on 1 August 2021.

Anson Sing Yun Xiang

Head of Finance

Anson Sing Yun Xiang, a Malaysian aged 38, is our Head of Finance. He is responsible for our Group's accounting and financial matters, including financial reporting, treasury functions, credit control, budgeting and taxation.

He obtained his Bachelor's Degree of Science in Accounting and Finance from the University of London in association with the London School of Economics, United Kingdom, in 2007 with a degree in Accounting and Finance. He has been a member of the Association of Chartered Certified Accountants and Malaysian Institute of Accountants since 2016.

He started his career in 2009 when he joined CLK Associates, an audit firm, as an Audit Junior and was subsequently promoted to Senior Auditor in 2012. In 2013, he left and joined Kerry Group Business Services (ASPAC) Sdn Bhd, a shared services company, as Accounts Officer. In June 2016, he left the company to join IOI Lipid Enzymtec Sdn Bhd, a manufacturer of industrial chemicals, as Accountant. Shortly after in September 2016, he joined Kimlun Sdn Bhd, a construction company, as Assistant Accounts Manager where he was responsible for supervising monthly accounts and tax related matters.

In 2018 he left Kimlun Sdn Bhd to join EMESB as Assistant Finance Manager and was promoted to his current position on 1 August 2021.

Goh Yu Meng

Head of Human Resources and Administration

Goh Yu Meng, a Malaysian aged 68, is our Head of Human Resources and Administration. She is responsible for our Group's human resources and administrative function, storekeeping and logistic operations.

She attended Stamford College, Selangor and obtained the LCCI Higher Accounting in 1976. She also obtained her Certificate in Personnel Management from the Malaysian Institute of Personnel Management in 1984.

She began her career with Tampoi Oil Products Sdn Bhd in 1976, a company involved in palm oil refinery as Accounts Assistant. In 1979, she left and joined Felda Vegetable Oil Products Sdn Bhd, a company involved in palm oil refinery as Administrative and Accounts Executive. In 2000, due to the restructuring of Felda group of companies, she was assigned to work under Delima Oil Products Sdn Bhd, a company involved in palm oil refinery and manufacturing of packaged foods as Administrative and Accounts Manager. She left Delima Oil Products Sdn Bhd in April 2011.

In May 2011, she joined EMESB as the Finance and Administration Manager where she was responsible for managing the company's finances and administrative matters. On 1 August 2021, she assumed her present position and is currently responsible for overseeing our Group's human resources and administrative functions, storekeeping and logistic operations.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.4.4 Involvement of our Key Senior Management in other principal business activities

Save as disclosed below, none of our Key Senior Management has any principal directorships in other corporations for the past 5 years up to the LPD or any principal business activities performed outside our Group as at the LPD:

Name	Company	Principal business activities	Designation	Involvement in principal business activities other than as a director
Andy Tan Boon Kiong	<u>Present involvement</u> • Exquisite Capitals	Investment holding, holding shares solely in EMESB	-	Shareholder with approximately 18.4% equity interest
	<u>Past involvement</u> • Top Well Trading & Services	Dormant, intended principal activity of trading services (struck off on 7 September 2021)	Director (appointed on 18 January 2016)	Shareholder with 30.0% equity interest prior to the struck off on 7 September 2021
	• Ecosciences Engineering & Construction Gabon	Dormant, intended principal activity of trading services (struck off on 20 August 2021)	Director (appointed on 1 August 2016)	Shareholder with 30.0% equity interest prior to the struck off on 20 August 2021
Tia Tuan Sim	<u>Present involvement</u> • Exquisite Capitals	Investment holding, holding shares solely in EMESB	Director (appointed on 1 January 2008)	Shareholder with approximately 6.9% equity interest
	<u>Past involvement</u> • Steelax Engineering & Construction Sdn Bhd	Engineering services, wholesale of construction and civil engineering, machinery and equipment, repair and maintenance of other equipment	Director (appointed on 8 March 2019 and resigned on 7 August 2019) ⁽¹⁾	-
Thing Jin Suan	<u>Past involvement</u> • Sterling Engineering & Trading Sdn Bhd	Dormant, intended principal activity of designing and supplying all types of mechanical and electrical engineering works	Director (appointed on 25 January 2013 and resigned on 29 November 2021)	— ⁽²⁾

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Name	Company	Principal business activities	Designation	Involvement in principal business activities other than as a director
	HESB	Dormant, intended principal activity of environmental contract engineering (struck off on 30 November 2021) ⁽³⁾	Director (appointed on 11 August 2016)	-
Goh Yu Meng	<u>Present involvement</u> Exquisite Capitals	Investment holding, holding shares solely in EMESB	-	Shareholder with approximately 13.7% equity interest

Notes:

- (1) There is no potential conflict of interest as the principal business activities of Steelax Engineering & Construction Sdn Bhd are engineering services, wholesale of construction and civil engineering, machinery and equipment, repair and maintenance of other equipment, which is different from our Group's principal business activities of constructing plants mainly for palm oil mills and facilities supported by our in-house fabrication of equipment. Furthermore, Tia Tuan Sim has ceased to be a director in Steelax Engineering & Construction Sdn Bhd since 7 August 2019.
- (2) Thing Jin Suan disposed his shareholdings in Sterling Engineering & Trading Sdn Bhd on 26 November 2021 to a third party unrelated to him.
- (3) HESB was struck off on 30 November 2021 (based on the date of the Notice 308(4), as set out on the Companies Commission of Malaysia's website), and dissolved on 29 December 2021 (based on the date of the Gazette (2) 308(4) / Gazette 551(3), as set out on the Companies Commission of Malaysia's website).

The involvement of Andy Tan Boon Kiong, Tia Tuan Sim, Thing Jin Suan and Goh Yu Meng in those business activities outside our Group does not give rise to any conflict of interest situation with our business.

The involvement of Andy Tan Boon Kiong and Goh Yu Meng in Exquisite Capitals Sdn Bhd, an investment holding company, is limited to them being shareholders of the company with no involvement in day-to-day operations while the involvement of Tia Tuan Sim as a director of Exquisite Capitals does not preclude him from allocating or committing his time and effort to our Group as he is not involved in the management and day-to-day operations, other than attending meetings of the board of directors. Such business does not require his involvement on a daily basis as the business is managed by its management.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.4.5 Remuneration and material benefits-in-kind of our Key Senior Management

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Key Senior Management for services rendered in all capacities to our Group for the FYE 2021 and FYE 2022 are as follows:

Key Senior Management	Remuneration Band (RM'000)	
	FYE 2021	Proposed for FYE 2022
Andy Tan Boon Kiong	650 – 700	700 – 750
Tia Tuan Sim	650 – 700	650 – 700
Thing Jin Suan	350 – 400	350 – 400
Anson Sing Yun Xiang	200 – 250	250 – 300
Goh Yu Meng	250 – 300	250 – 300

5.5 FAMILY RELATIONSHIPS AND ASSOCIATIONS BETWEEN OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT

There is no family relationship and/or association between any of our Directors, Promoters, Substantial Shareholders and Key Senior Management as at the LPD.

5.6 DECLARATIONS BY OUR PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Each of our Promoters, Directors and Key Senior Management has confirmed that, as at the LPD, he or she is not and has not been involved in any of the following events, whether in or outside Malaysia:

- (i) in the last 10 years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which such person was a partner or any corporation of which such person was a director or member of key senior management;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) in the last 10 years, charged or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) in the last 10 years, any judgement was entered against such person, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (v) in the last 10 years, the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice that relates to the capital market;
- (vi) the subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining such person from engaging in any type of business practice or activity;
- (vii) in the last 10 years has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; or
- (viii) any unsatisfied judgment against such person.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.7 SERVICE CONTRACTS

As at the LPD, there are no existing or proposed service agreements entered into or to be entered into by our Directors or any of our Key Senior Management with our Group.

5.8 MANAGEMENT SUCCESSION PLAN

Our Board believes that our future success depends on our ability to retain our key senior management personnel and attract new skilled personnel. Therefore, our strategies include amongst others, succession planning and promotion opportunities, attractive remuneration packages and training activities.

Our management succession plan consists of:

- (i) selection and recruitment: identifying key competencies and requirements for managerial and key senior positions for succession planning;
- (ii) attractive remuneration packages and employee benefits;
- (iii) continuous training development: our middle management actively involves in discussions and decision-making in the operations of our Group. Such active participation will ensure better understanding of our operations and enable the personnel to equip themselves with the necessary knowledge and skills to succeed in senior management roles; and
- (iv) career planning and development: our key senior management trains the lower and middle management staff to gradually assume more responsibilities.

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6. INFORMATION ON OUR GROUP

6.1 OUR GROUP

We were incorporated in Malaysia under the Act on 21 August 2020 as a private limited company under the name of Ecoscience International Sdn Bhd. Subsequently, on 15 July 2021, we were converted into a public limited company and assumed our present name. On 10 August 2021, we completed the Acquisitions which resulted in AEPL and EMESB becoming our wholly-owned subsidiaries.

We are an investment holding company. The principal activities of our Company and our subsidiaries are as follows:

Company	Principal activities
Ecoscience	Investment holding
AEPL	Construction of plants and facilities, and fabrication of equipment
EMESB	Construction of plants and facilities, fabrication of equipment, and supply of materials and equipment
ETSB	Fabrication and supply of energy and environmental related equipment
TWTSSB	Supply of spare parts and construction materials, and provision of maintenance services ⁽¹⁾

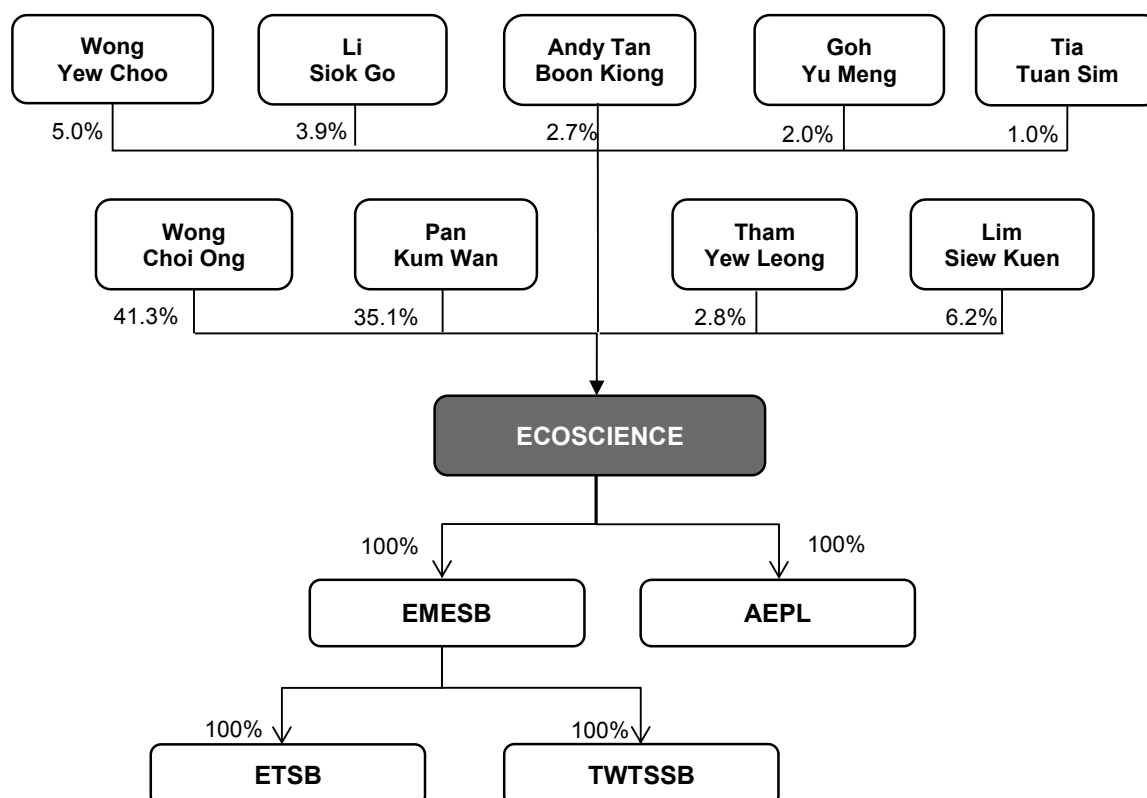
Note:

(1) As TWTSSB does not have subsisting contracts, it is dormant as at LPD.

Please refer to Section 6.4 of this Prospectus for further information on our subsidiaries.

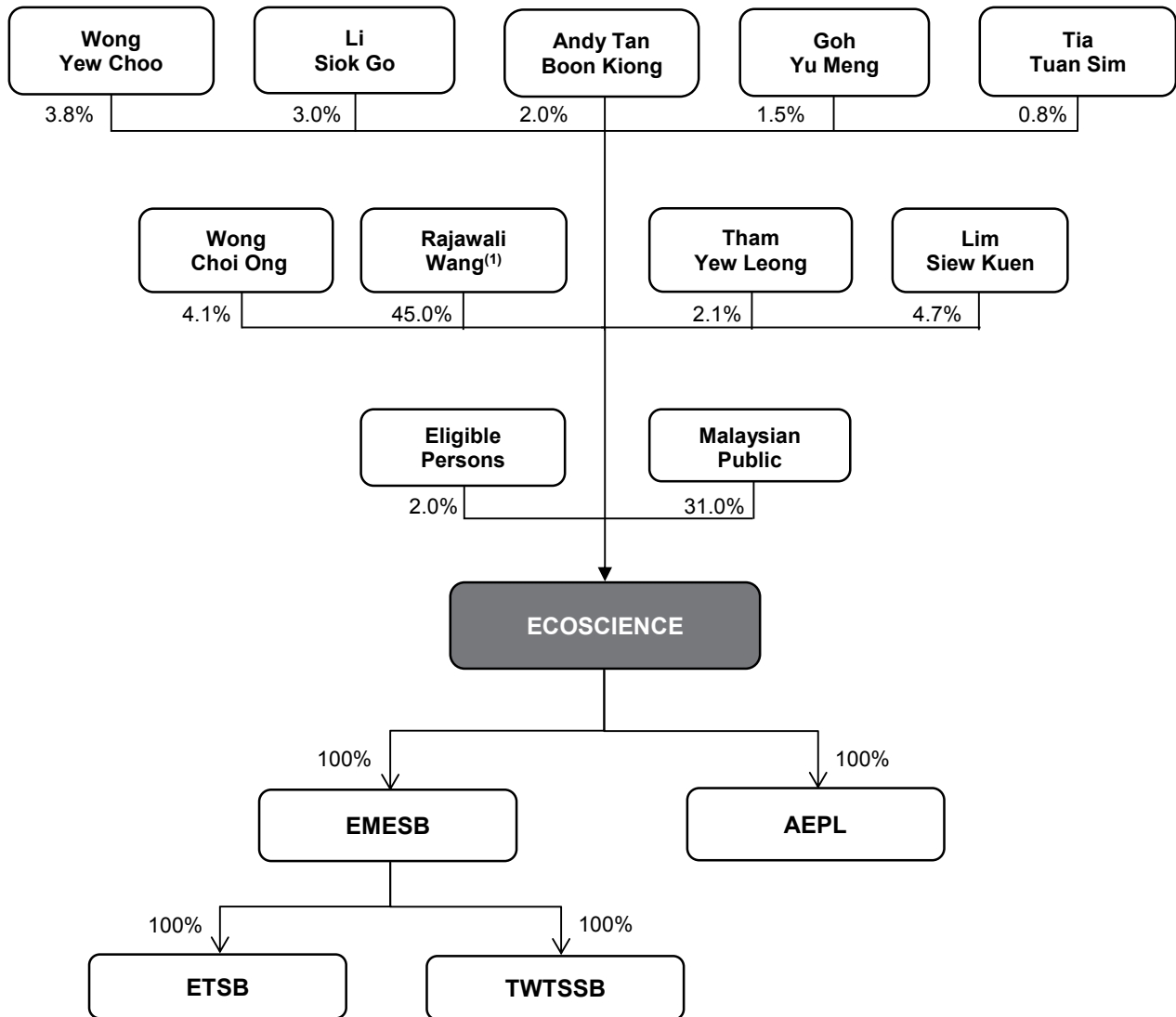
Our Group's shareholding structure after the Acquisitions/before our IPO is as follows:

After Acquisitions / Before IPO



6. INFORMATION ON OUR GROUP (CONT'D)

Our Group's shareholding structure after our IPO and Share Transfer is as follows:

After IPO and Share Transfer

6. INFORMATION ON OUR GROUP (CONT'D)**Note:**

(1) The shareholders and their respective shareholdings in Rajawali Wang are as follows:

Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Caiwan Capital	1	33.33	-	-
Dynagear Technologies	1	33.33	-	-
Visionary Support	1	33.33	-	-
Wong Choi Ong	-	-	(1)2	66.67
Pan Kum Wan	-	-	(2)2	66.67

Notes:

- (1) Deemed interested by virtue of his shareholdings in Caiwan Capital and Visionary Support pursuant to Section 8(4) of the Act.
- (2) Deemed interested by virtue of his shareholdings in Dynagear Technologies and Visionary Support pursuant to Section 8(4) of the Act.

6.1.1 Acquisitions

On 7 July 2021, we have entered into a conditional share sale agreement with Wong Choi Ong, Pan Kum Wan, Exquisite Capitals, Lim Siew Kuen and Tham Yew Leong for the Acquisitions. The Acquisitions were completed on 10 August 2021.

(i) Acquisition of AEPL

The purchase consideration was satisfied via the issuance of 78,705,498 new Shares at an issue price of RM0.20 per Share to the vendors as follows:

Vendor	No. of shares acquired	% of share capital	Purchase consideration (RM)	No. of new Shares issued
Wong Choi Ong	100,000	50.0	7,870,549.80	39,352,749
Pan Kum Wan	100,000	50.0	7,870,549.80	39,352,749
Total	200,000	100.0	15,741,099.60	78,705,498

The purchase consideration of RM15,741,099.60 was arrived at on a willing-buyer willing-seller basis after taking into consideration the audited NA of AEPL as at 31 December 2020 of RM15,741,079.

6. INFORMATION ON OUR GROUP (CONT'D)**(ii) Acquisition of EMESB**

The purchase consideration was satisfied via the issuance of 179,125,000 new Shares at an issue price of RM0.20 per Share to the vendors as follows:

Vendor	No. of shares acquired	% of share capital	Purchase consideration (RM)	No. of new Shares issued
Wong Choi Ong	2,156,250	37.5	13,434,375	67,171,875
Pan Kum Wan	1,638,750	28.5	10,210,125	51,050,625
Exquisite Capitals ⁽¹⁾	1,207,500	21.0	7,523,250	37,616,250
Lim Siew Kuen	517,500	9.0	3,224,250	16,121,250
Tham Yew Leong	230,000	4.0	1,433,000	7,165,000
Total	5,750,000	100.0	35,825,000	179,125,000

Note:

- (1) Exquisite Capitals has nominated its existing shareholders to receive the new Shares in proportion to their existing shareholding in Exquisite Capitals as follows:

Shareholders of Exquisite Capitals	No. of shares held	% of share capital	No. of new Shares issued
Wong Yew Choo ⁽¹⁾	88,454	34.2	12,881,364
Li Siok Go	69,147	26.8	10,069,727
Andy Tan Boon Kiong	47,640	18.4	6,937,710
Goh Yu Meng	35,368	13.7	5,150,565
Tia Tuan Sim	17,695	6.9	2,576,884
Total	258,304	100.0	37,616,250

The purchase consideration of RM35,825,000 was arrived at on a willing-buyer willing-seller basis after taking into consideration the adjusted consolidated NA of EMESB as at 31 December 2020 of RM35,825,009 as follows:

	RM
Audited consolidated NA as at 31 December 2020	35,761,494
Add: Acquisition of the entire equity interest in TWTSSB ⁽²⁾	63,515
Adjusted consolidated NA as at 31 December 2020	35,825,009

Notes:

- (1) Wong Yew Choo's equity interest in our Company will be diluted to 3.8% after the Acquisitions and after our IPO. He is not our Director and has never been involved in the operations of our Group. He is not a related party to our Group. He is a shareholder of Singapore-incorporated Lipico Technologies Pte Ltd ("**Lipico**"), in which he holds direct (2.3%) and indirect equity interests. His indirect shareholdings is held through his 44.3% equity interest in Cesium Holdings Pte Ltd which in turn holds 87.2% equity interest in Lipico. The principal activities of Lipico are among others process and industrial plant engineering design and consultancy services. Other than Wong Yew Choo being a common shareholder in our Company and Lipico, and Lipico being a customer of our Group up to year 2016, there is no other relationship between Lipico and our Group. Lipico has no transaction with our Group after the year 2016.

6. INFORMATION ON OUR GROUP (CONT'D)

- (2) EMESB had on 19 February 2021 acquired the entire equity interest of TWTSSB from Wong Choi Ong and Andy Tan Boon Kiong for a nominal purchase consideration of RM2 after taking into consideration the audited net liabilities of TWTSSB of RM65,929 as at 31 December 2019. In determining the purchase consideration of EMESB, the consolidated NA of EMESB as at 31 December 2020 was adjusted to take into consideration the audited NA of TWTSSB of RM63,515 as at 31 December 2020 which was only available in June 2021.

6.2 HISTORY OF OUR GROUP

We are a one-stop solution provider for the construction of palm oil mills and supporting facilities, and fabrication of equipment. The history of our Group can be traced back to the incorporation of Ecoscience Engineering Sdn Bhd in 2003 by Wong Choi Ong, our present Managing Director, and Tia Tuan Sim, our present Operational and Technical Director, and the commencement of operations in 2004. The company changed to its present company name of Ecoscience Manufacturing & Engineering Sdn Bhd in 2016.

In 2004, EMESB increased its paid-up share capital from RM2 to RM25,000 as Wong Choi Ong held 50.00% equity interest in the company, while Tia Tuan Sim, our present Operational and Technical Director and Goh Yu Meng, our present Head of Human Resources and Administration held 10.0% and 5.0% equity interests respectively. The remaining 35.0% equity interest was held by two non-executive shareholders, who later divested their entire equity interests in 2005 and 2006 to other investors in EMESB. Subsequently in 2005, EMESB increased its paid-up share capital to RM1.38 million, and the shareholders of EMESB included Wong Choi Ong (52.1%), Li Siok Go (the spouse of Pan Kum Wan, our present Executive Director) (11.6%), Tia Tuan Sim (3.6%), Goh Yu Meng (7.3%) and two other shareholders (25.4%). Since 2005, the company went through a few rounds of shareholders' restructuring, and Tia Tuan Sim ceased to be a direct shareholder of EMESB in January 2006 after he disposed of his entire equity interest in EMESB.

In 2009, one of our shareholders, Lim Siew Kuen (who first became a shareholder of EMESB on 11 January 2006) disposed some of his shares to Pan Kum Wan (16.0%) and Tham Yew Leong (9.0%) (who first became a shareholder of EMESB on 28 September 2009), while the remaining equity interests were held by Wong Choi Ong (34.0%), Lim Siew Kuen (9.0%), Bio IOI (M) Sdn Bhd (15.0%) (in which Wong Yew Choo holds 50% shares) and Exquisite Capitals Sdn Bhd (17.0%), (in which Tia Tuan Sim holds a direct equity interest of 6.9%). Bio IOI (M) Sdn Bhd is an investment holding company incorporated in Malaysia on 29 August 2006. Throughout the years, there were several changes in shareholders and shareholdings. Pursuant to the restructuring of the shareholdings of EMESB in 2018, Wong Choi Ong held 37.5%, Pan Kum Wan held 28.5% while other shareholders including Exquisite Capital Sdn Bhd, Lim Siew Kuen and Tham Yew Leong held 21.0%, 9.0% and 4.0% equity interests respectively. Wong Choi Ong has been a controlling shareholder in EMESB since the incorporation of EMESB until 2010, where his shareholdings fell to 32.0% following the disposal of shares in EMESB to Exquisite Capital Sdn Bhd which majority shareholders are our key senior management. In 2016, Wong Choi Ong increased his shareholding to 39.5% and continues to be the controlling shareholder upon the Listing.

The historical milestones of our business are as follows:

- (i) **Inception of our business as subcontractor for design, fabrication, installation, testing and commissioning and subsequently as a main contractor**

Year 2004

We commenced operations in 2004 and our first project was in the fabrication and installation of structural works at a palm oil mill. This was for the Kekayaan palm oil mill in Paloh, Johor, owned by a subsidiary of KLK Group. In the early years following our inception, we operated from our rented premises in Kawasan MIEL, Bandar Baru Seri Alam in Masai, Johor. We would fabricate the steel structures in our fabrication facility before they were installed at project sites.

6. INFORMATION ON OUR GROUP (CONT'D)Year 2005

In 2005, we continued to work as a subcontractor for the design, fabrication, installation, testing and commissioning of a steriliser station. A steriliser station involves an integrated series of equipment as part of a palm oil milling line where oil palm fresh fruit bunches are cooked under steam pressure. This was for part of the newly constructed Merotai palm oil mill in Tawau, Sabah, owned by Golden Hope Plantations (Sabah) Sdn Bhd.

As part of our expansion plans, we purchased a three-acre piece of land in Pasir Gudang, Johor in 2005, where we constructed our present head office and fabrication facility with a total gross floor area of 112,644 sq ft. The construction of the fabrication facility and office administration building was completed and we relocated our operations to this new premises in May 2006.

Years 2006 to 2007

In 2006, we achieved a milestone when we secured our first project as a main contractor directly from a palm oil mill owner, which was for the design and fabrication of the front-end handling system for a steriliser station. This was installed in the Lambir palm oil mill in Miri, Sarawak owned by Sarawak Oil Palms Berhad. Our design was based on a continuous, modular and compact system with hydraulic and automation systems. In the same year of 2006, we secured additional contracts as a main contractor for the construction and fabrication of a palm oil refinery and kernel crushing plant and facilities. This was for KLK Group in Lahad Datu, Sabah. We implemented the project in 2 phases with the commencement of the first phase in November 2006 and completed in August 2008, while the second phase commenced in November 2006 and completed in December 2008.

In 2007, we secured a project comprising mechanical and electrical works, pumps, piping and firefighting system for a palm oil bulking facility in Kuantan Port, Pahang owned by Cargill Palm Products Sdn Bhd. This bulking facility is used to store crude and refined palm oil products. This project commenced in October 2007 and was completed in September 2008.

(ii) Expansion of our business in Malaysia and to other countries (Indonesia, Gabon and Liberia) including incorporation of our wholly-owned subsidiaries in Singapore and Malaysia

Year 2007

In the same year in 2007, we achieved a major milestone in our geographical expansion by securing our first project in a foreign country, Indonesia from KLK Group, an existing customer of our Group. This was to carry out mechanical works for the installation of machinery and piping as part of the construction of a biomass power plant for the Mandau palm oil mill for KLK Group in Riau, Indonesia. This project commenced in May 2007 and was completed in July 2009.

Year 2008

In 2008, we registered with DOSH as a manufacturer of unfired pressure vessels. We also incorporated ETSB, our wholly-owned subsidiary in Malaysia as a company involved in the fabrication and supply of energy and environmental related equipment. The company commenced business in 2008 when it secured a purchase order for the supply of a dust filtration system.

Year 2014

In 2014, we achieved another major milestone by expanding our market coverage to Gabon, a country on the west coast of Africa. Since our first project in 2014, Gabon has become a major revenue contributor for our Group during the Financial Years Under Review up to the LPD.

6. INFORMATION ON OUR GROUP (CONT'D)

Our first turnkey contract in Gabon was awarded by a new customer, Olam Palm, a joint-venture company which was established between the Gabonese government and Olam International Limited. Olam International Limited has been succeeded by Olam Group Limited as the listed entity on 16 March 2022 on the Singapore Exchange (SGX) Mainboard. As at 31 May 2022, Olam International Limited is an indirect wholly-owned subsidiary of Olam Group Limited, which is 51.1%-owned by Temasek Holdings (Private) Limited. We were engaged for the civil, structural, mechanical, piping and electrical works for a palm oil mill and kernel crushing plant at their Awala plantation in Kango, Gabon. This project commenced in March 2014 and was completed in August 2015. As part of these constructions, we were also engaged to build supporting facilities including workers' quarters, operational buildings such as office, laboratory and storage facilities, and community amenities such as school and clubhouses.

Year 2015

Following our first project in Gabon, in 2015 we secured the following additional contracts for the construction of plants and facilities in the country:

- A contract from Olam Palm for the civil, structural, mechanical, piping, electrical and piling works for a palm oil mill at Mouila, a town in the southwestern part of Gabon;
- Two contracts from Olam Palm, one for the construction of 28 blocks (280 units) of workers' quarters at Mouila, and one for the construction of 12 blocks (120 units) of workers' quarters at Awala; and
- A contract from Olam Rubber, a joint-venture company which was established between the Gabonese government and Olam International Limited, for the construction of 10 blocks (100 units) of workers' quarters at Bitam.

During the same year in 2015, we continued to address business opportunities in Malaysia where we secured a contract for the design, supply, fabrication, testing and commissioning of a biogas plant at the Jeram Padang palm oil mill, Negeri Sembilan from KLK Group. The project commenced in April 2015 and was completed in February 2018.

Year 2016

In 2016, we further expanded our geographic reach when we secured three contracts from Libinc Oil Palm Inc (subsidiary of the KLK Group) for the fabrication and supply of mechanical, civil, structural and electrical equipment and related accessories for a palm oil mill complex in Liberia, a country on the west coast of Africa. We also secured one additional contract in Gabon in 2016, which was from Sotrader (a 49:51 joint-venture company, which was established between Olam International Limited and the Gabonese government) to construct 6 blocks (60 units) of workers' quarters at Ndende.

As part of our expansion plans, we incorporated AEPL, our wholly-owned subsidiary in Singapore in 2016. The company commenced business operations in the same year of 2016 and was involved in the construction of plants and facilities, and fabrication of equipment focusing on projects in foreign countries outside of Southeast Asia.

Year 2017

In 2017, we secured contracts from Olam Palm for the construction of facilities in Gabon, comprising one contract for a total of 75 blocks (750 units) of workers' quarters at Mouila, Mandji, and Moutassou (commenced in August 2017 and completed in December 2018), and another contract for 10 blocks (100 units) of workers' quarters at the Awala oil palm plantation (commenced in August 2017 and completed in September 2018). We also secured a contract from Olam Rubber to construct 35 blocks (350 units) of workers' quarters for the Bitam rubber plantation in Gabon, which commenced in August 2017 and was completed in January 2019.

6. INFORMATION ON OUR GROUP (CONT'D)

We also secured additional contracts from Libinc Oil Palm Inc (subsidiary of the KLK Group) related to the construction of the Palm Bay palm oil mill in Liberia, including kernel crushing plant, bulking tanks and biogas plant, which commenced in November 2017 and completed in August 2021.

In 2017, we incorporated TWTSSB, our wholly-owned subsidiary in Malaysia. The company commenced business in 2017 primarily in the supply of spare parts and construction materials, and provision of maintenance services to complement our existing business.

Years 2018 to 2020

In 2018 and 2019, we continued to secured additional contracts in Gabon from Olam Palm, Olam Rubber and Sotrader including the construction of facilities at Mouila, Awala, Bitam and Ndende as well as the construction of palm oil mill plants at Mouila, Makouke and Awala, and facilities at the Moutassou and Makouke.

(iii) Award of contracts by existing customer and new customer in other industry sectors and the expansion of our fabrication facilityYears 2020 to 2022

In 2020, as part of our expansion plans for our fabrication facility in Johor, we started the construction of an extension (27,125 sq ft) on a one-acre piece of land which we acquired in 2007. The CCC for the extension of additional structures was obtained on 9 September 2021.

Between 2020 and the LPD, we secured contracts in other industry sectors namely paperboard and packaging, glove, explosives and renewable energy generation:

- Contracts and orders related to the upgrading of GS Paperboard & Packaging Sdn Bhd's paper mill at Banting, Selangor, including the supply of piping materials, fabrication and installation of storage tanks and additional mechanical works, which were secured between April and November 2020. The fabrication and installation of additional mechanical works was completed in April 2021, while the supply of piping materials and fabrication and installation of storage tanks were completed in July 2021.
- Contracts as part of the development of the GoodGloves Industries Sdn Bhd glove manufacturing plant at Sendayan, Negeri Sembilan, including fabrication of stainless-steel tanks, piping works for glove manufacturing lines, and construction works for warehouse and other buildings, which were secured between December 2020 and December 2021, some of which are on-going as at the LPD.
- Contracts to refurbish an existing building and construct new buildings as part of the development of an explosives manufacturing facility in Bentong, Pahang, which were secured in July 2021. Some of the works are on-going as at the LPD.
- In April 2022, we secured a contract to develop a renewable energy power station in Bachok, Kelantan, which will be used for renewable energy generation. As at the LPD, work has not commenced on this project.

6. INFORMATION ON OUR GROUP (CONT'D)**6.3 KEY MILESTONES**

Since the commencement of our business, we have achieved the following key milestones:

Year	Key milestones
2003	• EMESB was incorporated in Malaysia.
2004	• EMESB commenced business operations when we were engaged as a subcontractor for the fabrication and installation of structural works at a palm oil mill in Paloh, Johor. • We set up our fabrication facility at rented premises in Masai, Johor.
2006	• We secured our first project as a main contractor directly from a palm oil mill owner. This was for the design and fabrication of the front-end handling system for a steriliser station for a palm oil mill in Miri, Sarawak. • We completed the construction of our current head office and fabrication facility at Pasir Gudang, Johor and relocated our operations to this new premises.
2007	• Achieved a major milestone in our geographical expansion when we secured our first foreign country project in Indonesia. This was to carry out mechanical works for the installation of machinery and piping as part of the construction of a biomass power plant for a palm oil mill at Riau, Indonesia.
2008	• We registered with DOSH as a manufacturer of unfired pressure vessels, and we started to fabricate pressure vessels, including sterilisers. • ETSB was incorporated in Malaysia as a company involved in the fabrication and supply of energy and environmental related equipment. The company commenced business in the same year in 2008 when it secured a purchase order for the supply of a dust filtration system.
2014	• We achieved a major milestone by expanding our market coverage to Gabon, Africa. Gabon has become a major revenue contributor to our Group during the Financial Years Under Review up to the LPD. • Our first turnkey project in Gabon where we secured a contract for civil, structural, mechanical, piping and electrical works for a palm oil mill and kernel crushing plant at the Awala plantation in Kango, Gabon. We were also engaged to build supporting facilities, such as workers quarters, operational buildings and community amenities.
2015	• We secured four additional contracts in Gabon, comprising one contract for the civil, structural, mechanical, piping, electrical and piling works for a palm oil mill at Mouila and three contracts for the construction of workers' quarters at Mouila, Awala and Bitam.
2016	• We further expanded our geographic reach to Liberia, Africa when we secured three contracts for the fabrication and supply of mechanical, civil, structural and electrical equipment and related accessories of a palm oil mill complex. • AEPL was incorporated in Singapore, and commenced business in the construction of plants and facilities, and fabrication of equipment focusing on projects in foreign countries outside of Southeast Asia.

6. INFORMATION ON OUR GROUP (CONT'D)

Year	Key milestones
2017	TWTSSB was incorporated in Malaysia, and commenced business in the same year supplying spare parts and construction materials, and provision of maintenance services to complement our existing business.
2018	We secured additional contracts in Gabon, including construction of facilities in Mouila, Awala, Bitam and Ndende.
2019	We secured contracts in Gabon, including the construction of the Mouila Lot 3 palm oil mill facility, workers' quarters at the Moutassou Mill and Makouke Mill, a biogas plant as part of the Awala palm oil mill, and a kernel crushing plant for the Makouke palm oil mill at Mouila.
2020	- We expanded our coverage to other industry sectors when we secured contracts for the supply piping materials and fabrication and installation of storage tanks and additional mechanical works for a paperboard and packaging mill at Banting, Selangor. - In addition, we secured contracts related to the fabrication of stainless steel tanks for a new glove manufacturing plant at Sendayan, Negeri Sembilan.
2021	- We secured a contract to refurbish an existing building and construct new buildings for the development of an explosives manufacturing plant in Bentong, Pahang in July 2021. - We constructed an extension to our fabrication facility in Johor and the CCC for the extension of additional structures was obtained on 9 September 2021. - We continued to secure additional scope of works for the new glove manufacturing plant at Sendayan relating to, among others, civil and steel structural works for warehouse, office, electrical sub-stations and piping works for glove manufacturing lines.
2022	We secured a contract for civil, structural, installation, testing and commissioning works for the construction of a renewable energy power station in Bachok, Kelantan in April 2022.

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6. INFORMATION ON OUR GROUP (CONT'D)**6.4 INFORMATION ON OUR SUBSIDIARIES**

As at the LPD, the details of our subsidiaries are as follows:

Name and registration no.	Date and place of incorporation	Principal place of business	Issued share capital	Effective equity interest (%)	Principal activities
AEPL (201601045G)	15 January 2016/ Singapore	Singapore	SGD200,000	100.0	Construction of plants and facilities, and fabrication of equipment
EMESB (200301032285 (634706-W))	18 November 2003/ Malaysia	Malaysia	RM5,750,000	100.0	Construction of plants and facilities, fabrication of equipment, and supply of materials and equipment
<u>Subsidiaries of EMESB</u>					
ETSB (200801008771 (810058-V))	17 March 2008/ Malaysia	Malaysia	RM2,000,000	100.0	Fabrication and supply of energy and environmental related equipment
TWTSSB (201701028723 (1242892-A))	14 August 2017/ Malaysia	Malaysia	RM2	100.0	Supply of spare parts and construction materials, and provision of maintenance services ⁽¹⁾

Note:

(1) As TWTSSB does not have subsisting contracts, it is dormant as at LPD.

We do not have any material joint venture or associated company.

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6. INFORMATION ON OUR GROUP (CONT'D)**6.5 MATERIAL INVESTMENTS AND DIVESTITURES**

Save as disclosed below, we do not have any other material investments and divestitures for the Financial Years Under Review and up to the LPD:

	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	1 January 2022 up to the LPD (RM'000)
Investments cost					
Freehold land and building ⁽¹⁾	2,927	-	-	-	-
Plant and machinery ⁽²⁾	505	288	422	1,076	225
Life insurance policies ⁽³⁾	-	2,181	-	-	-
Total	3,432	2,469	422	1,076	225

Notes:

- (1) Represents the purchase of a piece of freehold land with a semi-detached factory erected thereon by ETSB from Eco Business Park 1 Development Sdn Bhd. Further details of the freehold land and semi-detached factory are set out in Section 7.19.1 of this Prospectus.
- (2) Comprising machinery and equipment which were used for our day-to-day operations.
- (3) Represents life insurance and key man insurance policies taken to insure the managing director of EMESB, Wong Choi Ong, which are part of the security arrangement of one of the financial institutions in granting banking facilities to our Group. EMESB, as the beneficiary, will be receiving the payout of the investment upon the maturity of the insurance. The investments have maturity periods ranging from 1 to 5 years. Although the said financial institution has granted consent to the change of shareholding in EMESB and a conditional consent to the release of personal guarantees provided by Wong Choi Ong and Pan Kum Wan, the life insurance and key man insurance policies remain as part of the security arrangement for the granting of various banking facilities from the said financial institution, which include term loans, trade financing, overdraft facility and performance guarantees.

The material investments above were mainly financed via a combination of internally generated funds and bank borrowings. We did not have any material divestment during the Financial Years Under Review and up to the LPD.

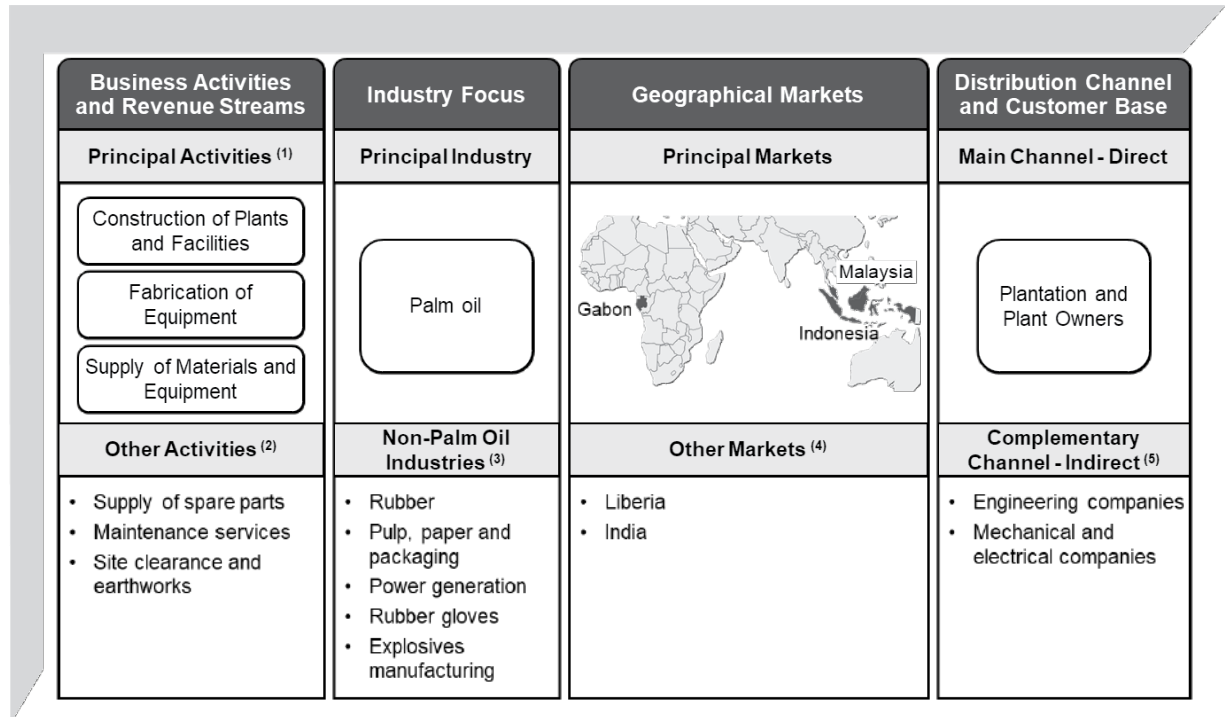
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7. BUSINESS OVERVIEW

7.1 OVERVIEW OF OUR BUSINESS

7.1.1 Our Business Model

Our business model is depicted in the following diagram:



Notes:

- (1) Construction of plants and facilities, fabrication of equipment and supply of materials and equipment contributed 77.8%, 11.7% and 8.5%, respectively to our total revenue for the FYE 2020. As for the FYE 2021, construction of plants and facilities, fabrication of equipment and supply of materials and equipment contributed 56.3%, 21.6% and 21.0% of our total revenue respectively. For further information on the revenue contribution by business activities, kindly refer to Section 7.1.2 of this Prospectus.
- (2) Other activities accounted for 2.0% and 1.1% of our total revenue for the FYE 2020 and FYE 2021 respectively.
- (3) Non-palm oil industries accounted for 13.1% and 28.9% of our total revenue for the FYE 2020 and FYE 2021 respectively.
- (4) Liberia accounted for 0.5% and 0.3% of our total revenue for the FYE 2020 and FYE 2021 respectively. India accounted for 1.1% of our total revenue for the FYE 2019 and no revenue was recorded from this country for the FYE 2020 and FYE 2021.
- (5) Indirect channel accounted for 9.6% and 23.4% of our total revenue for the FYE 2020 and FYE 2021 respectively.

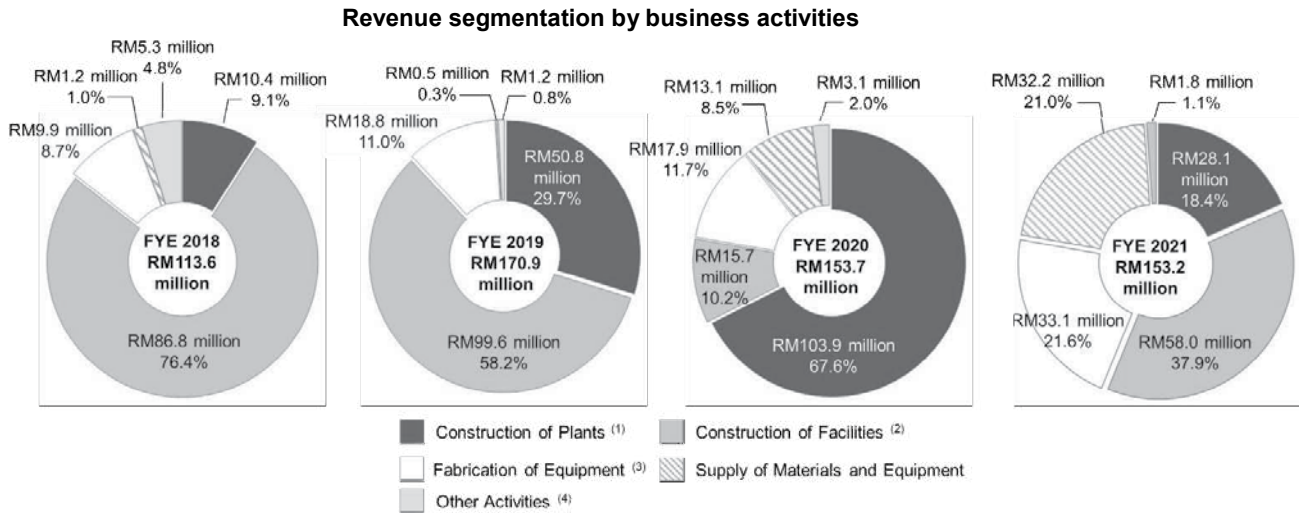
7.1.2 Business Activities and Revenue Streams

We are a one-stop solution provider for the construction of palm oil mills and supporting facilities, and fabrication of equipment.

Our core activities are in the construction of plants, which are mainly palm oil mills and facilities supported by our in-house fabrication of equipment. Other complementary activities include supply of materials and equipment, spare parts and provision of maintenance services.

7. BUSINESS OVERVIEW (CONT'D)

Our revenue segmentation by business activities are as follows:



Notes:

- (1) Includes construction of new plants and upgrading of existing plants (including buildings and equipment).
- (2) Includes construction of facilities such as workers' quarters, operational buildings, amenities and infrastructure.
- (3) Includes fabrication of standalone equipment.
- (4) Includes supply of spare parts and provision of civil works and maintenance services.

(i) Construction of plants and facilities

(a) Construction of plants

For the FYE 2018, FYE 2019, FYE 2020 and FYE 2021, construction of plants accounted for RM10.4 million (9.1%), RM50.8 million (29.7%), RM103.9 million (67.6%) and RM28.1 million (18.4%) of our total revenue respectively.

We carry out construction of entire plants such as palm oil mills, palm oil refineries, and biodiesel, biogas and power generation plants. This business segment also includes plant upgrade and expansion works. We work based on designs and specifications provided by our customers.

We are a turnkey contractor for the construction of plants and facilities, where we are responsible for project planning, supervision and management, constructing the buildings, fabricating the plant equipment and structures, and installation, testing and commissioning. We also engage subcontractors to perform certain works under our control, supervision and management. For further information on the works carried out by subcontractors, please refer to Section 7.3.1.1 (k) in this Prospectus.

Most of the equipment and steel structures for the plants are fabricated at our fabrication facility in Pasir Gudang, Johor and we ship them to the various sites in Malaysia, Gabon and other foreign countries. We only fabricate static equipment which consists of equipment without moving parts used in processing and manufacturing operations. Meanwhile we will purchase rotating equipment such as motors, engines, hoists and pumps and integrate them with our static equipment to complete the entire plant.

7. BUSINESS OVERVIEW (CONT'D)

For the Financial Years Under Review, our customers were mainly owners of oil palm plantations and palm oil mills. For the Financial Years Under Review, our projects were mainly in Gabon, Malaysia, Indonesia and Liberia. For further information on the description of the completed and on-going projects, customers and duration of the projects for the construction of plants, please refer to Section 7.3.1.1 (m) and (n) of this Prospectus.

(b) Construction of facilities

For the FYE 2018, FYE 2019, FYE 2020 and FYE 2021, construction of facilities accounted for RM86.8 million (76.4%), RM99.6 million (58.2%), RM15.6 million (10.2%) and RM58.0 million (37.9%) of our total revenue respectively.

The types of facilities we construct included palm oil mill and plantation, and rubber plantation facilities such as workers' quarters, operational buildings such as offices, laboratories and storage areas, community amenities such as schools, clinics and clubhouses, irrigation system, and infrastructure such as power distribution systems, as well as facilities for other industries such as buildings for rubber glove manufacturing plants, explosives manufacturing facilities and renewable energy power station. We work from designs and specifications provided by our customers.

We are a turnkey contractor for the construction of facilities, where we are responsible for project planning, supervision and management, constructing the buildings, and inspection and handover of the project. We also engage subcontractors to perform certain works under our control, supervision and management.

For the Financial Years Under Review, our customers were mainly owners of or contractors for oil palm and rubber plantations, palm oil mills, and other facilities such as glove and explosives manufacturing facilities, and renewable energy power station. For the Financial Years Under Review, our projects were mainly in Gabon and Malaysia. For further information on the description of the completed and on-going projects, customers and duration of the projects for the construction of facilities, please refer to Section 7.3.1.2 (j) and (k) of this Prospectus.

(ii) Fabrication of equipment

For the Financial Years Under Review, the fabrication of equipment contributed RM9.9 million (8.7%), RM18.8 million (11.0%), RM17.9 million (11.7%) and RM 33.1 million (21.6%) of our total revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. The revenue from this segment is for standalone equipment and does not include revenue from equipment for the construction of plants. For FYE 2018, FYE 2019, FYE 2020 and FYE 2021, all of our revenue from the fabrication of equipment was based on fixed lump sum or fixed lump sum plus scheduled rates modes of operation. While we started to lease some non-chemical water treatment equipment to some of our customers during FYE 2020 under a trial period, we did not recognise any revenue from these customers. We started to recognise revenue from the leasing of non-chemical water treatment equipment commencing from FYE 2021 amounting to approximately RM12,000 for that financial year.

The equipment that we fabricate are commonly for existing mills that require replacement or upgrading of some of their palm oil mill equipment. As we fabricate most of the static equipment for the palm oil mill, we are able to meet most, if not all of our customer's requirements. We have the capabilities to design palm oil milling equipment, and in some cases our customers provide the designs and specifications for us to fabricate. We also fabricate and supply energy and environmental related equipment such as heat recovery equipment and non-chemical water treatment equipment.

7. BUSINESS OVERVIEW (CONT'D)

For the Financial Years Under Review, our customers were mainly owners of oil palm plantations, palm oil mills, paperboard and packaging, and glove and other manufacturing facilities, engineering consultants and M&E contractors. For the Financial Years Under Review, our projects were mainly in Gabon, Malaysia, and Indonesia. For further information on the description of the completed and on-going projects, customers and duration of the projects for the fabrication of equipment, please refer to Section 7.3.2 (d) and (e) of this Prospectus.

(iii) Supply of materials and equipment

For the Financial Years Under Review, the supply of materials and equipment contributed RM1.2 million (1.0%), RM0.5 million (0.3%), RM13.1 million (8.5%) and RM32.2 million (21.0%) of our total revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. The materials that we supplied included construction materials and piping materials were as follows:

- Piping materials such as pipes, flanges and connectors for piping works;
- Heavy construction equipment, comprising the sale of new and used excavators, tractors and backhoe loaders; and
- Construction materials such as spun piles, gravel, sand and bricks.

For the Financial Years Under Review, our customers were mainly contractors as well as owners and operators of oil palm plantations and palm oil mills. For the Financial Years Under Review, our customers were mainly in Gabon, Malaysia and Indonesia. As the supply of materials and equipment are mainly based on purchase orders, the duration of the said activities is not applicable.

During the Financial Years Under Review and up to the LPD, we did not supply any other types of materials and equipment, save for the piping materials, heavy construction equipment, construction materials and spun piles as listed above. We sourced these piping materials, heavy construction equipment, construction materials and spun piles from third party suppliers.

(iv) Other activities

Revenue contribution from other activities amounted to RM5.3 million (4.8%), RM1.2 million (0.8%), RM3.1 million (2.0%) and RM1.8 million (1.1%) of our total revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. Our other activities during the Financial Years Under Review are mainly focused on supporting our customers including, supplying spare parts and providing maintenance services. We also carried out civil works.

Our other activities included the following:

- Supplying spare parts for palm oil milling machinery. We would supply the spare parts for the machinery and equipment that we fabricated in-house. As for the spare parts for the machinery and equipment that were manufactured externally, we would source these parts from the respective external manufacturers;
- Providing maintenance services for plants and facilities; and
- Site clearing and earthworks for the construction of a biomass power plant in Kluang, Johor, where we engaged a subcontractor to carry out the work.

For the Financial Years Under Review, our customers were mainly owners and operators of oil palm plantations, palm oil mills, power generation and other plants. For the Financial Years Under Review, our customers were mainly in Gabon, Malaysia, Indonesia and Liberia.

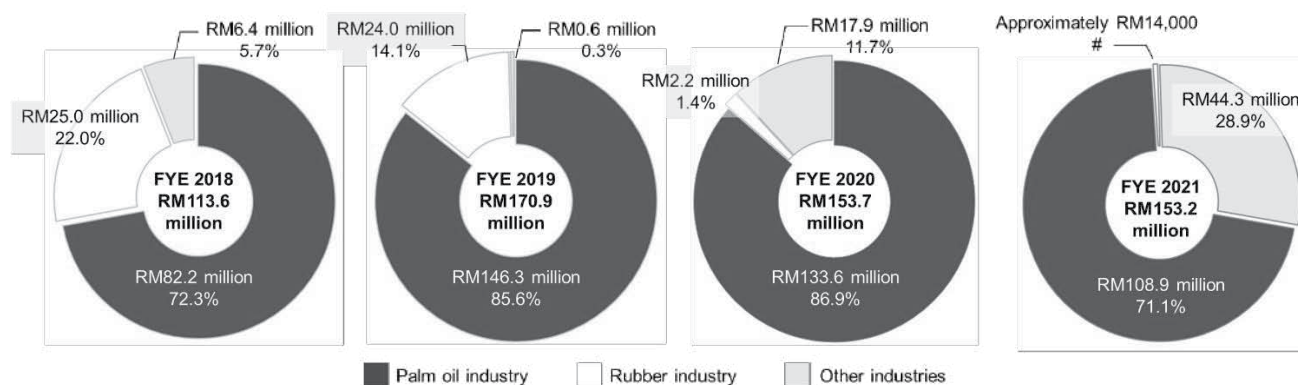
As our other activities are mainly based on purchase orders, save for site clearing and earthworks, the duration of our said activities are not applicable. For further information on the description of the site clearing and earthworks, its customers and duration of the project, please refer to Section 7.3.4 of this Prospectus.

Please refer to Section 7.3 of this Prospectus for details of our business activities.

7. BUSINESS OVERVIEW (CONT'D)

7.1.3 Industry Focus

Our business is focused on the palm oil industry and it represented the majority of our revenue for the Financial Years Under Review as indicated below:



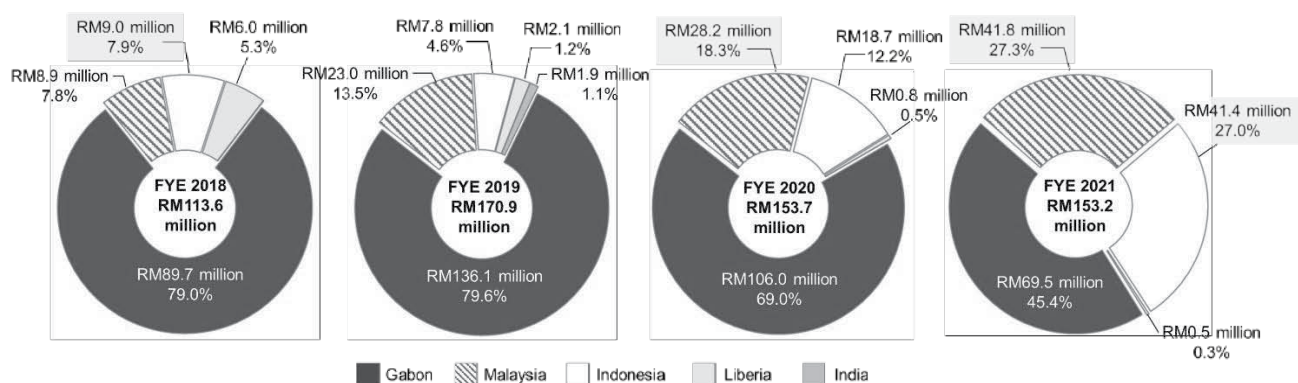
Note:

Less than 0.1%.

Revenue derived from the palm oil industry covers all aspects of our business, while revenue derived from the rubber industry is mainly for construction of facilities. Revenue derived from other industries are mainly for the fabrication of equipment, construction of plants and facilities, and supplying construction materials, construction equipment, spare parts and provision of maintenance services.

7.1.4 Geographical Markets

Our revenue segmentation by geographic markets during the Financial Years Under Review are set out below:



Our principal markets for the Financial Years Under Review were Gabon, Malaysia and Indonesia. Our presence in Liberia was established in 2016 when we secured three contracts from Libinc Oil Palm Inc (subsidiary of the KLK Group).

Gabon was our largest market which accounted for RM89.7 million (79.0%), RM136.1 million (79.6%), RM106.0 million (69.0%) and RM69.5 million (45.4%) of our revenue for FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. Olam Group was the main contributor of the revenue derived from Gabon. Revenue contribution from Olam Group accounted for more than 99% of our revenue from Gabon for the FYE 2018, FYE 2019 and FYE 2020, and 84.0% for the FYE 2021 while Palm Tech Engineering Construction contributed approximately 1.0% and 16.0% to the Group's revenue from Gabon for the FYE 2020 and FYE 2021, respectively. Palm Tech Engineering Construction is located in Gabon where our Group supplies heavy construction equipment to the company.

7. BUSINESS OVERVIEW (CONT'D)

This is followed by Malaysia, which accounted for RM8.9 million (7.8%), RM23.0 million (13.5%), RM28.2 million (18.3%) and RM41.8 million (27.3%) of our revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively, while Indonesia accounted for RM9.0 million (7.9%), RM7.8 million (4.6%), RM18.7 million (12.2%) and RM41.4 million (27.0%) of our revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. Liberia accounted for RM6.0 million (5.3%), RM2.1 million (1.2%), RM0.8 million (0.5%) and RM0.5 million (0.3%) of our total revenue for FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. India accounted for 1.1% of our revenue for FYE 2019, and no revenue from India was recorded for the FYE 2018, FYE 2020 and FYE 2021.

We do not have a physical presence or business entity in Gabon, Indonesia, Liberia and India. We implement our projects in these countries based on the following arrangements:

- (i) As at LPD, we have 18 employees in Gabon managing and supervising our projects in Gabon. We work with contract workers as well as subcontractors in Gabon under our direct control, supervision and management.
- (ii) We do not have employees stationed in Indonesia as at the LPD as the projects are remotely managed by our team in Johor. The construction works are carried out by external parties that are engaged by the customer, including the following:
 - Construction of the buildings, including earthworks, foundation and civil work; civil building and infrastructure; and
 - Plant construction, including piping works, electrical and installation.

The equipment that we fabricate at our fabrication facility in Pasir Gudang, Johor are delivered to the customer's worksites to Indonesia where they are installed by external parties.

Prior to the COVID-19 pandemic, our project engineers would conduct regular site visits to assess the situation at the worksites as part of our remote management process. During the COVID-19 pandemic, we are unable to conduct these regular site visits. The external parties engaged to carry out the construction and installation works would provide us with a monthly report to facilitate our remote management process. We communicate with these external parties via electronic means to check on the progress of the work and address any queries that they may have.

- (iii) We do not have employees stationed in Liberia as the project has been completed, save for the commissioning of the biogas plant, which does not require our employees or contract workers. For the Financial Years Under Review, we engaged subcontractors to carry out the works in Liberia under our direct control, supervision and management and these were managed remotely by our team in Johor.
- (iv) We do not have employees stationed in India as the project was a one-off project to supply equipment fabricated in Malaysia which has been completed. We do not require any licences or permits to supply fabricated equipment to India.

7. BUSINESS OVERVIEW (CONT'D)

7.1.4.1 Regulatory requirements and environmental issue

Our Group does not have any subsidiary which is operating our business in Gabon, Indonesia and Liberia.

With regards to our operations in Gabon, our Group subcontracts the works awarded by Olam Group to our Gabonese subcontractors. The work permits for our employees, contract workers and subcontractors in Gabon are procured by the project owner, Olam Group on our behalf. The projects and environmental related approvals such as administrative authorisation and environmental impact assessment are required to be obtained by the owner of the projects, i.e. Olam Group, instead of our Group. In addition, Gabon's construction industry practice does not specifically require our Group to have any prerequisite qualifications.

Our nature of works in Indonesia and Liberia involves the supply and delivery and coordination of the testing and commissioning of the plants, including machinery, equipment and related accessories. We are not involved in and have not carried out any construction works and/or installation of equipment in Indonesia and/or Liberia which are normally directly awarded by the project owners to their respective contractors. As such, the project-related approvals are typically obtained by the relevant project owners and we do not require any project permits from the respective country save for work permits for our employees who are sent to the sites to supervise and/or manage the projects, where required, which are procured by the project owners.

7.1.5 Distribution channels and customer base

We adopt both direct and indirect distribution channel strategy:

- Direct distribution channels where we secure contracts or purchase orders directly from owners of oil palm and rubber plantations, palm oil mills and other manufacturing plants, and other businesses.
- Indirect distribution channels where we secure contracts or purchase orders from intermediaries including engineering consultants or mechanical and electrical (M&E) contractors and other contractors. In these situations, we are a subcontractor to the engineering consultants or M&E contractors.

The revenue contribution from our direct and indirect distribution channels for the Financial Years Under Review are as follows:

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Direct distribution channel ⁽¹⁾	106,658	93.9	167,470	98.0	138,995	90.4	117,324	76.6
Indirect distribution channel ⁽²⁾	6,969	6.1	3,458	2.0	14,698	9.6	35,839	23.4
Total Revenue	113,627	100.0	170,928	100.0	153,693	100.0	153,163	100.0

Notes:

- (1) Owners of oil palm and rubber plantations, palm oil mills and other manufacturing plants, and other businesses.
 (2) Includes engineering consultants, M&E contractors and other contractors.

7. BUSINESS OVERVIEW (CONT'D)

7.2 COMPETITIVE STRENGTHS

7.2.1 We provide a one-stop solution for the construction of plants and facilities for palm oil mills and plantations

We are positioned to provide a one-stop solution for the construction of plants and supporting facilities for palm oil mills and plantations. Our core competencies are in procurement, construction and commissioning of palm oil mills and facilities. These facilities are in support of the operations of plantations and mills that include workers' quarters, operational buildings such as offices, laboratories and warehouses, community amenities such as schools, clinics and clubhouses, irrigation system and infrastructure such as power distribution network. Our construction of palm oil mills is supported by our fabrication capabilities for palm oil milling equipment including threshers, vertical clarifiers, pressure vessels, sterilisers, and storage tanks, as well as other equipment including those for palm oil refineries, biogas plants and biodiesel plants.

Our one-stop solution provides convenience to customers as they would only need to deal with one turnkey contractor for the construction of palm oil mills and facilities.

7.2.2 We have key supporting activities including design and fabrication of palm oil milling equipment

We have the in-house capabilities to fabricate some of the main palm oil milling equipment when we are constructing palm oil mills. This enables us to control one of the cost components and timing of delivery for some of the main palm oil milling equipment. By fabricating some of the palm oil milling equipment in-house, we are able to provide customised solutions based on the customers' specifications and requirements.

With our technical knowledge and hands-on experience in fabricating palm oil milling equipment, we are able to continuously improve the performance of the equipment in terms of key performance measures such as oil extraction rate, energy efficiency, reduction in manpower usage, and improve reliability and durability of equipment. We engage third party engineers or consultants to develop designs for palm oil milling equipment from time to time, which are then modified and improved on by our in-house engineering department.

7.2.3 We have an established track record of approximately 18 years which serves as the platform for continuing business sustainability and growth

We have built an established track record of approximately 18 years in providing construction and fabrication solutions for plants, facilities and equipment in Malaysia and foreign countries including Indonesia, Gabon, Liberia and India since we started our business operations in 2004. Since we commenced business, we have completed the construction of palm oil mills, palm oil refineries, biodiesel plants, biomass plant, and biogas plants, as well as upgraded palm oil mills. In addition, we have constructed facilities including workers' quarters, laboratory and office buildings, school, clubhouse, police station, power distribution networks and irrigation system, and a warehouse in Gabon.

Our established track record in construction and fabrication works in Malaysia as well as foreign countries will serve as a reference site and platform for us to grow our business.

7. BUSINESS OVERVIEW (CONT'D)

7.2.4 Our top customers are owners of oil palm plantations and palm oil mills, other manufacturing plants and other businesses with operations in Malaysia and foreign countries to provide us with business growth opportunities as they expand their business

For FYE 2020 and FYE 2021, 88.2% and 67.1% respectively of our total revenue were derived from contracts secured directly with owners of oil palm plantations and palm oil mills, other manufacturing plants and other businesses. This enables us to work directly with owners to better meet their requirements and cultivate customer loyalty with the aim of generating future business opportunities as they expand their businesses.

Our customers continue to invite us to tender for projects as they expand their business operations in foreign countries. This includes, among others, our major customer, Olam Group whom we have been dealing with since 2014 on the construction of plant and facilities in Gabon. In addition, the KLK Group has been our customer since 2006, and they have invited us to tender for projects in Malaysia, Indonesia and Liberia.

7.2.5 We serve customers in multiple countries which provides us with business growth and opportunities

For the Financial Years Under Review, we have successfully completed projects for domestic customers as well as customers in foreign countries including Gabon, Indonesia, Liberia and India. Our track record of operating in these countries increases our addressable potential markets to grow our business.

Malaysia and Indonesia are the world's top two producers of palm oil. Their continuing growth, especially Indonesia will provide us with opportunities to grow our business. While the palm oil industry in Malaysia and Indonesia are established, commercial oil palm cultivation is less established in Gabon, and therefore this present growth opportunities. In 2018, the agriculture area for the plantation of palm oil reached 32,000 hectares in Gabon based on the latest available information (*Source: IMR Report*).

This is in contrast to Malaysia where oil palm planted area amounted to 5.7 million hectares in 2021. As at the end of 2021, production of CPO and CPKO in Malaysia amounted to 18.1 and 2.0 million tonnes respectively. Furthermore, as at the end of 2021 there were 451 palm oil mills and 49 palm oil refineries operating in Malaysia. (*Source: IMR Report*)

Servicing customers in established and growing palm oil industries provide us with the platform for business sustainability and growth.

7.2.6 We have an experienced management team to sustain and expand our business

We are led by an experienced management team headed by our Managing Director, Wong Choi Ong who has approximately 28 years of experience in the construction of palm oil mills and facilities, and fabrication of palm oil milling equipment. He is supported by our Executive Director, Pan Kum Wan who has approximately 24 years of experience related to palm oil refinery operations, and approximately 21 years of experience in the construction of palm oil mills and facilities, and fabrication of palm oil milling equipment.

7. BUSINESS OVERVIEW (CONT'D)

Our other directors and technical key senior management also bring with them extensive experience including the following:

- Tia Tuan Sim, our Operational and Technical Director, has approximately 21 years of experience in the construction of palm oil mills and facilities, and fabrication of palm oil milling equipment;
- Andy Tan Boon Kiong, our Project Director in Gabon, has approximately 20 years of experience in the palm oil industry, and approximately 9 years of experience in the construction of palm oil mills and facilities, and fabrication of palm oil milling equipment;
- Thing Jin Suan, our Business Development Director, has approximately 17 years of experience in sales and marketing related to the palm oil industry.

We believe that our experienced management team will provide the platform to assist us to optimise on growth opportunities in Malaysia as well as in foreign markets. In order to retain our management team and attract new skilled personnel to mitigate over dependency on our key senior management, we have put in place a management succession plan as set out in Section 5.8 of this Prospectus.

7.3 BUSINESS ACTIVITIES, PRODUCTS AND SERVICES

We position ourselves as an integrated service provider for the palm oil milling industry where we provide:

- Construction of plants and facilities;
- Fabrication of equipment;
- Supply of materials and equipment; and
- Other activities.

Some of our plant and equipment projects



Top Left to Right: Palm oil mill; Refinery and fractionation plant; Kernel crushing plant.

Bottom Left to Right: Tank farm and bulking installation; Oleo-chemical plant; Biogas plant

7. BUSINESS OVERVIEW (CONT'D)

7.3.1 Construction of plants and facilities

The construction of plants and facilities was our largest revenue contributor which contributed RM97.2 million (85.5%), RM150.4 million (87.9%), RM119.5 million (77.8%) and RM86.1 million (56.3%) of our total revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively.

7.3.1.1 Construction of plants

For the Financial Years Under Review, revenue from the construction of plants amounted to RM10.4 million (9.1%), RM50.8 million (29.7%), RM103.9 million (67.6%) and RM28.1 million (18.4%) of our total revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively.

Our construction of plants mainly involves palm oil mills, while other palm oil related plants carry out supporting roles such as kernel crushing plants, palm oil refineries and biogas plants (that are part of a palm oil mill or palm oil refinery). The segmentation of our revenue between palm oil mills and other palm oil related plants is summarised in the following table:

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%*	RM'000	%*	RM'000	%*	RM'000	%*
Construction of plants	10,369	9.1	50,832	29.7	103,877	67.6	28,145	18.4
<i>Palm oil mills</i>	6,709	5.9	40,340	23.6	87,923	57.2	23,483	15.3
<i>Other palm oil related plants</i> ⁽¹⁾	3,660	3.2	10,492	6.1	15,954	10.4	4,662	3.1

Notes:

* Percentage of our total revenue for the respective FYE.

(1) Including kernel crushing plants, palm oil refineries and biogas plants.

(a) Overview

A palm oil mill is a plant that processes FFB from oil palm trees to extract CPO and in some cases CPKO on a commercial scale. They are built within or close to oil palm plantations so that FFB can be processed as quickly as possible after harvesting, as the quality of palm oil will progressively deteriorate if processing is delayed.

Our construction of plants business segment includes construction of the entire plant, as well as upgrading works on existing plants. We are engaged as the turnkey contractor responsible for procuring the materials required, and carrying out the construction work up to testing and commissioning.

We have in-house facilities and capabilities to fabricate palm oil milling equipment and steel structures. In addition, we have the capability to carry out all the construction works to build a palm oil mill, including earthworks, civil works, steel structural works, mechanical and electrical works, and installing palm oil milling equipment. As a turnkey contractor, we are responsible for the total project where we use a combination of our in-house resources and contract workers to carry out the works as well as engage subcontractors to carry out some parts of the works under our direct control, supervision and management.

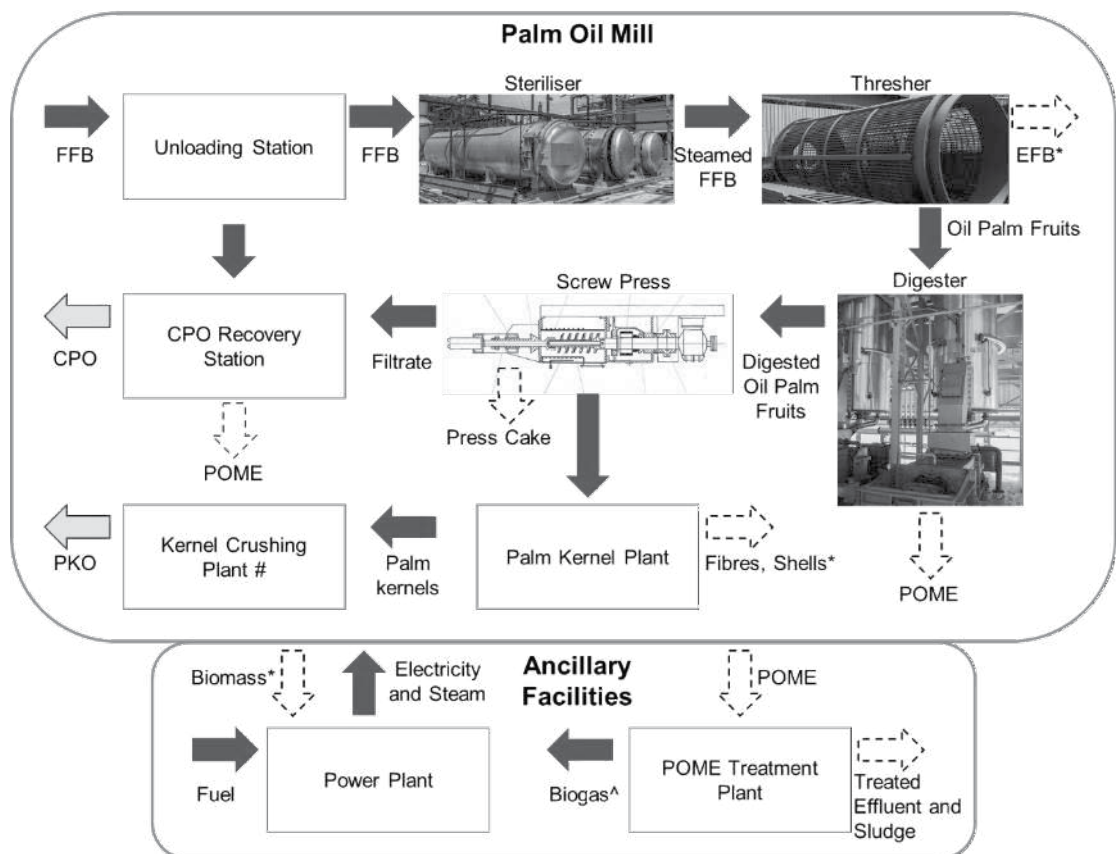
7. BUSINESS OVERVIEW (CONT'D)

(b) Palm Oil Mill

The palm oil mill we constructed at Mouila Plantation in Gabon



The following diagram provides an overview of the typical palm oil mill that we construct, with a representation of the palm oil milling processes and the main types of palm oil milling equipment that are typically installed at a palm oil mill:



FFB = Fresh fruit bunches; EFB = Empty fruit bunches; CPO = Crude palm oil; PKO = Palm kernel oil;

POME = Palm oil mill effluent; * EFB, fibres and shells are biomass that are burned as fuel in biomass boilers;

^Only in POME treatment plants that includes biogas generators; # Some mills have on-site kernel crushing plant

➡ Input materials

➡ Output finished product

⋯ By-products/Waste.

7. BUSINESS OVERVIEW (CONT'D)

The main equipment that we fabricate are summarised in the table below. These types of equipment are then integrated with other machinery to become an operational palm oil mill. However, not all palm oil mills will have all the equipment mentioned below. We can fabricate most of the equipment in a palm oil mill, except for digesters, screw presses, ripple mills, palm kernel expellers, filter presses, EFB presses and EFB shredders, as well as boilers and steam turbine generators, which we purchase directly from suppliers or are provided by the customer.

Equipment	Source
Unloading station	Normally fabricate in-house
Steriliser	Normally fabricate in-house
Thresher	Normally fabricate in-house
Digester	Do not fabricate in-house
Screw press	Do not fabricate in-house
CPO recovery station	Normally fabricate in-house
Palm kernel plant	Normally fabricate in-house, except for ripple mills
Kernel crushing plant	Normally fabricate in-house, except for palm kernel expellers and filter presses
EFB processing station	Do not fabricate in-house
Biogas plant	Normally fabricate in-house, except for boilers and steam turbine generators
Bulking installation	Normally fabricate in-house, except for pumps
Palm oil mill power plant	Normally fabricate in-house, except for biomass boilers and steam turbine generators

The equipment that we fabricate are referred to as process equipment which are static equipment with no moving parts in the equipment. However, we are able to integrate rotating equipment such as engines, motors, hoists, pumps and generators with our static equipment including piping systems and structures to form the complete palm oil mill.

(i) Unloading Station

The unloading station is where the FFB from the oil palm plantation is received and initially processed. The main equipment used at an unloading station are:

Main Equipment	Description
Weigh Bridge ⁽¹⁾	Used to weigh the amount of FFB delivered to the palm oil mill.
FFB Splitter	- Some palm oil mills are equipped with FFB splitters to break-up newly-arrived FFB into smaller pieces before sterilisation. - Splitting FFB improves steam penetration, making it easier to heat the FFB, reducing energy consumption and shortening the sterilisation time.

Note:

(1) The Weigh Bridge is a machine that is purchased and installed by external vendors.

7. BUSINESS OVERVIEW (CONT'D)

(ii) Steriliser

A steriliser is a pressure vessel where FFB are steamed. The steaming process serves the following functions:

- Deactivates naturally occurring substances in oil palm fruits and seeds that break down palm oil into FFA. This helps to maintain the quality of CPO and CPKO, as FFA is regarded as undesirable material.
- Cleans and sterilises FFB by killing insects, other animals and microorganisms.
- Facilitate the removal of oil palm fruits from the bunch by softening the attachment between fruits and stalk.
- Helps oil recovery by softening the oil palm fruit's skin and pulp.
- Pre-condition palm seeds to minimise kernel breakage.

As we are registered with DOSH as a manufacturer of unfired pressure vessels, we fabricate sterilisers in-house.

(iii) Thresher

We fabricate threshers in-house and the thresher is used to process sterilised FFB to separate oil palm fruits from the rest of the fruit bunch. Oil palm fruits are collected to be fed into the digester. The left-over stalk and spikelets are known as EFB, which can be pressed to extract palm oil, burned as fuel in biomass power plants, or used as fertiliser.

(iv) Digester

The digester consists of a vertical stainless-steel cylindrical vessel with a central rotating shaft installed with metal stirring arms and a steam-powered heating system. The digester breaks down and cooks oil palm fruits for subsequent palm oil extraction and palm oil seed recovery. We engaged external parties to fabricate digesters for the palm oil mill.

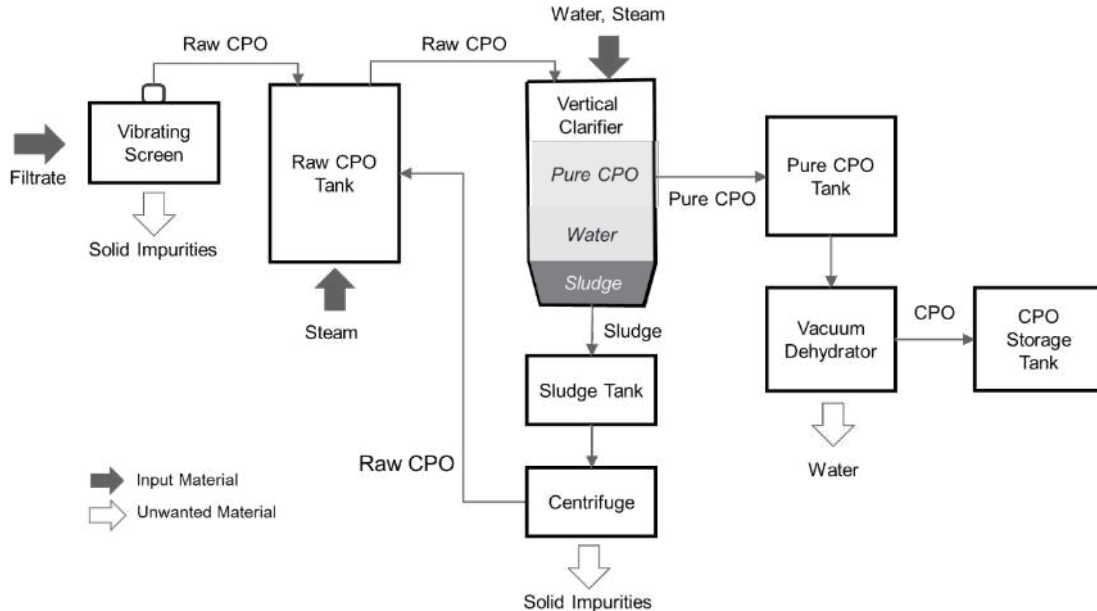
(v) Screw Press

In the screw press, the cooked oil palm fruits are pressed to squeeze out CPO, water and other liquids (collectively known as the "filtrate") from the solid material. The filtrate, together with some solid residues, is piped to the palm oil clarifying station for further processing. The left-over solid materials expelled from the screw press, known as "press cake", consists of compact waste fibres and oil palm seeds. The press cake is further processed in the palm kernel plant to recover oil palm seeds. We engaged external parties to fabricate screw presses for the palm oil mill.

7. BUSINESS OVERVIEW (CONT'D)

(vi) CPO Recovery Station

The CPO recovery station is where screw press filtrate is cleaned and processed to produce CPO that is suitable for sale or further refining and processing. The working principles of the CPO recovery station are illustrated in the following diagram:



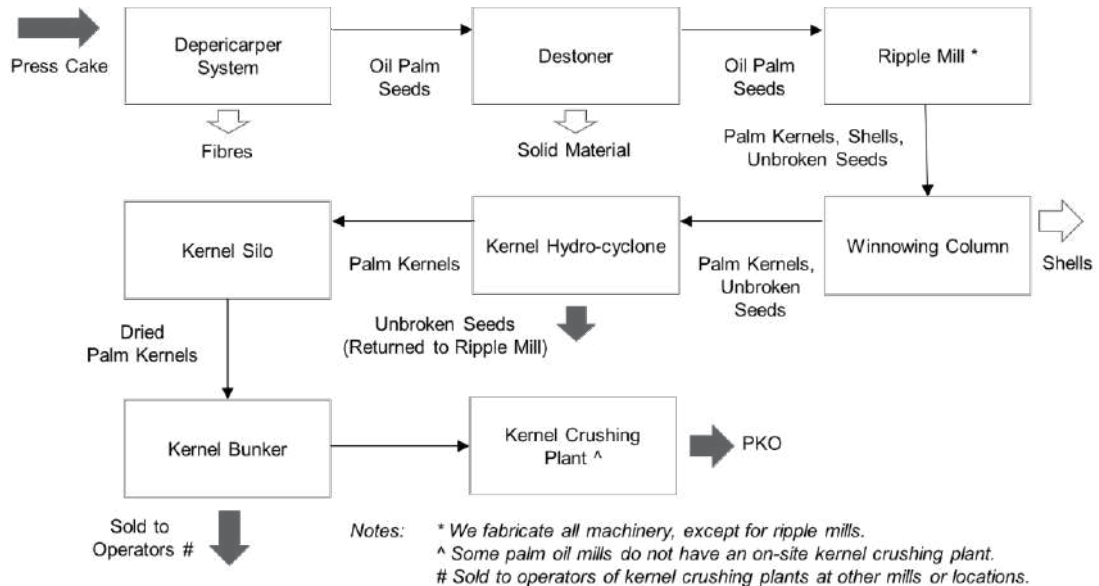
We design and fabricate the following types of equipment in a CPO recovery station:

Main Equipment	Description
Vibrating screen	Filtrate from screw presses is filtered to recover raw CPO and remove solid impurities.
Raw CPO tank	Steam is used to heat the tank to prevent raw CPO and sludge from solidifying.
Vertical clarifier	- The vertical clarifier consists of a vertical metal tank with a conical bottom, and a steam heating coil. - The mixture of water and crude CPO is heated by the steam heating coil. Pure CPO separates from and floats above the water, free from solid impurities. This pure CPO is piped into the pure CPO tank. - Solid impurities sink to the bottom of the clarifier to form a sludge, which can be processed to recover some raw CPO.
Pure CPO tank	Pure CPO from the vertical clarifier is stored in the pure CPO tank before it is dried.
Vacuum drier	- The CPO recovered from the vertical clarifier has high moisture content and must be dried to prevent loss of quality through the formation of FFA. - Air is continuously pumped out of the vacuum dryer, which will cause water to leave the pure CPO. This continues until the CPO moisture content is reduced to the desired level.
CPO storage tank	The dried CPO is piped from the vacuum drier to the CPO storage tank to complete the CPO recovery process.

7. BUSINESS OVERVIEW (CONT'D)

(c) Palm Kernel Plant

The palm kernel plant is the portion of the palm oil mill where palm kernels are recovered, and in some mills, pressed to extract the CPKO. The working principles of the palm kernel plant are illustrated in the following diagram:



Most palm oil mills will have a palm kernel plant to recover palm kernels from press cake. However, some of the palm oil mills that do not have an on-site kernel crushing plant will sell their palm kernels to operators with kernel crushing plants.

We design and fabricate the equipment in a palm kernel plant, except for ripple mills:

Main Equipment	Description
Depericarping system	To recover oil palm seeds from press cake expelled from screw presses. Airflow is used to blow the lighter fibres away from the heavier oil palm seeds, which are channelled into the nut polishing drum.
Nut polishing drum	To remove any remaining fibres that may still be attached to oil palm seeds, and also to reduce the moisture content of the seeds.
Destoner	To separate unbroken oil palm seeds from undesirable solid materials that can damage machinery and equipment.
Ripple mill *	To crack hard oil palm seeds to remove palm kernels.
Kernel silo	Palm kernels are dried by hot air in the kernel silo. Drying is necessary as excessive moisture can result in the formation of excessive FFA and rotting, which reduce the quality of CPKO.
Kernel bunker	For storage of dried palm kernels.

Note:

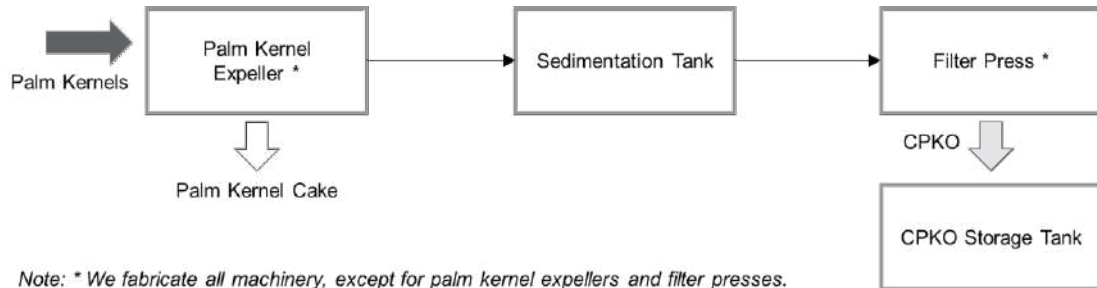
* We do not fabricate ripple mills in-house.

7. BUSINESS OVERVIEW (CONT'D)

(d) Kernel Crushing Plant

A kernel crushing plant is designed to process palm kernels to extract CPKO.

The working principles of a kernel crushing plant are summarised in the following diagram:



Note: * We fabricate all machinery, except for palm kernel expellers and filter presses.

We design and fabricate the following types of equipment in a kernel crushing plant with the exception of palm kernel expellers and filter presses:

Main Equipment	Description
Palm kernel expeller *	- Functions in a similar manner as the screw press. The cooked and crushed palm kernels are squeezed to extract filtrate that is composed of CPKO with some solid impurities. - The left-over solid material is known as palm kernel cake, which can be processed to produce animal feed.
Sedimentation Tank	Palm kernel expeller filtrate is stored temporarily in the sedimentation tank to allow solid impurities to settle at the bottom.
Filter press *	Filters out unwanted materials.
CPKO storage tank	Stores CPKO ahead of sale or further refining and processing.

Note:

* We engage external parties to fabricate palm kernel expellers and filter presses.

(e) EFB Processing

EFB from the palm oil milling process may be pressed to extract additional CPO. As we do not fabricate EFB processing equipment, we engaged external parties to fabricate such equipment for the kernel crushing plant. These are as set out below:

Main Equipment	Description
EFB Press *	Equipment that applies pressure to EFB to remove filtrate that contains CPO, water and other liquids. This filtrate is then processed in the same way as filtrate collected from screw presses. Processing EFB through EFB presses also reduces the moisture content of the EFB, which makes them more suitable for use as boiler fuel and raw materials for downstream processing.
EFB Shredder *	Used to shred bulky EFB to reduce them into smaller and more compactable fibres. The shredded EFB fibres may be used as fuel for biomass power plants or raw materials for other activities.

Note:

* We engage external parties to fabricate EFB presses and EFB shredders.

7. BUSINESS OVERVIEW (CONT'D)

(f) Biogas Plants for POME Treatment

Palm oil mills require a wastewater treatment plant to treat POME before it is discharged into the environment. POME refers to the wastewater that is generated during the palm oil milling process, including the sterilising, hydro-cyclone separation and decanting stages. It contains, among others, water, dirt and organic matter such as residual palm oil, fibres and carbohydrates. In Malaysia, the final discharge of POME must follow standards set by the Department of Environment, regardless of the POME treatment method used.

During the Financial Years Under Review, we have constructed biogas plants that are used for POME treatment at palm oil mills. In a biogas plant, the biogas generated from digestion of POME is captured and treated to separate methane, which is used to generate power.

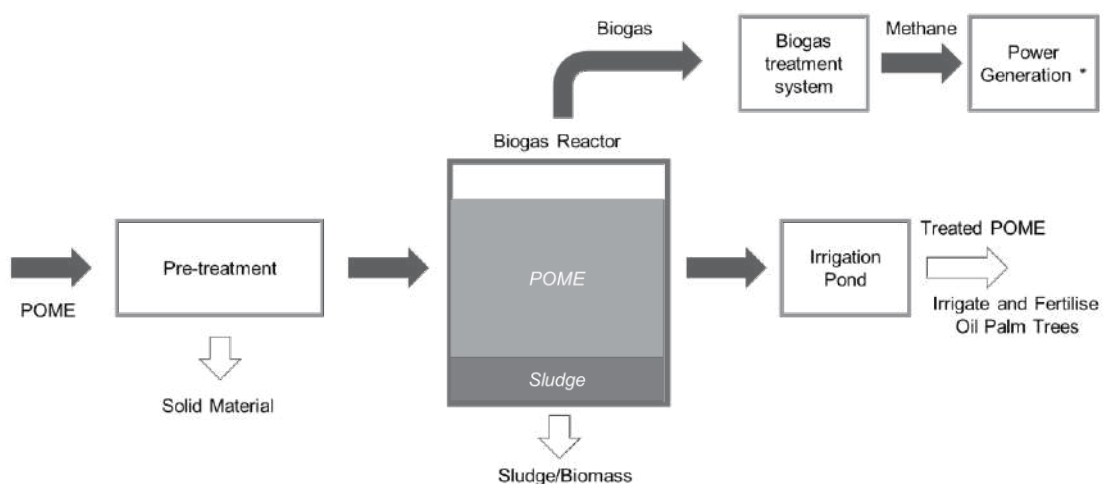
The main components of the biogas plants that we construct at palm oil mills comprise the following:

- POME pre-treatment system;
- Bioreactor tanks;
- Biogas treatment system; and
- Power generation system.

A biogas plant that we constructed in Malaysia



The working principals of a biogas plant are illustrated in the following diagram:



*Note: * Boilers and steam turbine generators are provided by external suppliers or the customer.*

7. BUSINESS OVERVIEW (CONT'D)

(g) Bulking Installation

Bulking installations refer to the large storage tanks that are used to store CPO, CPKO and refined oil products at facilities such as ports and near jetties. They comprise the following main parts:

- Foundation and reinforced concrete base;
- Vertically mounted cylindrical storage vessel made of welded steel plates;
- In some cases, the interior of the storage vessel is lined with protective material to prevent its contents from reacting with and/or corroding the metal;
- Pumps to fill and empty the bulking tank, purchased from external suppliers; and
- Jetty (where required).

(h) Palm Oil Refinery

A palm oil refinery is a plant where crude palm oil is further processed to remove undesirable constituents in order to improve its properties, such as its colour, clarity and odour. They may be built together with or close to palm oil mills as part of an integrated plant, or separately at locations away from palm oil mills. There are 2 main palm oil refining methods, namely physical refining and chemical refining. We have the capability to construct palm oil refinery using both the physical and chemical refining methods. We were involved in constructing a palm oil refinery that utilised the physical refining method. However, we have not been involved in the construction of palm oil refineries that utilise the chemical refining method as we have not had a customer that has requested for construction of a palm oil refinery using this method.

A palm oil refinery we constructed in Indonesia



(i) Palm Oil Mill Power Generation Plant

In some cases, our contract for palm oil mill construction includes the power generation plant. Palm oil mills are typically equipped with an on-site power plant to generate electricity and steam to run palm oil milling machinery and processes. The primary power generating system comprises 2 main components as follows:

- Biomass boiler; and
- Steam turbine generator.

Biomass boiler

A biomass boiler burns fuel derived from plant material (biomass) to generate steam, which is used to turn a steam turbine to generate electricity and as a source of heat. The fuel used by palm oil mill biomass boiler consists of waste generated from the palm oil milling process such as dry shredded EFB, seed shells, broken seeds, waste fibre and dried sludge and agricultural waste from the surrounding oil palm plantation such as oil palm fronds and tree trunks. By using these materials as fuel, it helps to reduce the volume of solid waste generated by the mill and plantation.

7. BUSINESS OVERVIEW (CONT'D)

Steam that is generated can be used for heating purposes including sterilisation, digestion, CPO clarifying and drying palm kernels. In addition, the steam is also used to heat oil and sludge in storage tanks to prevent them from solidifying.

The biomass boilers are provided by the customers and they are installed on-site by the supplier.

Steam Turbine Generator

A steam turbine generator converts the heat and kinetic energy in high pressure and temperature steam into electricity. Steam from the biomass boiler is directed onto the steam turbine rotor, which causes the shaft to rotate and drive the generator to produce electricity. The electricity is used to power other machinery and equipment within the palm oil mill. Steam that leaves the turbine still contains heat energy, and it is collected for use in process heating.

Steam turbine generators are normally provided by the customer, and installed by us.

(j) Our Scope of Work

We are engaged as the turnkey contractor by our customers to construct palm oil mill plants, where our scope of work comprises procurement, fabrication, construction and commissioning. The engineering and design of the palm oil mill plant are normally carried out by engineers or consultants that are engaged by the customer. In some instances, we engage external consultants to carry out the design. It is the responsibility of the customer and/or project owner to obtain the relevant approvals of the projects.

Procurement

In general, we are responsible for the procurement of the materials and services required to build the buildings and structures, fabricate the equipment, and perform other works. However, in some cases, the customer will provide specific machinery, equipment and materials to be used in the construction project.

Construction

Construction of the palm oil mill occurs at the respective work sites. The work includes site preparation, earthworks (comprising ground clearance, levelling and back filling where required), civil and structural, mechanical and electrical, building works and infrastructure works, and installation of palm oil milling machinery and equipment, including mechanical, electrical and piping works. These works are carried out using a combination of our in-house personnel, our contract workers and subcontractors. For further information, please refer to Section 7.3.1.1 (k) in this Prospectus.

Testing and Commissioning

We conduct testing and commissioning of the palm oil mill to ensure that all of the machinery and equipment works as designed, and the mill is fully functional in terms of being able to process FFB to produce CPO and CPKO, if a kernel crushing plant is included. We also measure the relevant performance metrics with reference to the contracted minimum performance guarantees, and make good any defects in performance to ensure that the palm oil mill meets the contracted minimum performance guarantees. We carry out testing and commissioning with our in-house resources, with the exception of specific tests where the customer requires independent assessment.

7. BUSINESS OVERVIEW (CONT'D)

(k) In-house and subcontracted works

We use a combination of our in-house personnel, contract workers and subcontractors for the construction of palm oil mills. The parties that carry out works for our projects in Malaysia, Gabon and Indonesia during the Financial Years Under Review and up to the LPD are summarised in the following table:

	Project Location		
	Malaysia	Gabon	Indonesia
Project planning, management, HSE	A	A	A
Building and construction			
Earthworks	C	#	#
Civil and structural			
- Foundation and civil work	C	A, C	#
Mechanical and electrical			
- Mechanical	B	B	C
- Electrical, ventilation and telecommunications	C	C	C
Building works			
- Civil building	C	A, C	#
- Steel structure	B	A, C	C
Infrastructure	C	A, C	#
Plant construction			
- Equipment fabrication	A, D	A, D	A, D
- Piping works	B	A	#
- Electrical	C	C	#
- Installation	B	A	#
Testing and commissioning	A, C	A, C	A

Notes:

- A We carry out the works using our in-house personnel including contract workers.
- B We normally carry out these works in-house, however we do engage subcontractors to carry out these works when we have conflicting schedules or insufficient in-house staff or contract workers at that time.
- C The works are carried out by subcontractors under our control, supervision and management.
- D Some of the equipment are fabricated by suppliers or provided by the customers.
- # The works are not under our scope of work for the project and are usually carried out by other parties engaged by the customer.

7. BUSINESS OVERVIEW (CONT'D)

(I) Location of construction of palm oil mill plant projects

The locations of construction of palm oil mill plant projects in Malaysia, Gabon and Indonesia during the Financial Years Under Review and as at the LPD are illustrated in the following maps:



7. BUSINESS OVERVIEW (CONT'D)

(m) Completed Projects

With respect to our construction of plants business, a project is regarded as completed when the customer has accepted handover, or the final invoice has been submitted, or revenue for the project has been fully recognised.

The projects relating to construction of plants that we have completed during the Financial Years Under Review and as at the LPD with a contract value of more than RM2.0 million are summarised in the following table:

Customer	Description	Location	Contract Value ^{(1)(d)} (RM'000)	Start Date ⁽²⁾	Completion Date ⁽³⁾
PT Parit Sembada ⁽⁶⁾	Fabrication of palm oil milling machinery for the upgrading of the PT Parit Sembada palm oil mill	Kepulauan Bangka Belitung, Indonesia	3,924	Apr 2016	May 2018 ^(A)
PT Steelindo Wahana Perkasa ⁽⁶⁾	Civil, structural and mechanical works for upgrading of SWP Palm Oil Mill	Kepulauan Bangka Belitung, Indonesia	3,000	Feb 2017	Jul 2019 ^(A)
Libinc Oil Palm Inc ⁽⁶⁾	Construction of Palm Bay palm oil mill, comprising: - Kernel crushing plant - Bulking tanks - Biogas plant	Grand Bassa County, Liberia	1,071 3,930 5,282	Nov 2017 Nov 2017 Nov 2017	Oct 2020 ^(B) Oct 2020 ^(B) Aug 2021 ^{(4), (A)}
PT Sukses Karya Sawit	Civil, mechanical and electrical works for the upgrading of a palm oil mill at Ketapang in Kalimantan Barat	Kalimantan Barat, Indonesia	6,369	Mar 2018	Nov 2019 ^(A)
Sri Jelutong Palm Oil Mill Sdn Bhd	Fabrication and installation of palm oil milling machinery for the upgrading of the Sri Jelutong Palm Oil Mill at Pekan, Pahang	Pahang, Malaysia	5,850	Nov 2018	Feb 2020 ^(C)
PT Abdi Borneo Plantations	Fabrication, installation and commissioning of palm oil milling machinery for a new palm oil mill at Bulungan in Kalimantan Utara	Kalimantan Utara, Indonesia	13,654	Apr 2019	Mar 2021 ^(C)
KL-Kepong Edible Oils Sdn Bhd ⁽⁶⁾	Civil, structural and mechanical works for an existing palm oil refinery at Pasir Gudang, Johor	Johor, Malaysia	6,621	Jun 2019	Nov 2020 ^(A)
Victory Enghoe Plantations Sdn Bhd	Expansion of the Southern Malay palm oil mill at Renggam in Johor, comprising: - Construction, fabrication and installation of machinery - Construction, fabrication and installation of machinery (Phase 2)	Johor, Malaysia	9,227 3,617	Jul 2019 Jul 2020	Jul 2021 ^{(5), (B)} Apr 2021 ^{(5), (B)}
Olam Palm ⁽⁷⁾	Construction of the Mouila Lot 3 palm oil mill, comprising: - Civil, structural, piping, electrical and additional piling works - Kernel crushing plant	Mouila, Gabon	86,076 2,663	Jan 2019 Dec 2019	Oct 2021 ^{(8), (C)} Oct 2021 ^{(8), (C)}

7. BUSINESS OVERVIEW (CONT'D)

Customer ⁽⁷⁾	Description	Location	Contract Value ⁽¹⁾⁽¹⁰⁾ (RM'000)	Start Date ⁽²⁾	Completion Date ⁽³⁾
Olam Palm ⁽⁷⁾	Construction of biogas plant for the Awala palm oil mill	Awala, Gabon	14,865	Nov 2019	Oct 2021 ⁽⁹⁾ , (C)
Olam Palm ⁽⁷⁾	Additional piling works in relation to the construction of the Mouila Lot 3 palm oil mill	Mouila, Gabon	12,165	Dec 2019	Aug 2020 ⁽⁸⁾
Olam Palm ⁽⁷⁾	Construction of kernel crushing plant building at Mouila Lot 1, and installation of kernel crushing plant machinery relocated from Makouke palm oil mill	Mouila, Gabon	4,683	Dec 2019	Jun 2020 ⁽⁸⁾
Total			182,997		

Notes:

Projects are listed in chronological order of the start date.

(1) Contract value reflects the contract sum.

(2) The start date is based on the letter of award or commencement date as agreed with the customer.

(3) The completion date is based on: (A) the acceptance of handover or (B) submission of final invoice or (C) when revenue is fully recognised. Where possible, completion date is based on the acceptance of handover. However, if the customer has not provided acceptance of handover for projects for which we have completed our work, the completion date is based on the submission of final invoice, or when revenue is fully recognised and pending submission of the final invoice.

(4) The customer has accepted the handover letter in August 2021.

(5) An extension of time was granted by the customer from 31 December 2020, the initial date of completion, due to delays caused by the movement and business operation restrictions related to the on-going COVID-19 pandemic. These included closure of our head office and fabrication facilities between 18 March 2020 and 21 April 2020, resuming operations at our head office and fabrication facility at 50% workforce capacity between 22 April 2020 and 4 May 2020, and EMESB working at 60% workforce capacity from 1 June 2021 until 23 September 2021 (Johor entered Phase 2 of the NRP on 24 September 2021). In addition, we did not work at the customer's palm oil mill during MCO 1.0 as per their internal policy of not re-opening it to external service providers, such as our Group, during this period. Furthermore, as the customer's palm oil mill is an active facility, we were only allowed to carry out certain installation works during certain periods when it was undergoing scheduled shut-down. In addition, there were variation orders for additional piping works.

(6) Part of the KLK Group.

(7) Part of the Olam Group.

(8) The project has been completed and commissioned and is currently pending acceptance by the customer. There is no unrecognised revenue as at the LPD.

(9) The project is pending commissioning prior to handover to the customer. There is no unrecognised revenue as at the LPD.

(10) We did not receive any claims for LAD for any of the completed projects listed above as the projects were either completed by the agreed completion date (based on the original completion date, or subsequent extension of time or variation orders for additional work, if any), or the customers did not make any claims for LAD for projects that were completed after the agreed completion date, or there was no provision for LAD in the contracts.

7. BUSINESS OVERVIEW (CONT'D)

(n) On-going Projects

The projects relating to the construction of plants that are on-going as at the LPD are as follows:

Customer	Description	Location	Contract Value ⁽¹⁾ (RM'000)	Unrecognised Revenue ⁽²⁾ (RM'000)	Completion Stage ⁽³⁾ (%)	Start Date ⁽⁴⁾	Expected Completion Date ⁽⁵⁾
PT Kapuas Maju Jaya Oil Mill	Civil, structural and mechanical works for new palm oil mill at Kapuas, Kalimantan Tengah	Kalimantan Tengah, Indonesia	17,750	1,928	89.1	Nov 2020	July 2022 ⁽⁶⁾
KL-Kepong Edible Oils Sdn Bhd ⁽⁷⁾	Civil and structural works to construct office building, workshop and wastewater treatment plant at an existing palm oil refinery in Pasir Gudang, Johor	Johor, Malaysia	3,791	3,791	-	April 2022	December 2022
Sime Darby Oils Port Klang Refinery Sdn Bhd	Piling works for new buildings and storage tanks, and demolition and relocation of existing tanks at an existing palm oil refinery in Port Klang, Selangor	Selangor, Malaysia	4,980	4,980	-	May 2022	August 2022
Total			26,521	10,699			

Notes:

- (1) Contract value reflects the contract sum.
- (2) Unrecognised revenue as at the LPD.
- (3) Completion stage as at the LPD is calculated as the recognised revenue as at the LPD divided by contract value.
- (4) The start date is based on the letter of award or commencement date as agreed with the customer.
- (5) The expected completion date of the project is based on date of completion stated in the letter of award or extension of time granted by our customer. We are on track to meeting the expected completion date subject to any unforeseen factors beyond our control such as another round of MCO that may affect the business activities of our Group due to compulsory closure of our business or reduction in workforce capacity. Should such unforeseen factors take place and if we foresee any delays in the completion of our projects, it is our practice to apply for an extension of time. Please refer to Section 7.23.5 of this Prospectus for information of on-going projects which our customers have provided us with an extension of time after we have notified them about the disruptions due to the COVID-19 conditions.
- (6) The original expected completion date of this project was November 2021. The customer had granted extension of time for this project until July 2022.
- (7) Part of the KLK Group.

7. BUSINESS OVERVIEW (CONT'D)

7.3.1.2 Construction of facilities

(a) Overview

Facilities refer to community facilities comprising residential and operational buildings, amenities and infrastructure to cater to the needs of the community that supports the operations of palm oil mills and rubber plantations. These facilities are integral to the effective and efficient operations of plantations and mills as some of them are located a long distance away from the nearest towns or other communities. In addition, facilities also include buildings for other industries such as for rubber glove and explosives manufacturing plants, and renewable energy power station.

For the Financial Years Under Review, construction of palm oil mill and plantation facilities was our largest contributor under the construction of facilities segment of our business. We also constructed rubber plantation facilities and other industry facilities. The segmentation of our revenue between palm oil mill and plantation facilities, rubber plantation facilities and other industry facilities is summarised in the following table:

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%*	RM'000	%*	RM'000	%*	RM'000	%*
Construction of facilities	86,790	76.4	99,549	58.2	15,640	10.2	57,968	37.9
<i>Palm oil mill and plantation facilities</i>	60,734	53.5	75,466	44.2	12,076	7.9	38,346	25.0
<i>Rubber plantation facilities</i>	24,922	21.9	24,023	14.1	2,153	1.4	14	^
<i>Other industry facilities</i>	1,134	1.0	60	^	1,411	0.9	19,608	12.9

Notes: * Percentage of our total revenue for the respective FYE.

^ Less than 0.1%.

Palm oil mill and plantation facilities

Palm oil mills have to be located within or close to oil palm plantations as the source of FFB as the quality of the fruits starts to deteriorate from the time of plucking until they are processed. Fruit quality deterioration is accelerated if the fruits are damaged or bruised during handling and transportation. As such, palm oil millers would aim to receive the fruits within 24 hours of plucking to maximise yields. Mainly for this reason, palm oil mills are located close to one or more large plantations where they are able to receive a constant supply of FFB to run their milling operations efficiently. As oil palm plantations are generally large in size, they are usually located in remote areas far from the nearest town, there is a need to develop community facilities at or near plantation or palm oil mills to support workers and their families, and to minimise travel time to work.

During the Financial Years Under Review and up to the LPD, we have been engaged to construct the following facilities to support the operations of palm oil mills and plantations:

- workers' quarters;
- operational buildings such as offices, laboratory, and chemical and fertiliser stores;
- amenities such as school, clinic and clubhouses;
- infrastructure such as power distribution networks; and
- irrigation system for oil palm plantations.

During the Financial Years Under Review and up to the latest LPD, our construction of palm oil mill and plantation facilities was solely carried out in Gabon.

7. BUSINESS OVERVIEW (CONT'D)

Rubber Plantation Facilities

The rubber plantation facilities that we constructed during the Financial Years Under Review and as at the LPD comprised workers' quarters and power distribution network infrastructure, which were carried out in Gabon.

As a turnkey contractor, we were responsible for procuring the materials required and carrying out the construction work. The design of the workers' quarters and power distribution network was provided by our customers.

During the Financial Years Under Review and up to the LPD, our construction of rubber plantation facilities was solely carried out in Gabon.

Facilities for Other Industries

We have also been engaged to carry out construction works for facilities for other industries, mainly as part of the construction of new facilities or the expansion of existing plants. During the Financial Years Under Review, we have been engaged to construct buildings for rubber glove and explosives manufacturing plants, as well as renewable energy power station.

We are normally engaged as the building contractor, where we are responsible for procuring the materials required and carrying out the construction work including civil, structural and piping works. The design of construction works is provided by our customers.

During the Financial Years Under Review and up to the latest LPD, our construction of other facilities was mainly carried out in Malaysia.

(b) Workers' Quarters

During the Financial Years Under Review, we were engaged as a turnkey contractor to construct workers' quarters. The workers' quarters that we build are basic housing units located within or near oil palm plantations and palm oil mills, and rubber plantations. The plantation and mill owners provide these workers' quarters to some of their agricultural workers, mill workers and office staff and their families. These workers' quarters and staff accommodations are single-storey terraced blocks consisting of 10 housing units per block. Typically, each housing unit is approximately 580 sq ft in size, and has two bedrooms, one bathroom, living and dining room, and a kitchen. They have reinforced concrete foundations and floors, exterior and interior walls of hollow brick construction, and corrugated steel roofs, with internal power and water supply, and sanitation. The construction of workers' quarters are solely located in Gabon.

Workers' quarters and staff accommodation that we constructed in Gabon



7. BUSINESS OVERVIEW (CONT'D)

(c) Operational buildings and amenities

We have been engaged as the turnkey contractor for the construction of operational buildings and amenities during the Financial Years Under Review. The buildings that we construct generally comprise single-storey buildings. They are mainly constructed of reinforced concrete foundations and floors, hollow brick or corrugated steel exterior walls, hollow brick interior walls, and corrugated steel roofs supported by steel trusses. They are provided with internal power and water supply, and sanitation where required. Buildings of this type are used for the following functions:

- Offices: These buildings are used for day-to-day administrative functions of plantations and mills.
- Laboratories: These are for scientists and technicians to conduct tests, research, analysis and to facilitate field trails.
- Stores: These are for storage of chemicals and fertilisers used in plantations and mills.
- Clubhouses: These are recreational amenities for use by plantation and mill workers and staff, and other members of the community and their families.
- Schools: These are purpose-built educational facilities for conducting primary and secondary school classes for children of plantation and mill workers and staff, and other members of the community and their families.
- Clinics: These are basic medical facilities for medical personnel to provide primary care to plantation and mill workers and staff, and other members of the community and their families.

(d) Infrastructure

We have been engaged as the building contractor for construction of infrastructure which comprised power distribution networks and systems within the community during the Financial Years Under Review.

The power distribution network that we constructed connects power sources (power grid sub-stations and/or on-site power plant) to power consumers located 2 to 3 km away. Our work involved fabricating and installing reinforced concrete poles to support overhead power cables, and supplying pole-mounted transformers. Electrical subcontractors were responsible for supplying and stringing the power cables, and installing switchboards, distribution boards, transformers, earthing and lighting protection systems, and other related equipment. The power distribution networks are for the operations of plantations and palm oil mills, and to support their respective communities for their residential and operational buildings and amenities.

(e) Irrigation system for oil palm plantation

In February 2021, we were engaged as the turnkey contractor for the installation, testing and commissioning of an irrigation system for an oil palm plantation in Mouila, Gabon. The irrigation system includes the following:

- Irrigation pipe network to deliver water to the root systems of oil palm trees;
- Fertiliser application system that adds dissolved fertiliser to the water when required; and
- Pumps and valves to control the flow of water through the network.

The irrigation system is designed to deliver water and fertiliser to the oil palm trees in a controlled manner, when required.

7. BUSINESS OVERVIEW (CONT'D)

(f) Facilities for Other Industries

During the Financial Years Under Review and up to the LPD, we have been engaged to construct facilities for other industries, including the following:

- Buildings for rubber glove manufacturing plants, including warehouses to store raw materials and finished goods, offices and electrical substations. We have also been engaged to construct a mezzanine floor in an existing building;
- Refurbishment of existing buildings and construction of new buildings for an explosives manufacturing facility; and
- Buildings for a renewable energy power station.

(g) Our Scope of Work

We are engaged as the turnkey or building contractor by our customers to construct workers quarters, operational buildings and amenities, infrastructure and other facilities. As a turnkey or building contractor we are responsible for procuring the specified materials and equipment, and carrying out construction work. We work from designs and specifications provided to us by the customers.

Our scope of work incorporates the following:

- **Procurement:** We are responsible for procuring the specified materials and engaging the relevant subcontractors.
- **Construction:** We are responsible for carrying out all of the physical works to construct the buildings, amenities and infrastructure. We are generally not responsible for site clearing and earthworks, as they are carried out by external parties that are engaged by the customer. Construction of buildings require foundation works and superstructure construction. Buildings and amenities also require mechanical and electrical works, as well as plumbing, drainage and sanitation works. In some situations, we are also involved in constructing internal infrastructure such as access roads and perimeter fencing. Construction of power distribution networks involves installing distribution poles, stringing power cables, and installing electrical equipment.
- **Inspection testing, commissioning and handover:** For construction works relating to buildings and amenities, we would carry out inspections before they are officially handed over to the customers. Any faults or issues discovered during the inspection process, we will have to make good all defects and issues at our expense prior to obtaining certification of project completion or its equivalent.

For the projects that we are contracted to fabricate, supply and/or install machinery and equipment, we will carry out testing and commissioning on the relevant equipment and machinery. We will make good any defects that are identified before they are handed over to the customer. It is the responsibility of the customer and/or project owner to obtain the relevant approvals of the projects.

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7. BUSINESS OVERVIEW (CONT'D)**(h) In-house and sub-contracted works**

We use a combination of our in-house personnel, our contract workers and subcontractors for the construction of facilities. The parties that carried out the works for our projects located in Malaysia and Gabon during the Financial Years Under Review and up to the LPD are summarised in the following table:

	Project Location	
	Malaysia	Gabon
Project planning, management, HSE	A	A
Building and construction		
Earthworks	C	*
Civil and structural		
- Foundation and civil work	C	C
Mechanical and electrical		
- Mechanical	B	B
- Electrical, ventilation and telecommunications	C	C
Building works		
- Civil building	C	A, C
- Steel structure	B	A
Infrastructure	C	A, C
Inspection, testing and/or commissioning	A, C	A, C

Notes:

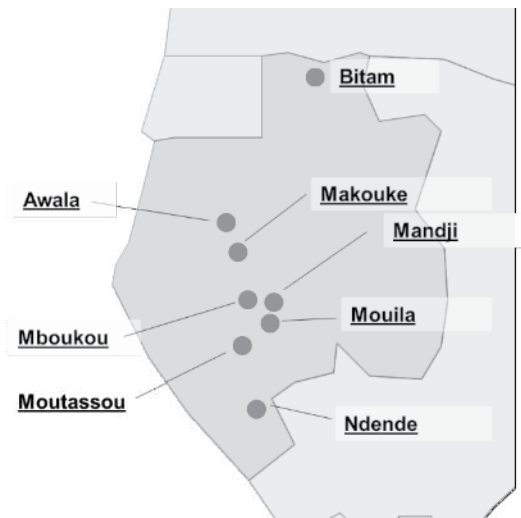
- A We carry out the works using our in-house personnel including our contract workers.
- B We normally carry out these works in-house, however we do engage subcontractors to carry out these works when we have conflicting schedules or insufficient in-house staff or contract workers at that time.
- C The works are carried out by subcontractors under our direct control, supervision and management.
- * Not applicable to our scope.

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7. BUSINESS OVERVIEW (CONT'D)

(i) Locations of construction facility projects

For the Financial Years Under Review and as at the LPD, most of the construction of facilities were in Gabon in the locations illustrated below:



As at the LPD, our completed and on-going construction of other facilities projects in Malaysia are at the following locations:



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7. BUSINESS OVERVIEW (CONT'D)

(j) Completed Projects

A construction of facilities project is regarded as completed when the final invoice has been submitted or revenue for the project has been fully recognised. The projects relating to the construction of facilities that we have completed during the Financial Years Under Review and as at the LPD with a contract value of more than RM2.0 million are summarised in the following table:

Customer	Description	Location	Contract Value ⁽¹⁾⁽⁹⁾ (RM'000)	Start Date ⁽²⁾	Completion Date ⁽³⁾
Olam Palm ⁽⁴⁾	Construction of power distribution network for Mouila oil palm plantation	Mouila, Gabon	2,279	2016	July 2018 ^(A)
Sotrader * ⁽⁴⁾	Construction of 6 blocks (60 units) of workers' quarters at Ndende	Ndende, Gabon	3,611	January 2016	June 2018 ^(A)
Olam Palm ⁽⁴⁾	Construction of workers quarters in the Mouila area comprising 30 blocks (300 units) at PK19 and Mboukou Lot 1, 15 blocks (150 units) at Mandji Lot 2, and 30 blocks (300 units) at Moutossou	Mboukou, Mandji and Moutossou in Mouila, Gabon	60,550	August 2017	December 2018 ^(A)
Olam Palm ⁽⁴⁾	Construction of 10 blocks (100 units) of workers' quarters at Awala oil palm plantation	Awala, Gabon	8,073	August 2017	September 2018 ^(A)
Olam Rubber ⁽⁴⁾	Construction of 35 blocks (350 units) of workers' quarters for the Bitam rubber plantation	Bitam, Gabon	28,257	August 2017	January 2019 ^(A)
Olam Palm ⁽⁴⁾	Construction of plantation buildings comprising 2 offices, 2 clubhouses, and 1 unit each of clinic, school, chemical store, and fertiliser store at Mouila	Mouila, Gabon	9,023	November 2018	April 2020 ^(A)
Olam Palm ⁽⁴⁾	Construction of 1 school at Awala	Awala, Gabon	1,782	November 2018	August 2019 ^(A)
Olam Palm ⁽⁴⁾	Construction of 51 blocks (510 units) workers' quarters at Mouila	Mouila, Gabon	40,137	November 2018	December 2019 ^(A)
Olam Palm ⁽⁴⁾	Construction of 14 blocks (140 units) workers' quarters at Awala	Awala, Gabon	11,016	November 2018	December 2019 ^(A)
Sotrader * ⁽⁴⁾	Construction of 25 blocks (250 units) workers' quarters at Ndende	Ndende, Gabon	19,675	November 2018	December 2019 ^(A)

7. BUSINESS OVERVIEW (CONT'D)

Customer	Description	Location	Contract Value ⁽¹⁾⁽⁹⁾ (RM'000)	Start Date ⁽²⁾	Completion Date ⁽³⁾
Olam Rubber ⁽⁴⁾	Construction of 35 blocks (350 units) workers' quarters for the Bitam rubber plantation	Bitam, Gabon	27,545	November 2018	February 2020 ^(A)
Olam Palm ⁽⁴⁾	Construction of 6 blocks (60 units) of workers' quarters at Moutassou Mill	Moutassou, Gabon	4,585	August 2019	February 2020 ^(A)
Olam Palm ⁽⁴⁾	Construction of 15 blocks (150 units) of workers' quarters at Makouke Mill	Makouke, Gabon	11,463	November 2019	December 2020 ^(A)
Customer A ⁽⁵⁾	Constructing mezzanine floor at a glove manufacturing plant at Shah Alam, Malaysia	Selangor, Malaysia	2,151	November 2020	November 2021 ^{(6), (A)}
Customer A ⁽⁵⁾	Construction of buildings for a new glove manufacturing plant at Sendayan, Negeri Sembilan ⁽⁷⁾	Negeri Sembilan, Malaysia			
	- Civil and steel structural works for warehouse, office, electrical sub-stations and others		10,082	March 2021	November 2021 ^{(6), (B)}
	- Civil and other works for wastewater treatment system, warehouse, external and other works		4,396	December 2021	May 2022 ^(A)
Total			244,625		

Notes:

Projects are listed in chronological order of the start date.

* Sotrader (The Agricultural Processing and Rural Development Company (Société de transformation agricole et de développement rurale) is a 49:51 joint-venture company, which was established between Olam International Limited and the Gabonese government.

(1) Contract value reflects the contract sum.

(2) The start date is based on the letter of award or commencement date as agreed with the customer.

(3) The completion date is based on: (A) the date of the final invoice or (B) when revenue is fully recognised. Customers for construction of facilities projects do not provide acceptance of handover. The completion date is based on the completion of our work and submission of final invoice, or when revenue is fully recognised and pending submission of the final invoice.

(4) Part of the Olam Group.

(5) Customer A operates in Malaysia and are involved in construction services, supplying retail store fixtures and store displays, providing interior store planning and design services. The name of Customer A has not been disclosed as Customer A is not agreeable to disclose its identity in order to safeguard the competitive position of the customer in the market in which the customer operates.

(6) The project has been completed in September 2021, and was accepted by the customer in November 2021.

7. BUSINESS OVERVIEW (CONT'D)

- (7) For rubber glove manufacturing plant owned by GoodGloves Industries Sdn Bhd.
- (8) The original expected completion date of this project was September 2021. The customer has granted us extension of time for this project until November 2021, and the project was completed during that month.
- (9) We did not receive any claims for LAD for any of the completed projects listed above as the projects were either completed by the agreed completion date (based on the original completion date, or subsequent extension of time or variation orders for additional work, if any), or the customers did not make any claims for LAD for projects that were completed after the agreed completion date, or there was no provision for LAD in the contracts.

7. BUSINESS OVERVIEW (CONT'D)

(k) On-going Projects

The projects related to the construction of facilities that are on-going as at the LPD are summarised in the following table:

Customer	Description	Location	Contract Value ⁽¹⁾ (RM'000)	Unrecognised Revenue ⁽²⁾ (RM'000)	Completion Stage ⁽³⁾ (%)	Start Date ⁽⁴⁾	Expected Completion Date ⁽⁵⁾
Olam Palm ⁽⁶⁾	Installation, testing and commissioning of an irrigation system for an oil palm plantation at Mouila, Gabon	Mouila, Gabon	83,732	37,054	55.7	February 2021	April 2024 ⁽⁷⁾
Austin Powder Malaysia Sdn Bhd	Refurbishment of existing building and construction of new buildings for an explosives manufacturing facility in Bentong, Pahang	Pahang, Malaysia	15,800	8,511	46.1	July 2021	June 2022 ⁽⁸⁾
Wilhelmina Energy Malaysia Sdn Bhd	Construction of buildings for new biomass fuel pellet manufacturing plant at Kuantan, Pahang: - Engineering services for the construction of new biomass fuel pellet manufacturing plant ⁽⁹⁾	Pahang, Malaysia	2,800	2,520	10.0	January 2022	July 2022
SC Green Solutions Sdn Bhd	Civil, structural, installation, testing and commissioning works to construct a biogas renewable energy power station at a landfill in Bachok, Kelantan	Kelantan, Malaysia	28,523	28,523	-	April 2022	January 2024
CNmy International (Malaysia) Sdn Bhd	Structural and steel works and roof covering works for an office building and other facilities at Bandar Sri Sendayan, Negeri Sembilan	Negeri Sembilan, Malaysia	2,800	785	72.0	March 2022	July 2022
Total			133,655	77,393			

Notes:

Projects are listed in chronological order of the start date.

The completion date for the project was not stated in the respective contract or purchase order, and as a result the expected completion date will be agreed with the customer. Nevertheless, we work to complete the project in a timely manner.

(1) Contract value reflects the contract sum.

(2) Unrecognised revenue as at the LPD.

7. BUSINESS OVERVIEW (CONT'D)

- (3) Completion stage as at the LPD is calculated as the recognised revenue as at the LPD divided by contract value.
- (4) The start date is based on the letter of award or commencement date as agreed with the customer.
- (5) The expected completion date of the project is based on date of completion stated in the letter of award or extension of time granted by our customers. We are on track to meeting the expected completion date subject to any unforeseen factors beyond our control such as another round of MCO that may affect the business activities of our Group due to compulsory closure of our business or reduction in workforce capacity. Should such unforeseen factors take place and if we foresee any delays in the completion of our projects, it is our practice to apply for an extension of time. Please refer to Section 7.23.5 of this Prospectus for information of on-going projects which our customers have provided us with an extension of time after we have notified them about the disruptions due to the COVID-19 conditions. Part of the Olam Group.
- (6) The original completion date was August 2023. Following disruptions caused by the COVID-19 pandemic and weather conditions at Mouila, Gabon, Olam Palm granted extension of time up to 30 April 2024.
- (7) The original completion date was February 2022 based on the letter of award dated 19 July 2021. Following disruption caused by major floods in Bentong, Pahang in December 2021, the consultant engaged by the customer and the customer have jointly agreed to grant the extension of time up to 30 June 2022, pursuant to a letter of extension dated 25 May 2022 issued by the consultant. Subsequent to the LPD, we experienced some delays in implementing the project due to weather conditions at the site, and as a result we have submitted another application for an extension of time up to 30 September 2022 that is pending approval.
- (8) The engineering services agreement will be subsumed into and form part of the final engineering, procurement and construction agreement when it is awarded by the customer to our Group.
- (9)

7. BUSINESS OVERVIEW (CONT'D)

7.3.2 Fabrication of Equipment

During the Financial Years Under Review, the fabrication of equipment accounted for RM9.9 million (8.7%), RM18.8 million (11.0%), RM17.9 million (11.7%) and RM33.1 million (21.6%) of our total revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. For FYE 2018, FYE 2019 and FYE 2020, all of our revenue from the fabrication of equipment was based on fixed lump sum or fixed lump sum plus scheduled rates modes of operation. While we started to lease some non-chemical water treatment equipment to some of our customers during FYE 2020 under a trial period, we did not recognise any revenue from these customers. We started to recognise revenue from the lease of non-chemical water treatment equipment commencing from FYE 2021 amounting to approximately RM12,000 for that financial year.

(a) Overview

This business activity involves the fabrication of equipment on a standalone basis for palm oil mills, as well as for other industries such as pulp and paper and rubber glove manufacturing. The standalone equipment that we fabricate is either integrated with newly constructed plants, or used to expand, upgrade or replace equipment in existing plants.

We fabricate the steel structures and specific palm oil milling equipment as part of our construction of palm oil mill business, and consequently we are able to fabricate the same on a standalone basis. The palm oil milling equipment that we fabricate in-house on a stand-alone basis include unloading stations, sterilisers, threshers, CPO recovery stations, palm kernel plants (except ripple mills), kernel crushing plants (except palm kernel expellers and filter presses) and pressure vessels. Please refer to Section 7.3.1.1 (b), (c) and (d) of this Prospectus for details of these equipment.

We also fabricate other equipment used in palm oil mills, such as electrostatic precipitator (ESP), which is a filtration system that uses electrostatic charge to remove fine solid particles from a flow of gas. In a palm oil mill, ESP may be used to remove soot particles from the biomass boiler's flue gas before it is discharged into the environment. When used in this role, the ESP is installed between the biomass boiler and the smokestack. The design and main components of the ESP are provided by an external supplier. We carry out the fabrication of the ESP enclosure and installation on-site.

The standalone equipment that we fabricate for other industries include the following:

- Storage tanks and steel structures; and
- Energy and environmental related equipment.

Storage tanks and steel structures

Storage tanks are used to store liquids that are not under pressure, while steel structures provide support for walls, roofs or machinery and equipment.

7. BUSINESS OVERVIEW (CONT'D)

Energy and Environmental Related Equipment

The standalone environmental related equipment that we currently fabricate include the following:

- **Heat recovery equipment** utilises sealed heat transfer pipes to recover heat that would otherwise be discharged into the environment. For example, the heat recovery equipment can be installed at a biomass boiler to heat boiler water using heat from exhaust gas, thereby reducing fuel consumption and energy costs. Hot exhaust gas causes the heat transfer fluid in a sealed pipe to evaporate and rises up the pipe as vapour. At the top of the pipe, the vapour heats the cold incoming water, condenses and returns to the bottom of the sealed pipe as fluid. Our heat recovery equipment can be used in, among others, palm oil mills and refineries, oil refineries and petrochemical plants, rubber glove and cement manufacturing plants. We currently fabricate this equipment using sealed heat transfer pipes purchased from a supplier, fabricating the casing and installing the equipment at the customers' site.
- **Non-chemical water treatment equipment** are designed to utilise ultra-low frequency ("ULF") waves to treat water for equipment such as boilers and cooling towers, with the goals of controlling scaling, corrosion and bacteria and algae growth without using chemicals. The equipment consists of a microprocessor controller and emitters to generate the ULF waves to specific intervals. We purchase the emitters, microprocessor controller and other equipment from a supplier, and install them at the customers' site.

(b) Scope of Work

Our scope of work for the fabrication of equipment commonly includes procurement of materials and fabrication of the equipment. The design and specifications are provided by external engineers or consultants, or by the customer. Our equipment is tested at our fabrication facility in Pasir Gudang, Johor, and shipped to our customers' worksites where we will carry out installation, system testing and commissioning using our in-house resources or by engaging a subcontractor.

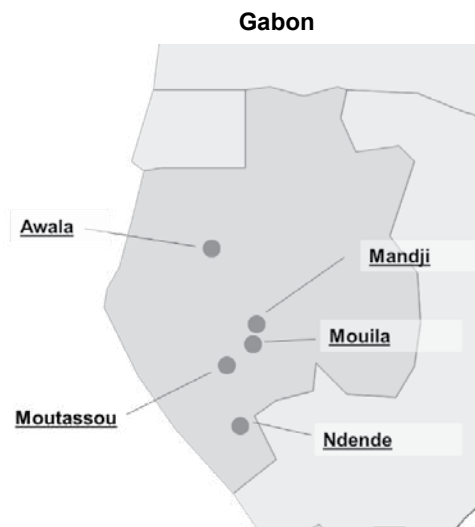
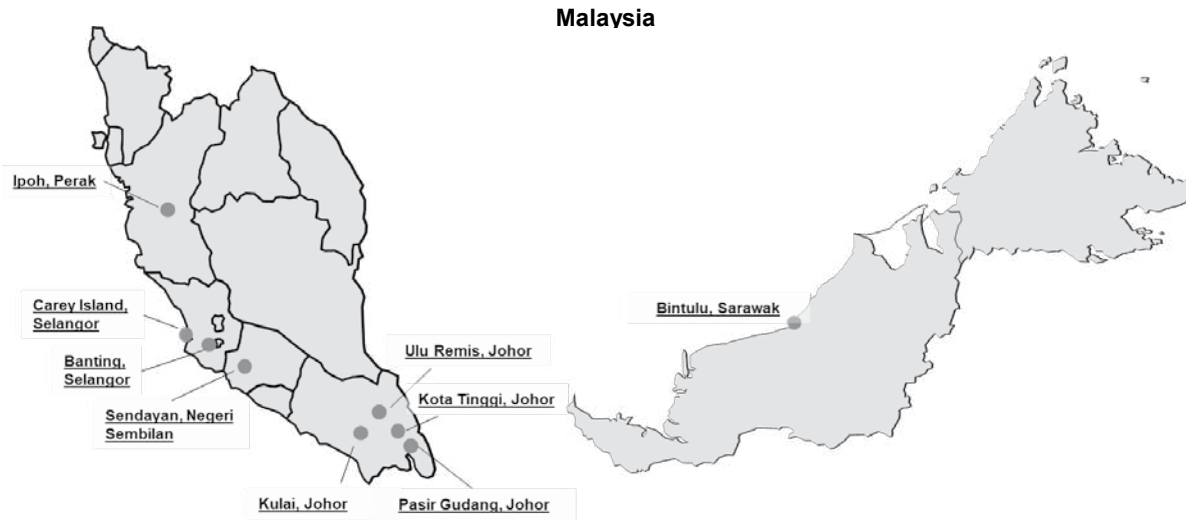
For the Financial Years Under Review, the costs of sales from outsourcing work for our fabrication of equipment business segment amounted to RM0.8 million (8.2%) for FYE 2018, RM2.4 million (13.5%) for FYE 2019, RM3.6 million (19.4%) for FYE 2020 and RM6.6 million (25.1%) for FYE 2021.

Measures of capacity and utilisation are not meaningful for our fabrication facility as the fabrication works that we carry out involves a series of steps and processes that utilise discrete machinery, equipment or processes which are carried out manually as opposed to continuous standardised process utilising a manufacturing line. Please refer to Section 7.4 of this Prospectus for additional information on our capacity and utilisation.

7. BUSINESS OVERVIEW (CONT'D)

(c) Locations of our Projects

During the Financial Years Under Review and as at the LPD, the locations of the palm oil mills and other manufacturing facilities in Malaysia, Gabon and Indonesia where our palm oil industry and other industry equipment that we fabricate as part of projects with contract value of RM1 million or more are used (completed and on-going projects) are illustrated in the following maps:



7. BUSINESS OVERVIEW (CONT'D)

(d) Completed Projects

A fabrication of standalone equipment project is regarded as completed when the customer has accepted handover or the final invoice has been submitted or revenue for the project has been fully recognised. The fabrication of standalone equipment contracts or orders that we have completed during the Financial Years Under Review and as at the LPD that had contract value of more than RM2.0 million are summarised in the following table:

Customer	Description	Location	Contract Value ⁽¹⁾⁽¹⁵⁾ (RM'000)	Start Date ⁽²⁾	Completion Date ⁽³⁾
PT Palmas Engineering	Project Fabrication of palm oil milling machinery for the construction of PT Lanang Agro Bersatu palm oil mill	Kalimantan Barat, Indonesia	3,571	December 2017	June 2018 ^(B)
PT Palmas Engineering	Project Fabrication of palm oil milling machinery for the PT Bio Inti Agrindo palm oil mill at Papua	Papua, Indonesia	4,582	December 2018	January 2019 ^(B)
Sime Darby Berhad and Sime Darby Plantation (Sarawak) Sdn Bhd	Plantation EPCC of ESP for biomass boilers at 5 palm oil mills ⁽⁷⁾	Sarawak, Johor, and Selangor in Malaysia	11,180	January 2019	October 2021 ^{(10), (C)}
Olam Palm ⁽⁷⁾	Construction of bulking tanks for the Mouila Lot 1 palm oil mill ⁽⁴⁾	Mouila, Gabon	4,016 ⁽⁵⁾	June 2019	May 2020 ^(B)
Olam Palm ⁽⁷⁾	Construction of bulking tanks for the Awala palm oil mill ⁽⁴⁾	Awala, Gabon	2,800 ⁽⁶⁾	June 2019	May 2020 ^(B)
Olam Palm ⁽⁷⁾	Fabrication of bulking tanks for the Mouila Lot 3 palm oil mill ⁽⁴⁾	Mouila, Gabon	5,233 ⁽¹¹⁾	June 2019	October 2021 ^(B)
PT Putra Bongan Jaya ⁽⁶⁾	Fabrication of structural works for the Putra Bongan Jaya palm oil mill, comprising:	Kalimantan Timur, Indonesia			
-	- Fabrication of structural works, and installation of palm oil milling machinery and equipment		10,355	May 2020	June 2021 ^(B)
-	- Fabrication of 4 vertical sterilisers		2,300	April 2020	December 2021 ^(B)

7. BUSINESS OVERVIEW (CONT'D)

Customer	Description	Location	Contract Value ⁽¹⁾⁽¹⁵⁾ (RM'000)	Start Date ⁽²⁾	Completion Date ⁽³⁾
GS Paperboard & Packaging Sdn Bhd	Upgrading of the GS Paperboard paper mill at Banting, Selangor, comprising:	Selangor, Malaysia			
	- Fabrication and installation of storage tanks		3,650	May 2020	July 2021 ^(B)
	- Supply, fabrication and erection of additional mechanical works		1,090	November 2020	April 2021 ^(B)
Ladang Petri Tenggara Sdn Bhd	EPCC of ESP for biomass power plant at Sungai Kachur palm oil mill in Kota Tinggi, Johor	Johor, Malaysia	3,130	November 2020	November 2021 ^{(12), (C)}
GoodGloves Industries Sdn Bhd	Fabrication of equipment for a new glove manufacturing plant at Sendayan, Negeri Sembilan	Negeri Sembilan, Malaysia			
	- Fabrication of stainless-steel tanks		3,238	December 2020	December 2021 ^{(13), (C)}
	- Piping works for 8 glove manufacturing lines		3,564	March 2021	January 2022 ^{(14), (B)}
KL-Kepong Edible Oils Sdn Bhd ^(B)	Fabrication of CPO storage tanks for an existing palm oil refinery at Pasir Gudang, Johor	Johor, Malaysia	1,467	January 2021	November 2021 ^(B)
PT Palmas Project Engineering	Fabrication and supply of machinery and equipment for a new palm oil mill in Papua, Indonesia	Papua, Indonesia	6,989	August 2021	February 2022 ^(B)
KL-Kepong Rubber Products Sdn Bhd ^(B)	Fabrication, supply and installation of bulking tanks and mixing tanks for rubber gloves manufacturing plant at Ipoh, Perak	Perak, Malaysia	6,595	October 2021	April 2022 ^(C)
Total			73,760		

Notes:

Projects are listed in chronological order of the start date.

(1) Contract value reflects the contract sum.

(2) The start date is based on the letter of award or commencement date as agreed with the customer.

(3) The completion date is based on: (A) the acceptance of handover or (B) submission of final invoice or (C) when revenue is fully recognised. Where possible, completion date is based on the acceptance of handover. However, if we have completed our work and the customer has not provided acceptance of handover, the completion date is based on the submission of final invoice, or when revenue is fully recognised and pending submission of the final invoice.

7. BUSINESS OVERVIEW (CONT'D)

- (4) Olam Palm awarded a single turnkey contract for the construction of bulking tanks at the Awala, Mouila Lot 1, and Mouila Lot 3 palm oil mills.
- (5) The contract value for the bulking tanks to be constructed at Mouila Lot 1 palm oil mill.
- (6) The contract value for the bulking tanks to be constructed at the Awala palm oil mill.
- (7) Part of the Olam Group.
- (8) Part of the KLK Group.
- (9) The palm oil mills are the Derawan and Lavang palm oil mills at Bintulu, Sarawak; Hadapan palm oil mill at Kulai and Ulu Remis palm oil mill at Layang-Layang in Johor; and West palm oil mill at Carey Island, Selangor.
- (10) As at the LPD, the equipment has been fully installed in August 2021 and the project is pending the supplier's technician from India to assist in the testing and commissioning. The expected completion date was based on the contract with the customer and we have not been granted any extension of time. The implementation of the project was behind schedule due to delays in the supply of parts from a supplier. For the FYE 2020, we made a provision for LAD of RM0.6 million in addition to RM0.4 million which was set off against the progressive billings (being 90.9% in aggregate of the maximum claim on the LAD of RM1.1 million) for this project. For further information on the LAD for this project, please refer to Section 12.3.1 (i) of this Prospectus.
- (11) For palm oil mill owned by Olam Palm.
- (12) The original expected completion date of this project was December 2020. Due to the MCO, the customer deferred the completion date to July 2021. We were not able to complete the project by July 2021 due to movement and business operation restrictions related to the on-going COVID-19 pandemic and we applied for extension of time from the customer up to October 2021, which is pending approval. Subsequent to the LPD, we have made a provision for LAD of RM0.2 million, being the maximum claim on the LAD as at 30 November 2021. The project was subsequently completed in November 2021.
- (13) The original expected completion date of this project was February 2021. The customer granted extension of time up to December 2021, and we have completed the project in December 2021.
- (14) The original expected completion date of this project was September 2021. The customer granted extension of time up to December 2021, and we have completed our work for the project in December 2021 and issued the final invoice in January 2022.
- (15) LAD has been provided for the project with Sime Darby Plantation Berhad and Sime Darby Plantation (Sarawak) Sdn Bhd in FYE 2020, and for the project with Ladang Petri Tenggara Sdn Bhd, LAD in FYE 2021. Save for these two projects, we did not make any provision for LAD nor receive any claims for LAD for any of the other completed projects listed above as the projects were either completed by the agreed completion date (based on the original completion date, or subsequent extension of time or variation orders for additional work, if any), or the customers did not make any claims for LAD for projects that were completed after the agreed completion date, or there was no provision for LAD in the contracts.

7. BUSINESS OVERVIEW (CONT'D)

(e) On-going Projects

The fabrication of standalone equipment contracts or purchase orders that are on-going as at the LPD are summarised in the following table:

Customer	Description	Location	Contract Value ⁽¹⁾ (RM'000)	Unrecognised Revenue ⁽²⁾ (RM'000)	Completion Stage ⁽³⁾ (%)	Start Date ⁽⁴⁾	Expected Completion Date ⁽⁵⁾
Olam Palm ⁽⁶⁾	Fabrication of loading ramps for Mouila Mandji, Moutassou and Ndende palm oil mills	Mouila Mandji, Moutassou and Ndende, Gabon	1,367	1,367	-	October 2021	#
Other customers	11 projects with individual contract value of less than RM1.0 million per project	Sabah and Perak, Malaysia; Awala and Mouila, Gabon; and Riau, Kalimantan Timur and Tengah, Sumatra Selatan and Belitung, Indonesia	1,385	1,385	-	Various start dates ⁽⁷⁾	Various expected completion dates ⁽⁸⁾
Total			2,752	2,752			

Notes:

Projects are listed in chronological order of the start date.

The completion date for the project was not stated in the respective contract or purchase order, and as a result the expected completion date will be agreed with the customer. Nevertheless, we work to complete the project in a timely manner.

(1) Contract value reflects the contract sum.

(2) Unrecognised revenue as at the LPD.

(3) Completion stage as at the LPD is calculated as the recognised revenue as at the LPD divided by contract value.

(4) The start date is based on the letter of award, purchase order or commencement date as agreed with the customer.

(5) The expected completion date of the project is based on date of completion stated in the letter of award or purchase order, or extension of time granted by our customers, or expected completion date agreed with the customer.

(6) Part of the Olam Group.

(7) Various start dates from December 2021 to April 2022.

(8) The expected completion dates for the projects range from April 2022 to June 2022.

7. BUSINESS OVERVIEW (CONT'D)

7.3.3 Supply of Materials and Equipment

The supply of materials and equipment contributed RM1.2 million (1.0%), RM0.5 million (0.3%), RM13.1 million (8.5%) and RM32.2 million (21.0%) of our total revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. During the Financial Years Under Review, we were involved in supplying the following types of materials and equipment:

- Piping materials such as pipes, flanges and connectors for piping works;
- Heavy construction equipment, comprising the sale of new and used heavy construction equipment such as excavators, tractors and backhoe loaders; and
- Construction materials such as spun piles, gravel, sand and bricks.

For the Financial Years Under Review, our customers were mainly contractors as well as owners and operators of oil palm plantations and palm oil mills. For the Financial Years Under Review, our customers were mainly in Gabon, Malaysia and Indonesia.

During the Financial Years Under Review and up to the LPD, we did not supply any other types of materials and equipment, save for the piping materials, heavy construction equipment, construction materials and spun piles listed above. We sourced these piping materials, heavy construction equipment, construction materials and spun piles from third party suppliers.

7.3.4 Other Activities

Revenue contribution from other activities amounted to RM5.3 million (4.8%), RM1.2 million (0.8%), RM3.1 million (2.0%) and RM1.8 million (1.1%) of our total revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. Our other activities are complementary to our main business activities.

Our other activities included the following:

- Supplying spare parts for palm oil milling machinery. We would supply the spare parts for the machinery and equipment that we fabricated in-house. As for the spare parts for the machinery and equipment that were manufactured externally, we would source these parts from the respective external manufacturers;
- Providing maintenance services for plants and facilities; and
- Site clearing and earthworks where we engaged a subcontractor to carry out the work.

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7. BUSINESS OVERVIEW (CONT'D)

The other activities contract that we have concluded (following request for the project to be terminated by the customer) during the Financial Years Under Review and up to the LPD that had contract value of more than RM2.0 million is summarised in the following table:

Customer	Description	Location	Net Revenue Recognised (RM'000)	Unrecognised Revenue ⁽¹⁾ (RM'000)	Start Date ⁽²⁾
Kluang Biomass Power (M) Sdn Bhd	Site clearing and earthworks for the construction of a biomass power plant at Kluang, Johor	Johor, Malaysia	3,369 ⁽³⁾	-	July 2018
Total			3,369	-	

Notes:

- (1) The unrecognised value as at LPD is nil as the project has been suspended by the customer.
 (2) The start date is based on the letter of award or commencement date as agreed with the customer.
 (3) This represents the revenue recognised and is net of the reversal of revenue amounting to RM0.5 million which had been recognised during the FYE 2018 for work performed as verified by the architect and agreed with the customer. As at the LPD, the net revenue recognised of RM3.4 million has been collected by our Group.

The above project was to be completed by January 2019, however, it was suspended with no specific duration on suspension as this was not set out under the contract nor informed by the customer, and was subsequently terminated by the customer in January 2022 due to funding constraints. For the avoidance of doubt, there is currently no other project of our Group which has been suspended.

For the Financial Years Under Review, our customers were mainly owners and operators of oil palm plantations, palm oil mills, power generation and other plants. For the Financial Years Under Review, our customers were mainly in Gabon, Malaysia, Indonesia and Liberia.

7.3.5 Modes of Operation, defect liability period, warranty and minimum performance guarantee**(a) Modes of Operations**

The modes of operation for our business activities are based on fixed lump sum, fixed lump sum plus scheduled rates, and leasing of equipment by way of contracts or purchase orders.

(i) Fixed lump sum

The contract or purchase order for the respective project will specify, among others, the fixed contract sum for the project, schedule of payments, our scope of work and deliverables, and the timeline for delivery. Our customer will pay us for the fixed contract sum according to the schedule of payments, subject to any variation orders or claims against LAD.

The fixed lump sum is used in the following business activities:

- Construction of plants and facilities;
- Fabrication of equipment;
- Supply of materials and equipment; and
- Other activities, including supply of spare parts, provision of maintenance services, and provision of civil works.

7. BUSINESS OVERVIEW (CONT'D)

(ii) Fixed lump sum plus scheduled rates

The contract will consist of 2 parts, namely a fixed lump sum portion as described above, and a variable payment based on an agreed schedule of rates. The fixed lump sum part of the contract is as described above.

The scheduled rates part of the contract specifies the price per unit for each specific work to be done, and payment made based on the amount of work done multiplied by the specified rate. These are for minor works that are difficult to quantify beforehand. Examples include the installation of drains and fencing, where the lengths or areas of the work done will be measured and payment computed after completion or installation.

We utilise the fixed lump sum plus scheduled rates for some of our construction of plants and facilities business activity.

(iii) Leasing of equipment

As part of our expansion plan as set out in Section 4.4.1 of this Prospectus, we plan to purchase and install 12 units of non-chemical water treatment equipment to develop and grow this business by providing the equipment to customers under the leasing of equipment model with a total estimated cost of RM1.0 million. We have started recognising revenue from leasing of equipment in FYE 2021.

We charge our customer based on a fixed initial installation fee, followed by monthly recurring lease payments for as long as they continue to use our equipment. Under our fabrication of equipment business, some of the non-chemical water treatment systems provided to customers are based on the leasing of equipment mode of operation.

The situations where we utilise these modes of operations are as follows:

- Fixed lump sum mode of operation is utilised where our scope of work or deliverables are determined beforehand and with the agreement with the respective customer;
- Fixed lump sum plus scheduled rates mode of operation is used where some portion of our scope of work or deliverables cannot be determined beforehand, and with the agreement with the respective customer; and
- Leasing of equipment mode of operation is utilised with the agreement with some customers of non-chemical water treatment systems, such as those that desire lower up-front cost compared to purchasing the system under fixed lump sum contract basis.

(b) Liquidated ascertained damages

LAD stipulate the damages that a customer can claim against us in the event that we are unable to complete and deliver our projects in accordance with the project timeline as stated in the contracts and within our project budget.

LAD are normally included in the fixed lump sum and fixed lump sum plus scheduled rates contracts for the following types of projects:

- construction of new palm oil mills and upgrading of existing palm oil mills;
- construction of facilities for the palm oil, rubber plantation and other industries; and
- fabrication of equipment.

7. BUSINESS OVERVIEW (CONT'D)

For the FYE 2020, we made a provision for LAD of RM0.6 million and RM0.4 million, which was set off from our progressive billing (being 90.9% of the maximum claim on the LAD of RM1.1 million) for the fabrication of palm oil mill equipment for Sime Darby Plantation Berhad. This was due to the delay in the supply of parts from the supplier which was appointed by the customer, as we do not have a back-to-back arrangement with the supplier for damages.

For the FYE 2021, we made a provision for LAD of RM0.2 million, which was the maximum claim on the LAD as at 30 November 2021, for the EPCC of ESP for biomass power plant at a palm oil mill in Johor for Ladang Petri Tenggara Sdn Bhd. This was because we were not able to complete the project by the deferred completion date of July 2021 due to movement and business operation restrictions related to the on-going COVID-19 pandemic. We had applied for extension of time from the customer up to October 2021, which is pending approval. The project was subsequently completed in November 2021.

We did not make any provision for LAD for FYE 2018 and FYE 2019.

(c) Defect Liability Period

The duration of defect liability period is stipulated in the respective contract, and it is usually for 12 months from the date of completion, handover or acceptance by the customer. We are responsible for making good any defects that may be found or occurred during the defect liability period. This will be undertaken at our expense.

We provide a defect liability period for only the following business segments:

- Construction of new palm oil mills and upgrading of existing palm oil mills;
- Construction of facilities for palm oil, rubber and other industries; and
- Fabrication of equipment.

Generally, we set aside 5%-10% of the contract value of the respective contract as retention sum to be held by our customers. Such retention sum may be utilised by our customers to remedy defects if we fail to rectify the defects within the defect liability period, and we will collect the unutilised retention sum from our customers after the defect liability period. Where a contract for fabrication of equipment and machinery contains a defect liability clause at the request of the customer, it does not contain a clause setting out a separate warranty period for the fabrication of equipment and machinery. During the Financial Years Under Review, total costs incurred to make good any defects during the defect liability period for all of our construction of palm oil mill plants or upgrades, and construction of facilities for palm oil, rubber and other industries amounted to approximately RM7,469, RM196,304, RM17,833 and RM186,524 for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively.

(d) Warranty

We provide warranties in relation to the following business activities:

- construction of plants and facilities;
- fabrication of palm oil milling equipment, including unloading stations, sterilisers, threshers, CPO recovery stations, palm kernel plants (except ripple mills) and kernel crushing plants (except palm kernel expellers and filter presses);
- fabrication of other equipment, including storage tanks and steel structures, heat recovery, non-chemical water treatment (for units that are sold to customers) and dust filtration equipment.

7. BUSINESS OVERVIEW (CONT'D)

The typical warranty period for the facilities that we construct and equipment that we fabricate are summarised in the following table:

Type of Plant and Equipment	Usual Warranty Period
Construction of plants and facilities	
- Structures (portal frame and walling systems)	25 years ⁽¹⁾
- Structural works	1 to 5 years ⁽²⁾
- Workmanship	12 months
- Machinery and equipment	12 months
Fabrication of palm oil milling equipment	
- Machinery and equipment	12 months
Fabrication of other industry equipment	
- Machinery and equipment	12 months

Notes:

- (1) Warranty period provided at the request of the customer is generally for the construction of the workers' quarters at Gabon. Such warranty period has also been provided at the request of the customer on an ad hoc basis in respect of (i) plantation infrastructure of offices, club houses, a clinic, a school, a chemical store and a fertilizer store; and (ii) laboratory building modification work.
- (2) 5 years warranty period applies to the structural works performed by or on behalf of our Group in relation to the palm oil mill in Gabon.

Where a contract for fabrication of equipment and machinery contains a clause setting out a specific warranty period at the request of the customer for the fabrication of equipment and machinery, it does not contain a separate defect liability clause for the same. Where a contract for fabrication of equipment and machinery does not contain any clauses which set out a specific warranty period or a separate defect liability clause, our Group generally provides a warranty period of 12 months on a goodwill basis during which our Group makes good any defects found in respect of such equipment and machinery at its own costs.

Some equipment with moving parts that are sourced from suppliers such as pumps, compressors and hydraulics, are covered by the product warranties provided by the respective suppliers.

During the Financial Years Under Review and up to the LPD, our customers for the construction of palm oil mill plants did not make any material warranty claims against us.

We do not provide warranties for the supply of materials and equipment which are not in relation to the abovementioned business activities, including piping materials, heavy construction equipment, construction materials and spun piles. We also do not provide warranties for other activities, including supplying spare parts, and providing maintenance services and site clearing and earthworks.

7. BUSINESS OVERVIEW (CONT'D)

(e) Minimum Performance Guarantee

We provide a minimum performance guarantee for the following:

- construction or upgrading of palm oil mill plant projects;
- fabrication of palm oil milling equipment on a standalone basis; and
- fabrication of other industrial equipment.

Under the minimum performance guarantee, we guarantee to the customer that, at the time of testing and commissioning, specific equipment that we fabricate for them will meet the level of output and/or quality stipulated in their respective contracts. The equipment that is under the minimum performance guarantee parameters includes, among others, steriliser, hydro-cyclone, CPO recovery station, kernel hydro-cyclone, POME treatment plant (quality of treated effluent), ESP, heat recovery equipment and non-chemical water treatment.

The minimum performance guarantees are assessed during the testing and commissioning stage. In the event that any equipment fails to meet their respective minimum performance guarantee parameters, we are responsible to make any necessary modifications and/or making good any defects to the affected equipment until it achieves the required performance level. This will be undertaken at our own expense. In addition, we may also be liable for performance liquidated damages as stipulated in the respective contracts.

The performance guarantee provided by our Group ranges from 5% to 40% of the contract value depending on the requirement of the relevant customer and the value of the performance guarantee is not depending on the type of projects. The most common percentage applicable ranges between 5% to 10% during the Financial Years Under Review and there are no material performance guarantee claims during the Financial Years Under Review.

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7. BUSINESS OVERVIEW (CONT'D)

7.3.6 Summary of our On-going Projects

Our Group's on-going projects as at the LPD are summarised in the following table:

Customer	Description	Contract Value ⁽¹⁾ (RM'000)	Completion Stage ⁽²⁾ (%)	Unrecognised Revenue ⁽³⁾ (RM'000)	Revenue to be Recognised			Expected Completion Date ⁽⁷⁾
					FYE 2022 ⁽⁴⁾ (RM'000)	FYE 2023 ⁽⁵⁾ (RM'000)	FYE 2024 ⁽⁶⁾ (RM'000)	
PT Kapuas Maju Jaya Oil Mill	Civil, structural and mechanical works for new palm oil mill at Kapuas, Kalimantan Tengah ^(a)	17,750	89.1	1,928	1,928	-	-	July 2022 ⁽⁸⁾
KL-Kepong Edible Oils Sdn Bhd ⁽⁹⁾	Civil and structural works to construct office building, workshop and wastewater treatment plant at an existing palm oil refinery in Pasir Gudang, Johor ^(a)	3,791	-	3,791	3,791	-	-	December 2022
Sime Darby Oils Port Klang Refinery Sdn Bhd	Piling works for new buildings and storage tanks, and demolition and relocation of existing tanks at an existing palm oil refinery in Port Klang, Selangor	4,980	-	4,980	4,980	-	-	August 2022
Olam Palm ⁽¹⁰⁾	Installation, testing and commissioning of an irrigation system for an oil palm plantation at Moulia, Gabon ^(b)	83,732	55.7	37,054	21,532	15,000	522	April 2024 ⁽¹¹⁾
Austin Powder Malaysia Sdn Bhd	Refurbishment of existing building and construction of new buildings for an explosives manufacturing facility in Bentong, Pahang ^(b)	15,800	46.1	8,511	8,511	-	-	June 2022 ⁽¹²⁾
Wilhelmina Energy Malaysia Sdn Bhd	Construction of buildings for new biomass fuel pellet manufacturing plant at Kuantan, Pahang ^(b)							
	- Engineering services for the construction of new biomass fuel pellet manufacturing plant ⁽¹³⁾	2,800	10.0	2,520	2,520	-	-	July 2022

7. BUSINESS OVERVIEW (CONT'D)

Customer	Description	Contract Value ⁽¹⁾ (RM'000)	Completion Stage ⁽²⁾ (%)	Unrecognised Revenue ⁽³⁾ (RM'000)	Revenue to be Recognised				Expected Completion Date ⁽⁷⁾
					FYE 2022 ⁽⁴⁾ (RM'000)	FYE 2023 ⁽⁵⁾ (RM'000)	FYE 2024 ⁽⁶⁾ (RM'000)		
SC Green Solutions Sdn Bhd	Civil, structural, installation, testing and commissioning works to construct a biogas renewable energy power station at a landfill in Bachok, Kelantan ^(b)	28,523	-	28,523	7,226	14,452	6,845		January 2024
CNmy International (Malaysia) Sdn Bhd	Structural and steel works and roof covering works for an office building and other facilities at Bandar Sri Sendayan, Negeri Sembilan ^(b)	2,800	72.0	785	785	-	-		July 2022
Olam Palm ⁽⁸⁾	Fabrication of loading ramps for Mandji, Moutassou and Ndende palm oil mills ^(c)	1,367	-	1,367	1,367	-	-		#
Other customers	11 fabrication of equipment projects with individual contract value of less than RM1.0 million per project ^(c)	1,385	-	1,385	1,385	-	-		Various expected completion dates ⁽¹⁴⁾
Total		162,928		90,844	54,025	29,452	7,367		

Notes:

- (a) Construction of plants. (b) Construction of facilities. (c) Fabrication of equipment.
- # The completion date for the project was not stated in the respective contract or purchase order, and as a result the expected completion date will be agreed with the customer. Nevertheless, we work to complete the project in a timely manner.
- (1) Contract value reflects the contract sum.
- (2) Completion stage as at the LPD is calculated as the recognised revenue as at the LPD divided by contract value.
- (3) Unrecognised revenue as at the LPD.
- (4) Revenue from the project that we expect to recognise between 1 May 2022 and 31 December 2022.
- (5) Revenue from the project that we expect to recognise during FYE 2023.
- (6) Revenue from the project that we expect to recognise during FYE 2024.
- (7) The expected completion dates of the projects are based on original expected completion dates, the extension of time granted by the respective customers or expected completion date agreed with the customer, where relevant. We are on track to meeting the expected completion date subject to any unforeseen factors beyond our control such as another round of MCO that may affect the business activities of our Group due to compulsory closure of our business or reduction in workforce capacity.

7. BUSINESS OVERVIEW (CONT'D)

Should such unforeseen factors take place and if we foresee any delays in the completion of our projects, it is our practice to apply for an extension of time. Please refer to Section 7.23.5 of this Prospectus for information of on-going projects which our customers have provided us with an extension of time after we have notified them about the disruptions due to the COVID-19 conditions.

(8) The original expected completion date of this project was November 2021. The customer had granted extension of time for this project until July 2022.

(9) Part of the KLK Group.

(10) Part of the Olam Group.

(11) The original completion date was August 2023. Following disruptions caused by the COVID-19 pandemic and weather conditions in Gabon, Olam Palm granted extension of time up to 30 April 2024.

(12) The original completion date was February 2022 based on the letter of award dated 19 July 2021. Following disruption caused by major floods in Bentong, Pahang in December 2021, the consultant engaged by the customer and the customer have jointly agreed to grant the extension of time up to 30 June 2022, pursuant to a letter of extension dated 25 May 2022 issued by the consultant. Subsequent to the LPD, we experienced some delays in implementing the project due to weather conditions at the site, and as a result we have submitted another application for an extension of time up to 30 September 2022 that is pending approval.

(13) The engineering services agreement will be subsumed into the final engineering, procurement and construction agreement when it is awarded.

(14) The expected completion dates for the projects range from April 2022 to June 2022.

7. BUSINESS OVERVIEW (CONT'D)

7.4 CAPACITY AND UTILISATION

Measures of capacity and utilisation are not meaningful for our construction of plants and facilities, fabrication of palm oil mill equipment, supply of materials and equipment, and other activities as these business activities are project based in nature. Furthermore, work relating to the construction of plants and facilities, including the installation of machinery and equipment, are carried out at the respective customers' worksites. In addition, it is not meaningful to quantify capacity and utilisation of our fabrication works as it involves a series of steps and processes that utilise discrete machinery, equipment or processes which are carried out manually as opposed to continuous standardised process utilising a manufacturing line. Examples of discrete machinery and equipment that we use manually include shearing, cutting, bending, rolling, grinding and welding of metal, metal stamping, punching and boring, machining to produce parts and components, and threading of pipes and fittings.

7.5 OPERATIONAL FACILITIES

As at the LPD, we conduct our business operations at the following locations:

Company	Main Function	Approximate Area (sq ft)	Location of Facility
EMESB	Head office, office and manufacturing plant	112,644 ⁽¹⁾	PLO 555, Jalan Keluli 8 Pasir Gudang Industrial Estate 81700 Pasir Gudang Johor, Malaysia
EMESB ETSB TWTSSB	Office	8,785 ⁽²⁾	No 8. Jalan Ekoperniagaan 1/10 Taman Ekoperniagaan 81100 Johor Bahru Johor, Malaysia
AEPL	Office	517 ⁽²⁾	No. 2 Venture Drive #13-04 Vision Exchange Singapore 608526

Notes:

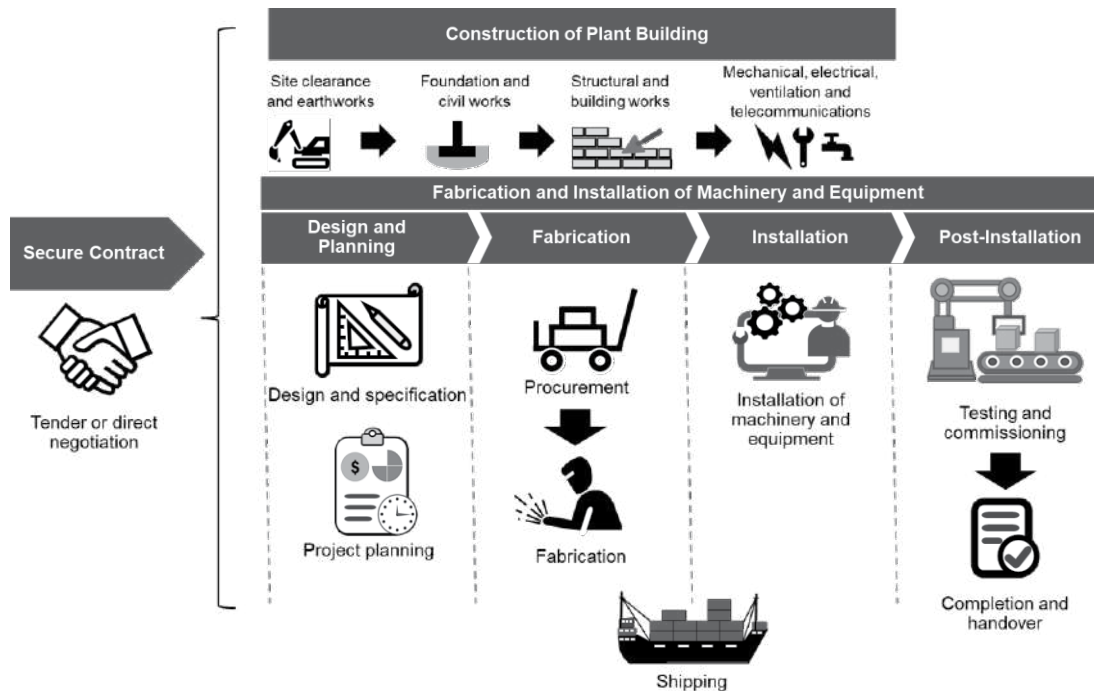
- (1) Comprises office and fabrication facility with combined gross floor area of 112,644 sq ft from when the facility was constructed. In addition, we have constructed an extension of the fabrication facility with gross floor area of approximately 27,125 sq ft which has been completed.
- (2) Gross floor area.

7. BUSINESS OVERVIEW (CONT'D)

7.6 PROCESS FLOW

7.6.1 Construction of plants

For the construction of plants, we mainly construct palm oil mills, and also other plants such as refinery and biogas plants. Our general process flow for carrying out the construction of plants is summarised in the following diagram:



Secure Contract

Contracts for the construction of plants are secured through competitive bidding or direct negotiations with our customers, which usually takes approximately 2 months. Our contracts will generally comprise 2 components, namely construction of the buildings and the fabrication, installation, testing and commissioning of the machinery and equipment making up the plant.

Construction of Plant Buildings

(a) Planning and regulatory

Project planning involves project scheduling, resource allocation, costing, budgeting and financing to ensure that the project runs smoothly, on time and budget, and usually takes approximately 1 month. As a turnkey contractor, we are also responsible for obtaining the relevant regulatory approvals to carry out construction works at the worksite. We will register with the relevant regulatory bodies and local authorities that have jurisdiction over areas where the worksite is located, and obtain all the necessary registration, licenses, approvals and permits before we start construction works.

(b) Procurement

We are responsible for procuring all the materials and services required to construct the facilities, save for those that are provided to us by the customer. Procurement usually takes approximately 2 months. In some cases, materials are purchased from suppliers in Malaysia, and we subsequently ship them to our worksites in other countries such as Gabon, Indonesia and Liberia. We also purchase materials for our worksites in Gabon from suppliers in the same country.

7. BUSINESS OVERVIEW (CONT'D)

Construction

All construction works at the worksite are monitored by our in-house project team to ensure that works are carried out according to the relevant engineering designs, specifications and procedures, and the progress of work is in accordance with the project timeline. Our project team is also responsible for managing worksite health and safety, in accordance with the relevant regulations.

(a) Site clearance and earthworks

We will commence site preparation with establishing staging areas for machinery, equipment and materials as well as setting up temporary facilities and utilities such as site office, workers amenities, power and potable water.

Site clearance and earthworks include excavation, backfilling, levelling and earth compaction, as well as any other necessary civil works to prepare the site for building construction works, and usually takes approximately 2 months.

Site clearance and earthworks



We carry out site clearance and earthworks under the following circumstances:

- As part of the construction of plants or construction of facilities; and
- Stand-alone basis which is under our other activities.

The site clearance and earthworks that were carried out under the two circumstances described above were the same, and we engage subcontractors to carry out site clearance and earthworks and these are mainly for projects in Malaysia, as it requires the use of specialised machinery. Please refer to Section 7.3.4 of this Prospectus for additional information on our other activities. Site clearance and earthworks are not part of our scope for projects in foreign countries such as Gabon and Indonesia.

(b) Foundation and civil works

Foundation and civil works are carried out to construct the building's substructure (the part of the structure that is below ground level) to support the superstructure (the part of the building that is above ground level), and heavy load bearing floors for machinery and equipment. As most of the buildings that we construct are low-rise or industrial buildings, we mainly use shallow foundation methods such as isolated, strip and strap footing, and raft foundation, and in some situations, we also use the driven pile method to support heavier above ground loads. Foundation and civil works usually take between approximately 2 and 6 months, depending on the project.

We engage subcontractors to carry out foundation and civil works for projects in Malaysia, while we carry out these works using our contract workers or subcontractors for projects in Gabon. Foundation and civil works are normally not part of our scope of works for projects in Indonesia.

(c) Structural and building works

Structural and building works are related to constructing the superstructure, and usually takes approximately 4 months. Superstructure construction works commence only after the relevant foundation works have been completed. The superstructure construction works that we carry out will depend on the nature of the superstructure.

Our construction works generally involve one or more of the following:

- civil building works to erect columns, beams, walls, floors and roofs; and
- steel structural works to erect steel building frames and roof trusses.

7. BUSINESS OVERVIEW (CONT'D)

For projects in Malaysia, we normally carry out steel structural works with in-house resources and engage subcontractors when we do not have sufficient resources or we have conflicting schedules, while we engaged subcontractors to carry out civil building works. We carry out civil building and steel structural works using our contract workers and subcontractors for our projects in Gabon. We are not required to have any construction licences before carrying out the work concerned in Gabon and our contract workers have the relevant valid work permits registered under the project owner. For projects in Indonesia, we engage subcontractors for steel structural works while civil building works are normally not part of our scope of works.

For projects in Malaysia, we engage subcontractors to carry out the facility's infrastructure works such as construction of internal road access, drainage and perimeter fencing concurrently with superstructure construction, while we use our contract workers or engage subcontractors for infrastructure works for our projects in Gabon. These are not part of our scope of work for our projects in Indonesia.

(d) Mechanical, electrical, ventilation and telecommunications

We will carry out mechanical, electrical, ventilation and telecommunications system installation work after the completion of superstructure construction. This installation usually takes approximately 6 months to complete. For the installation of mechanical works for projects in Malaysia and Gabon, we normally carry out this part of the work with in-house personnel or we engage subcontractors when we do not have sufficient resources or we have conflicting schedules at that time. As for Indonesia, we engage subcontractors to carry out mechanical works for projects. We engage subcontractors to carry out electrical, ventilation and telecommunications system installation work for our projects in Malaysia, Gabon and Indonesia.

Fabrication and installation of machinery and equipment

(a) Equipment design and planning

Once the contract is secured, we will carry out the design and preparation of shop drawings for all of the equipment that we will need to fabricate in-house, as well as project planning. Equipment design and project planning usually takes approximately 2 months.

As the turnkey contractor, the design and specification of the plant are usually carried out by third party engineers or consultants that are engaged by our customers. We will prepare shop drawings for the steel structures and the equipment that we will be fabricating in-house based on the designs provided to the engineers or consultants.

We will also carry out project planning to ensure we properly coordinate all financial, materials, human resources and subcontractors to ensure proper control, supervision and management, and to deliver the project on time and on budget. The parties that carry out work for our projects of construction of palm mills in Malaysia, Gabon and Indonesia are summarised in Section 7.3.1.1 (k) in this Prospectus.

(b) Fabrication of equipment

We are responsible for procuring the materials and services required to fabricate the plant equipment, steel structures and piping. This involves purchasing some of the machinery and equipment from suppliers, such as engines, pumps, motors, hoists and power generation equipment. In some cases, our customers may provide some of the machinery and equipment for the project. Depending on the type of equipment that are required, we will engage external parties to fabricate some of these equipment.

7. BUSINESS OVERVIEW (CONT'D)

We carry out the fabrication works at our fabrication facility in Pasir Gudang, Johor, and will transport the finished equipment for installation at the respective worksites, including shipping these equipment to the respective worksites in foreign countries. The process flow for fabricating equipment, including expected timeframe, is described in Section 7.6.3 in this Prospectus. The equipment which we can fabricate in-house and those which we engaged external party to fabricate are described in Section 7.3.1.1 of this Prospectus.

(c) Installation of machinery and equipment

We are responsible for installing machinery, equipment and piping systems for the construction of the plant, which usually takes approximately 2 months. Plant installation works are carried out based on the engineering drawings provided to us. Depending on the project and the location of the project, the works are either carried out by our personnel, our contract workers or subcontractors. Please refer to Section 7.3.1.1 (k) of this Prospectus for the scope of work carried out by our personnel, our contract workers or subcontractors for projects in Malaysia and Gabon and Indonesia.

(d) Post-installation

Testing and commissioning

Testing is conducted by our personnel, subcontractors or independent parties, in the presence of the customer or its appointed representatives as witnesses.

Testing is conducted to validate that the construction and installation works have been carried out properly and that the plant is functioning properly, efficiently and safely. The performance of the various individual stations and the plant as a whole is evaluated, including achieving the performance parameters for specified equipment as defined by our minimum performance guarantee for the respective project. In the event that any of these performance parameters are not met, we are responsible for identifying the causes and making good the deficiency so that they meet the specified minimum performance guarantee.

Testing usually takes approximately 2 weeks to complete successfully, following which the plant is commissioned.

Completion and handover

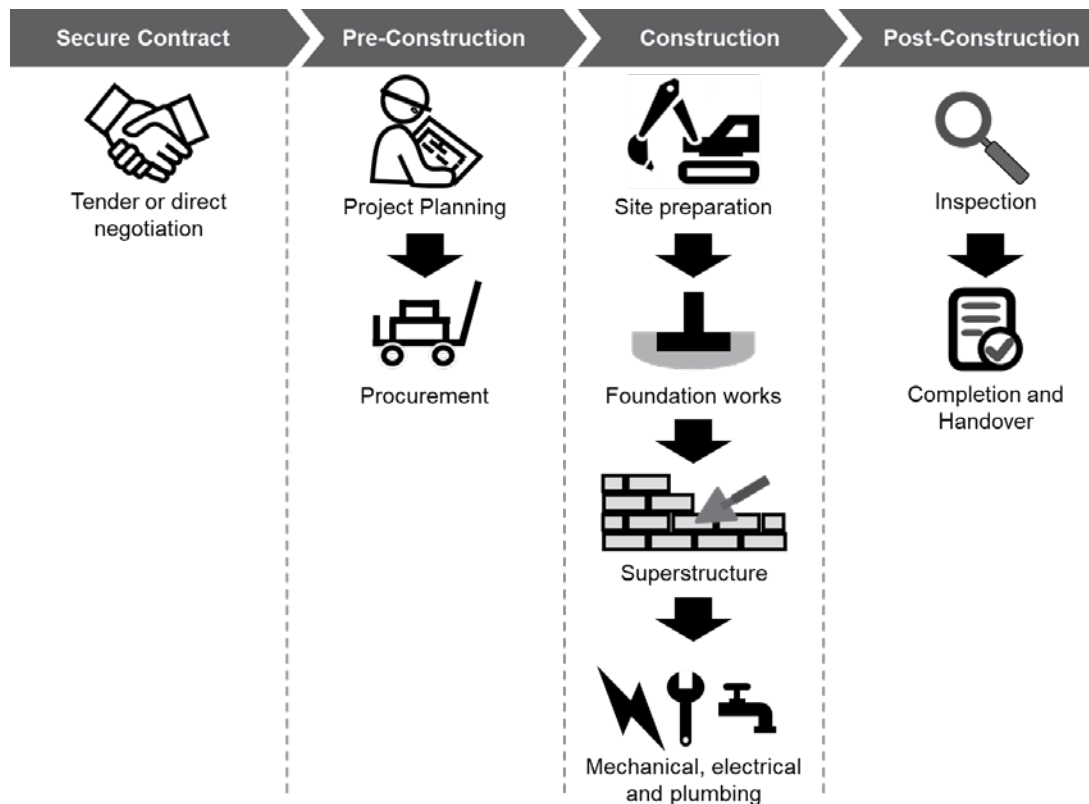
The plant is completed when it is officially handed over to the customer after testing and commissioning are successfully completed, and the customer or its representative has issued the relevant documentation to us. However, if the customer has not provided acceptance of handover for projects for which we have completed our work, completion is based on the submission of our final invoice to the customer, or when revenue is fully recognised and pending submission of the final invoice. We will hand over to the customer all the relevant documents, such as test and inspection reports, as-built drawings, operation manuals and maintenance manuals.

We are responsible for rectifying defects during the defect liability period (DLP) of our construction of plants, which is for 12 months from acceptance by the respective customer.

7. BUSINESS OVERVIEW (CONT'D)

7.6.2 Construction of facilities

The process flow for the construction of facilities such as workers' quarters, operational buildings and amenities is summarised in the following diagram:



Secure Contract

Contracts for the construction of facilities are secured through competitive bidding or direct negotiations with our customers, which usually takes approximately 2 months.

Pre-construction

(a) Planning and regulatory

Our pre-construction stage includes project planning, which involves project scheduling, resource allocation, costing, budgeting and financing to ensure that the project runs smoothly, on time and budget. As a turnkey contractor, we are also responsible for obtaining the relevant regulatory approvals to carry out construction works at the worksite. We will register with the relevant regulatory bodies and local authorities that have jurisdiction over areas where the worksite is located, and obtain all the necessary registration, licenses, approvals and permits before we start construction works. Planning and regulatory usually take approximately 1 month.

(b) Procurement

We are responsible for procuring all the materials and services required to construct the facilities, save for those that are provided to us by the customer. Procurement usually takes approximately 2 months. In some cases, materials are purchased from suppliers in Malaysia, and we subsequently ship them to our work sites in Gabon.

7. BUSINESS OVERVIEW (CONT'D)

Construction

All construction works at the worksite are monitored by our in-house project team to ensure that works are carried out according to the relevant engineering designs, specifications and procedures, and the progress of work is in accordance with the project timeline. Our project team is also responsible for managing worksite health and safety, in accordance with the relevant regulations.

The process flow and expected timeframe for constructing facilities is similar to the one for the construction of plants, which is described under Construction of Buildings and Construction in Section 7.6.1. However, construction of facilities does not involve construction of plant and post-installation testing, commissioning, completion and handover. Instead, the post-construction phases for facilities comprise inspection, completion and handover, which are as follows:

(a) Inspection

Once the construction of the facilities has been completed, we will conduct a final inspection together with the customer or its representatives. We will make good any defects, poor workmanship or deficiencies that are identified. Inspection of facilities usually takes approximately 2 weeks.

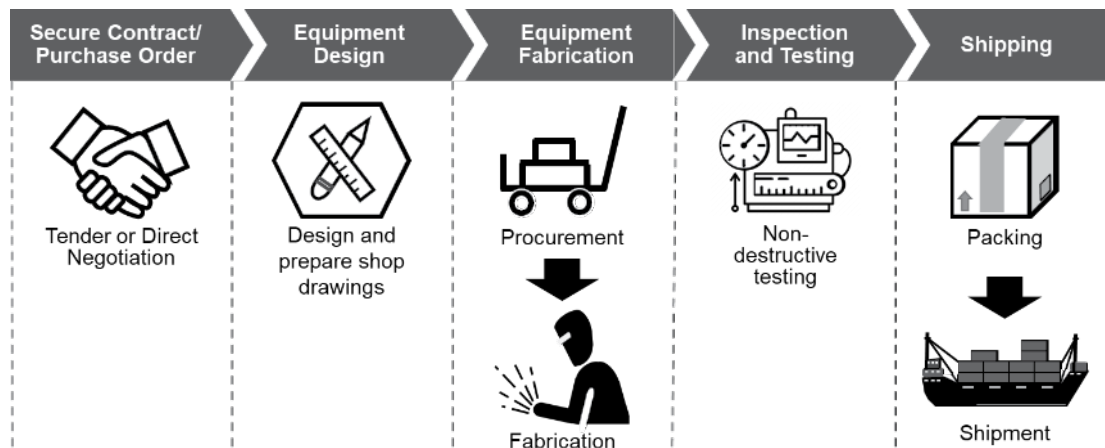
(b) Completion and handover

The facilities are completed when we have submitted our final invoice to the customer, or when revenue is fully recognised and pending submission of the final invoice. We will hand over to the customer all the relevant documentation such as as-built drawings.

We are responsible for rectifying defects during the defect liability period (DLP) of our construction of facilities, which is for 12 months from acceptance by the respective customer.

7.6.3 Fabrication of equipment

Our general process flow for fabricating equipment is summarised in the following diagram:



Secure Contract or Purchase Order

We secure contracts or purchase orders through competitive bidding or direct negotiations with our customers, which usually takes approximately 2 months.

7. BUSINESS OVERVIEW (CONT'D)

Equipment Design

We mainly fabricate equipment based on designs provided by third party engineers or consultants engaged by our customers. Our in-house engineering department can prepare shop drawings based on these designs. From time to time, we engage third party engineers or consultants to develop designs for palm oil milling equipment, which are then modified and improved on by our in-house engineering department. Equipment design usually takes 2 weeks.

Equipment Fabrication

We only fabricate static equipment, that is, equipment that does not have moving parts. Static equipment also includes piping system. In some situations, our design will need to incorporate rotating equipment such as engines, motors, hoists and pumps. Equipment fabrication may take between 3 to 9 months to complete, depending on the numbers and types of equipment that are required to complete a particular contract or purchase order.

We will procure all materials and services for in-house fabrication, including some machinery such as rotating equipment. The fabrication works that we carry out include:

- shearing, cutting, bending, rolling, grinding and welding metals;
- metal stamping, punching and boring;
- machining to produce parts and components;
- threading of pipes and fittings;
- assembly and integration including welding and riveting parts and components to form the finished equipment; and
- cleaning, blasting, coating and corrosion prevention treatment, as required.

We engage subcontractors to perform certain tasks such as blasting, coating and corrosion prevention. Corrosion prevention is a specialised job requiring proprietary chemicals and knowledge and we do not have the economies of scale to carry out these functions in-house. Blasting and coating require a large working area and proper schedule waste treatment which is not optimal for us to perform these functions in-house. We also engage contract workers to carry out some fabrication work at our fabrication facility in Pasir Gudang, Johor.

Some of our fabrication machines in our fabrication facility in Pasir Gudang, Johor



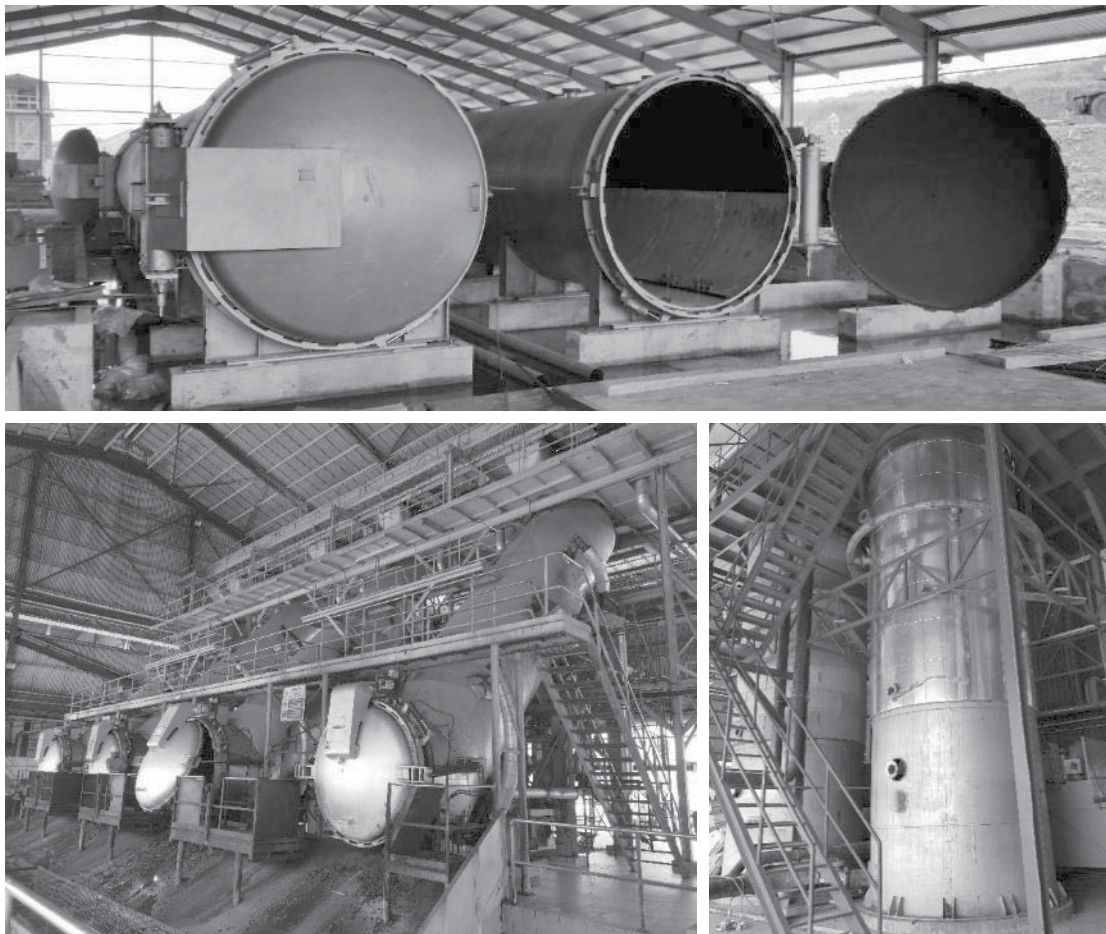
Top L to R: Bending machine; Computer numerical control (CNC) machining equipment; Shearing machine. **Bottom:** Rolling machine

7. BUSINESS OVERVIEW (CONT'D)

With piping systems, the various types and sizes of pipes, flanges and fittings are purchased, while we will carry out the cutting, welding, bending, threading, bolting and assembly. Some of the pipes that we purchase such as process piping for transfer of steam, chemicals and fuel must be certified to meet codes and standards, such as the ASME, American Institute of Petroleum (API) or BS. Specialised coating of the insides of pipes, where required, are carried out by subcontractors as these are proprietary coatings. In addition, we are not trained to apply such proprietary coatings and we do not have specialised equipment to coat the insides of pipes.

Some of the equipment that we fabricate, such as pressure vessels and sterilisers must comply with specific standards, such as the DOSH standards on pressure vessels. We registered with DOSH to manufacture unfired pressure vessels, including sterilisers, in 2008.

Some of the sterilisers we have fabricated that are installed at their respective palm oil mills



Top: Horizontal sterilisers. **Bottom L to R:** Inclined sterilisers; Vertical sterilisers.

Some of the equipment and critical parts and components require heat treatment to improve their mechanical properties such as strength, hardness, ductility, toughness and wear resistance. We engage external service providers to carry out any heat treatment that may be required. We carry out in-house post-weld heat treatment for the pressure vessels and sterilisers that we fabricate in-house, which is a requirement under the DOSH standards for pressure vessels.

7. BUSINESS OVERVIEW (CONT'D)

Inspection and Testing

The equipment that we fabricate is inspected and tested before it is accepted as complete and ready for shipment. They include, among others, the following non-destructive testing:

- hydrostatic test on pressure vessels carried out in-house *;
- welding test including liquid penetrant, radiographic (gamma and x-ray) ^; and
- thickness test for coatings ^.

Notes:

* *The hydrostatic test must be witnessed by a DOSH officer.*

^ *The test is carried out by external service providers as our customers require independent verification of the results, and the tests involve specialised equipment.*

We do not carry out any destructive testing as there is no requirement to do so for the types of equipment that we fabricate.

Any defects that we identify are rectified. All tests conducted are documented and provided to our customers. Inspection and testing usually takes 1 month to complete.

Shipping

The completed equipment is packed and shipped to its final destinations for assembly and integration with the respective subsystem or total plant. Some of the large equipment, such as bulking tanks, are fabricated and shipped in parts to be assembled and welded together at the worksite. For large equipment such as pressure vessels, specialised transporters are required which is undertaken by external service providers. Packing the completed equipment for shipment usually takes 2 weeks. The shipment time from our fabrication facility to worksites in foreign countries varies depending on the worksite location, shipping schedules and customs clearance.

At the worksites, we usually have tools and equipment for minor fabrication, final touch-up, repair and assembly.

The project is completed after the customer or its representatives have accepted the handover. However, if we have completed our work and the customer has not provided acceptance of handover, completion is based on the submission of our final invoice to the customer, or when revenue is fully recognised and pending submission of the final invoice.

7.7 MARKETING ACTIVITIES

Our core business activities are in the construction of plants and facilities, and fabrication of equipment, which share a common customer base mainly comprising operators in the palm oil industry, particularly oil palm plantation and mill owners

We adopt the following marketing approach to address business opportunities in the palm oil and other industries:

- Position ourselves as a one-stop solution provider for the construction of palm oil mills and supporting facilities. The key advantage we offer is the convenience and effectiveness in dealing with only one entity to meet the needs of oil palm plantation and palm oil mill owners.
- Emphasise our proven capability to execute and complete palm oil mill and facilities, and other construction projects in foreign countries, particularly in Gabon, Indonesia and Liberia.
- Showcase our in-house capability to fabricate a comprehensive range of palm oil milling equipment, including unloading stations, sterilisers, threshers, CPO recovery stations, palm kernel plants (except for ripple mills), kernel crushing plants (except for palm kernel expellers and filter presses), pressure vessels and storage tanks.

7. BUSINESS OVERVIEW (CONT'D)

- Highlight our capability to install related palm oil industry facilities, including palm oil refineries, biogas plants and bulking installations.
- Work directly with plantation and palm oil mill owners to consistently deliver a high level of service to ensure business continuity, and actively market our full range of capabilities to them, with a view of expanding our range of products and services.
- Proactively market our services by approaching prospective customers with a view to expanding our customer base, including addressing business opportunities by following-up on referrals from customers, consultants, business associates and other sources.
- Submit bids for tenders or engage in direct negotiations for palm oil mill and other projects with prospective customers.
- Participate in relevant trade exhibitions as part of our sales, marketing and networking activities, such as the Malaysian Palm Oil Board (MPOB) International Palm Oil Congress and Exhibition (PIPOC) 2019 in Kuala Lumpur.
- Promote our capabilities and market our services to prospective customers in non-palm oil industries, including responding to referrals received from our existing customers, mechanical and electrical consultants, suppliers and subcontractors.

As at the LPD, our sales and marketing activities are headed by Thing Jin Suan, our Business Development Director, and carried out jointly by our sales and marketing department and engineering department, which comprise 2 and 5 personnel respectively. Our engineering department is involved in sales and marketing as our tender submissions for the construction of palm oil mills and supporting facilities, and other plants and facilities, and fabrication of equipment, are technical in nature.

7.8 RESEARCH AND DEVELOPMENT

We do not carry out any research and development activities as it is not relevant to the nature of our business.

7.9 TECHNOLOGY USED

We do not use any specialised technology for the construction of plants and facilities, fabrication of palm oil milling equipment, supply of materials and equipment and other business activities.

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7. BUSINESS OVERVIEW (CONT'D)

7.10 MAJOR CUSTOMERS

Our top 5 major customers by revenue for each of the Financial Years Under Review are as follows:

FYE 2018

Customer	Customer or Project's Location	Main Types of Products and Services	Amount (RM'000)	Proportion of Group Revenue (%)	Length of Relationship* (No. of Years)
1 Olam Group ⁽¹⁾	Gabon	Construction of palm oil mill facilities and plants, rubber plantation facilities and other facilities	89,480	78.7	4
2 KLK Group ⁽²⁾	Malaysia, Indonesia and Liberia	Construction of palm oil plants, fabrication of palm oil mill machinery	6,812	6.0	14
3 PT Sukses Karya Sawit	Indonesia	Construction of palm oil mill plant	6,369	5.6	#
4 PT Palmas Project Engineering ⁽³⁾	Indonesia	Fabrication of palm oil mill equipment	5,696	5.0	5
5 Kluang Biomass Power (M) Sdn Bhd	Malaysia	Construction of other facilities	3,869	3.4	#
Total			112,226	98.7	

Notes:

Our Group's total revenue for FYE 2018 was RM113.627 million.

* Length of the relationship as at the FYE 2018.

Relationship of less than one year as at the FYE 2018.

(1) Olam Group included Olam Palm and Olam Rubber.

(2) KLK Group included Libinc Oil Palm Inc, KL-Kepong Edible Oils Sdn Bhd, PT Steelindo Wahana Perkasa and PT Adei Plantation & Industry.

(3) Lim Siew Kuen, one of our substantial shareholders, is one of the directors of PT Palmas Project Engineering.

7. BUSINESS OVERVIEW (CONT'D)

FYE 2019

Customer	Customer or Project's Location	Main Types of Products and Services	Amount (RM'000)	Proportion of Group Revenue (%)	Length of Relationship* (No. of Years)
1	Olam Group ⁽¹⁾	Gabon Construction of palm oil mill facilities and plants, rubber plantation facilities and other facilities	136,291	79.7	5
2	Sime Darby group of companies ⁽²⁾	Malaysia Fabrication of palm oil mill equipment	9,527	5.6	10
3	PT Abdi Borneo Plantations	Indonesia Construction of palm oil mill plant	6,684	3.9	1
4	KLK Group ⁽³⁾	Malaysia, Indonesia, Liberia Fabrication of palm oil mill equipment, construction of palm oil plants	6,715	3.9	15
5	Victory Enghoe Plantations Sdn Bhd	Malaysia Construction of palm oil mill plant	4,198	2.5	#
Total			163,415	95.6	

Notes:

Our Group's total revenue for FYE 2019 was RM170.928 million.

* Length of the relationship as at the FYE 2019.

Relationship of less than one year as at the FYE 2019.

(1) Olam Group included Olam Palm, Olam Rubber and Outspan Malaysia Sdn Bhd.

(2) Sime Darby group of companies included Sime Darby Plantation Berhad, Sime Darby Plantation (Sarawak) Sdn Bhd and Sime Darby Oils Pasir Gudang Refinery Sdn Bhd.

(3) KLK Group included KL-Kepong Edible Oils Sdn Bhd, Libinc Oil Palm Inc, PT Langkat Nusantara Kepong and other companies.

7. BUSINESS OVERVIEW (CONT'D)

FYE 2020

Customer	Customer or Project's Location	Main Types of Products and Services	Amount (RM'000)	Proportion of Group Revenue (%)	Length of Relationship* (No. of Years)
1	Olam Group ⁽¹⁾	Gabon Construction of palm oil mill facilities and plants, rubber plantation facilities and other facilities	105,208	68.5	6
2	Ekoswasta Sdn Bhd	Malaysia Supply of piping materials	12,009	7.8	1
3	KLK Group ⁽²⁾	Malaysia, Indonesia, Liberia Construction of palm oil mill plant, fabrication of palm oil mill equipment	10,173	6.6	16
4	Victory Enghoe Plantations Sdn Bhd	Malaysia Construction of palm oil mill plant	8,356	5.4	1
5	PT Abdi Borneo Plantations	Indonesia Fabrication of palm oil mill equipment	6,676	4.3	2
Total			142,422	92.6	

Notes:

Our Group's total revenue for FYE 2020 was RM153.693 million.

* Length of the relationship as at the FYE 2020.

(1) Olam Group included Olam Palm, Olam Rubber and Outspan Malaysia Sdn Bhd.

(2) KLK Group included PT Putra Bongan Jaya, KL-Kepong Edible Oils Sdn Bhd, Libinc Oil Palm Inc, PT Langat Nusantara Kepong, PT Adei Plantation & Industry, PT Parit Sembada and other companies.

7. BUSINESS OVERVIEW (CONT'D)

FYE 2021

	Customer	Customer or Project's Location	Main Types of Products and Services	Amount (RM'000)	Proportion of Group Revenue (%)	Length of Relationship* (No. of Years)
1	Olam Group ⁽¹⁾	Gabon	Construction of palm oil mill facilities and plants, rubber plantation facilities, and fabrication of palm oil mill equipment	58,433	38.2	7
2	KLK Group ⁽²⁾	Malaysia, Indonesia	Construction of palm oil mill plant, fabrication of palm oil mill equipment	25,818	16.9	17
3	Customer A ⁽³⁾	Malaysia	Construction of other facilities and fabrication of equipment	14,763	9.6	1
4	Palm Tech Construction	Gabon	Supply of heavy construction equipment	11,106	7.3	1
5	PT Kapuas Maju Jaya	Indonesia	Construction of palm oil mill plant	10,406	6.8	1
Total				120,526	78.8	

Notes:

Our Group's total revenue for FYE 2021 was RM153.163 million.

* Length of the relationship as at the FYE 2021.

(1) Olam Group included Olam Palm, Olam Rubber and Outspan Malaysia Sdn Bhd.

(2) KLK Group included PT Perindustrian Sawit Synergy, PT Putra Bongan Jaya, KL-Kepong Edible Oils Sdn Bhd, PT Satu Sembilan Delapan, Libinc Oil Palm Inc, PT Langat Nusantara Kepong, PT Adel Plantation & Industry, PT Parit Sembada and other companies.

(3) Customer A operates in Malaysia and are involved in construction services, supplying retail store fixtures and store displays, providing interior store planning and design services. The name of Customer A has not been disclosed as Customer A is not agreeable to disclose its identity in order to safeguard the competitive position of the customer in the market in which the customer operates.

7. BUSINESS OVERVIEW (CONT'D)**7.10.1 DEPENDENCY ON CUSTOMERS****Olam Group**

We are dependent on the Olam Group as customers by virtue of their revenue contribution, which collectively accounted for 78.7%, 79.7%, 68.5% and 38.2% of our revenue for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. The revenue contribution from companies within the Olam Group during this period is summarised as follows:

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Olam Palm ⁽¹⁾	66,111	58.2	111,988	65.5	102,928	67.0	58,384	38.1
Olam Rubber ⁽²⁾	23,369	20.5	24,007	14.1	2,177	1.4	14	#
Outspan Malaysia Sdn Bhd ⁽³⁾	-	-	214	0.1	103	0.1	35	0.1
Sotrader ⁽⁴⁾	-	-	82	#	-	-	-	-
Total from Olam Group	89,480	78.7	136,291	79.7	105,208	68.5	58,433	38.2

Notes:

(1) Olam Palm is a 60:40 joint-venture company, which was established between Olam International Limited and the Gabonese government

(2) Olam Rubber is a 60:40 joint-venture company, which was established between Olam International Limited and the Gabonese government

(3) Outspan Malaysia Sdn Bhd is wholly-owned (100.0% equity interest) by Olam International Limited

(4) Sotrader (The Agricultural Processing and Rural Development Company (Société de transformation agricole et de développement rurale) is a 49:51 joint-venture company, which was established between Olam International Limited and the Gabonese government

Less than 0.1%.

Our business with the Olam Group is project based, whereby we are engaged by the Olam Group to construct specific palm oil mills and equipment, and other facilities on a fixed lump sum or fixed lump sum plus scheduled rates contracts. Our engagement on a particular project comes to an end after the project has been completed and handed over to the Olam Group.

We have an established business relationship with the Olam Group for approximately 8 years as at the LPD, since they first became our customer in 2014. The Olam Group has engaged us to provide a range of services including construction of palm oil mills and related plants, workers' quarters, warehouse, other facilities and an irrigation system, and fabrication of equipment such as bulking tanks. Since the start of our business relationship with the Olam Group, the Olam Group has continued to award contracts to us and have been inviting us to tender for new projects as they expand their business operations.

7. BUSINESS OVERVIEW (CONT'D)

We expect that Olam Group will continue to contribute significantly to our Group's revenue and profit during the next 2 financial years due to our outstanding order book of RM39.5 million as at the LPD with the Olam Group, being the unrecognised contract value and purchase order which represents 36.9% of the total outstanding orderbook of RM107.0 million as at the LPD. We expect 98.7% of the outstanding order book of RM39.5 million with the Olam Group to be implemented during the FYE 2022 and FYE 2023. Our business with the Olam Group is project based and therefore we are unable to ascertain at this juncture our reliance on Olam Group after FYE 2023 upon completion of these contracts. Notwithstanding this, we wish to highlight that we have an established business relationship with the Olam Group for approximately 8 years as at the LPD since 2014 and has continued to be awarded with contracts by the Olam Group annually except for FYE 2020 due to the COVID-19 pandemic. Since 2014 until the LPD, we have been awarded 49 contracts for the construction of plants and facilities, and fabrication of equipment with a combined contract value of RM717.5 million by the Olam Group. Out of the 49 contracts, 44 with combined contract value of RM628.2 million have been completed. We have also been invited to tender for new projects as at the LPD.

The Olam Group is a global agricultural products and food conglomerate. Olam Group Limited, with headquarters based in Singapore, is a public listed company on the SGX Mainboard. Olam Group Limited is 51.1%-owned by Temasek Holdings (Private) Limited (as at 31 May 2022), an entity wholly-owned by the government of Singapore. Olam Group's operates in approximately 60 countries, including Gabon and Malaysia.

Olam Group is undergoing a series of internal reorganisation exercises which include a scheme of arrangement and a demerger of Olam Group Limited and OFI Group Limited whereby for each share held in Olam International Limited, every shareholder of Olam International Limited will receive 1 share in Olam Group Limited and share(s) in OFI Group Limited, as described in its circular to shareholders dated 27 January 2022 ("**Circular**") which is available on the website of the Singapore Exchange (SGX) ("**Proposed Olam Reorganisation**"). Following the implementation of the said scheme of arrangement under Section 210 of the Companies Act 1967 of Singapore, Olam Group Limited has succeeded Olam International Limited as the listed entity and was listed on the Mainboard of the Singapore Exchange (SGX) on 16 March 2022. Based on the Circular, upon the completion of the Proposed Olam Reorganisation, Olam International Limited will eventually be held by OFI Group Limited and the existing subsidiaries of Olam International Limited will be restructured to be ultimately held by either Olam Group Limited or OFI Group Limited. The Circular further stated that the reorganisation exercise would result in a group structure that would allow the Olam Group to explore the sequential sale, spin-off or initial public offering of, *inter alia*, the Olam Agri business. The on-going Proposed Olam Reorganisation may lead to a delay in the awarding of future projects which may negatively affect our financial performance.

Olam Palm is a 60:40 joint-venture company, which was established between the Gabonese government and Olam International Limited. Olam Palm is the largest Roundtable on Sustainable Palm Oil (RSPO) certified producer in Africa with an overall concession area of 202,000 hectares, of which 64,000 hectares have been planted with oil palm plantation. In 2020, Olam Palm entered into an agreement to establish a biodiesel refinery to produce biofuel from palm oil in Gabon, enabling the country to diversify from fossil fuels (*Source: Olam Group's Annual Report 2020 and official website*). We have been invited by Olam Palm to tender for the construction of facilities for the biodiesel project, which outcome we expect to know by fourth quarter of 2022.

As at the LPD, Olam Palm owned 3 palm oil mills and 3 kernel crushing plants, all of which were constructed by our Group. We are the only contractor appointed by Olam Palm to construct palm oil mill and kernel crushing plant in Gabon since 2014, even though other contractors have been invited by the Olam Group to tender for all of the Olam Group's projects. As at the LPD, we have tendered for 4 projects with estimated aggregate value of RM245.0 million from the Olam Group. In the event of any delay in securing new contracts from these tenders, our financial performance and operating results could be materially and adversely affected. There can be no assurance that our tenders will be successful or that we will be able to continue securing new projects.

7. BUSINESS OVERVIEW (CONT'D)**7.11 SOURCES AND AVAILABILITY OF RAW MATERIALS AND SERVICES**

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

Purchases of Input Materials and Services for FYE 2018

	Value of Purchases (RM'000)	Proportion of Total Purchases (%)	Sources of Supply	
			Malaysia (RM'000)	Other Countries (RM'000)
Materials	48,398	64.1	28,714	19,684
Steel products and pipes ⁽¹⁾	24,759	32.8	23,830	929
Building materials ⁽²⁾	16,680	22.1	22	16,658
Machinery and components for equipment ⁽³⁾	3,142	4.2	2,541	601
Hand tools, consumables and fuel	3,817	5.0	2,321	1,496
Sub-Contracted and Other Services	27,115	35.9	9,518	17,597
Contract workers	18,219	24.1	622	17,597
Sub-contracted services	8,763	11.6	8,763	-
Other services ⁽⁴⁾	133	0.2	133	-
TOTAL	75,513	100.0	38,232	37,281

Notes:

- (1) Include plates, sheets, bars, rods and pipes used for fabrication of palm oil milling plant and equipment, other equipment and structures.
(2) Include cement, concrete, gravel, bricks, sand, soil, wood, timber and plywood.
(3) Include pumps, motors, hydraulic components, control systems and others.
(4) Include blasting and coating, inspection, equipment rental and external consultants' fees.

Purchases of Input Materials and Services for FYE 2019

	Value of Purchases (RM'000)	Proportion of Total Purchases (%)	Sources of Supply	
			Malaysia (RM'000)	Other Countries (RM'000)
Materials	76,025	66.5	43,125	32,900
Steel products and pipes ⁽¹⁾	37,204	32.5	35,523	1,681
Building materials ⁽²⁾	24,760	21.7	56	24,704
Machinery and components for equipment ⁽³⁾	6,797	5.9	4,565	2,232
Hand tools, consumables and fuel	7,264	6.4	2,981	4,283
Sub-Contracted and Other Services	38,318	33.5	17,526	20,792
Contract workers	23,241	20.3	2,475	20,766
Sub-contracted services	13,220	11.6	13,216	4
Other services ⁽⁴⁾	1,857	1.6	1,835	22
TOTAL	114,343	100.0	60,651	53,692

Notes:

- (1) Include plates, sheets, bars, rods and pipes used for fabrication of palm oil milling plant and equipment, other equipment and structures.
(2) Include cement, concrete, gravel, bricks, sand, soil, wood, timber and plywood.
(3) Include pumps, motors, hydraulic components, control systems and others.
(4) Include blasting and coating, inspection, equipment rental and external consultant's fees.

7. BUSINESS OVERVIEW (CONT'D)**Purchases of Input Materials and Services for FYE 2020**

	Value of Purchases (RM'000)	Proportion of Total Purchases (%)	Sources of Supply	
			Malaysia (RM'000)	Other Countries (RM'000)
Materials	65,988	62.4	57,815	8,173
Steel materials and pipes ⁽¹⁾	46,671	44.1	45,979	692
Building materials ⁽²⁾	8,216	7.8	1,270	6,946
Machinery and components for equipment ⁽³⁾	7,843	7.4	7,731	112
Hand tools, consumables and fuel	3,258	3.1	2,835	423
Sub-Contracted and Other Services	39,741	37.6	19,085	20,656
Sub-contracted services	31,721	30.0	17,666	14,055
Contract workers	7,136	6.7	535	6,601
Other services ⁽⁴⁾	884	0.9	884	-
TOTAL	105,729	100.0	76,900	28,829

Notes:

- (1) Include plates, sheets, bars, rods and pipes used for fabrication of palm oil milling plant and equipment, other equipment and structures.
- (2) Include cement, concrete, gravel, bricks, sand, soil, wood, timber and plywood.
- (3) Include pumps, motors, hydraulic components, control systems and others.
- (4) Include blasting and coating, inspection, equipment rental and external consultants' fees.

Purchases of Input Materials and Services for FYE 2021

	Value of Purchases (RM'000)	Proportion of Total Purchases (%)	Sources of Supply	
			Malaysia (RM'000)	Other Countries (RM'000)
Materials	60,239	58.4	52,246	7,993
Steel materials and pipes ⁽¹⁾	26,975	26.2	26,950	25
Building materials ⁽²⁾	16,704	16.2	11,485	5,219
Machinery and components for equipment ⁽³⁾	7,104	6.9	6,926	178
Heavy construction equipment	7,050	6.8	4,661	2,389
Hand tools, consumables and fuel	2,406	2.3	2,224	182
Sub-Contracted and Other Services	42,837	41.6	29,131	13,706
Sub-contracted services	36,107	35.0	28,263	7,844
Contract workers	6,178	6.0	316	5,862
Other services ⁽⁴⁾	552	0.6	552	-
TOTAL	103,076	100.0	81,377	21,699

Notes:

- (1) Include plates, sheets, bars, rods and pipes used for fabrication of palm oil milling plant and equipment, other equipment and structures.
- (2) Include spun piles, cement, concrete, gravel, bricks, sand, soil, wood, timber and plywood.
- (3) Include pumps, motors, hydraulic components, control systems and others.
- (4) Include blasting and coating, inspection, equipment rental and external consultants' fees.

7. BUSINESS OVERVIEW (CONT'D)

Steel materials and pipes were our largest purchases of materials during the Financial Years Under Review, having accounted for 32.8%, 32.5%, 44.1% and 26.2% of our purchases of input materials and services for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021. We mainly purchased steel plates, bars, rods and pipes from suppliers in Malaysia to fabricate palm oil milling plant and equipment, other equipment and structures at our fabrication facility in Pasir Gudang, from which the finished products are transported or shipped to worksites in Malaysia, Gabon, Indonesia and Liberia for installation. During FYE 2020 we also purchased piping materials to supply a customer in Malaysia. Most of our purchases of machinery and components for equipment, and hand tools, consumables and fuel were from suppliers in Malaysia, where they are used at our Pasir Gudang fabrication facility.

As steel is a commodity, we are subject to the fluctuations in the prices of steel for our purchases of steel materials. For further information on the risks of fluctuations in steel prices, please refer to Section 9.1.7 of this Prospectus for further details.

Purchases of building materials accounted for 22.1%, 21.7%, 7.8% and 16.2% of our purchases of input materials and services for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021. Building materials are usually purchased from suppliers located in the country where they are used for the construction of plants and facilities, including Malaysia, as well as other countries namely Gabon. We also purchased spun piles in Malaysia to supply to a customer in Indonesia in FYE 2021.

Purchases of subcontracted services accounted for 11.6%, 11.6%, 30.0% and 35.0% of our purchases of input materials and services for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. For the Financial Years Under Review, we engaged subcontractors in the country where the construction of plants and facilities project is located such as Malaysia, Gabon and Liberia. We normally outsource civil and structural works (such as earthworks and foundation), electrical works and road infrastructure works to subcontractors, as they require the use of specialised machinery and/or skills. We sometimes outsource the erection of steel structures and installation of piping and machinery, and mechanical works to subcontractors if we do not have sufficient in-house personnel and contract workers or if we have conflicting schedules at that time.

We engaged contract workers to carry out fabrication works at our fabrication facility in Pasir Gudang, Johor as well as construction works in Gabon which accounted for 24.1%, 20.3%, 6.7% and 6.0% of our purchases of input materials and services for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. We also engaged external service providers for other services including blasting and coating, inspection, and also rented equipment. In addition, we engaged external consultants such as professional engineers, quantity surveyors and/or architects for the certification of work done at project sites, and third party consultants to assist in technical design, specifications and engineering for our construction projects.

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7. BUSINESS OVERVIEW (CONT'D)

7.12 MAJOR SUPPLIERS

Our top 5 major suppliers for each of the Financial Years Under Review are as follows:

FYE 2018

	Supplier	Supplier Location	Main Types of Products and Services Purchased	Amount (RM'000)	Proportion of Group Purchases (%)	Length of Relationship* (No. of Years)
1	Yick Hoe group ⁽¹⁾	Malaysia	Steel materials	6,830	9.0	9
2	Kluang Industrial Electrical Sdn Bhd	Malaysia	Sub-contracted electrical works	6,127	8.1	3
3	Eclipse International Trading	Gabon	Building materials	4,226	5.6	#
4	Jilicar Services	Gabon	Building materials	2,463	3.3	1
5	GM Door Sdn Bhd	Malaysia	Interior fittings	2,462	3.3	1
Total				22,108	29.3	

Notes:

Our Group's purchases of input materials and services for FYE 2018 was RM75.5 million.

* Length of the relationship as at the FYE 2018.

Relationship of less than one year as at the FYE 2018.

(1) Yick Hoe group of companies comprised Yick Hoe Ferrous Steel Sdn Bhd, Yick Hoe Steel Industries Sdn Bhd and Ecco Steel Industries Sdn Bhd for FYE 2018.

7. BUSINESS OVERVIEW (CONT'D)

FYE 2019

	Supplier	Supplier Location	Main Types of Products and Services Purchased	Amount (RM'000)	Proportion of Group Purchases (%)	Length of Relationship* (No. of Years)
1	One Metal Industries Sdn Bhd	Malaysia	Steel materials	20,646	18.1	1
2	Fordgrass International Limited	Gabon	Building materials	8,332	7.3	#
3	Synergy Access Sdn Bhd	Malaysia	Steel materials	3,639	3.2	1
4	VT Corp Pvt Ltd	India	Electrostatic precipitators	2,620	2.3	#
5	Yun Fung Marketing Sdn Bhd	Malaysia	Roofing materials	2,562	2.2	9
Total				37,799	33.1	

Notes:

Our Group's purchases of input materials and services for FYE 2019 was RM114.3 million.

* Length of the relationship as at the FYE 2019.

Relationship of less than one year as at the FYE 2019.

7. BUSINESS OVERVIEW (CONT'D)

FYE 2020

	Supplier	Supplier Location	Main Types of Products and Services Purchased	Amount (RM'000)	Proportion of Group Purchases (%)	Length of Relationship* (No. of Years)
1	One Metal Industries Sdn Bhd	Malaysia	Steel materials	20,973	19.8	2
2	Palm Tech Engineering Construction	Gabon	Sub-contracted civil works	14,055	13.3	#
3	Pantech Corporation Sdn Bhd	Malaysia	Piping materials and fittings	12,509	11.8	9
4	Fordgrass International Limited	Gabon	Building materials	7,487	7.1	1
5	Kluang Industrial Electrical Sdn Bhd	Malaysia	Sub-contracted electrical works	4,170	3.9	5
Total				59,194	55.9	

Notes:

Our Group's purchases of input materials and services for FYE 2020 was RM105.7 million.

* Length of the relationship as at the FYE 2020.

Relationship of less than one year as at the FYE 2020.

7. BUSINESS OVERVIEW (CONT'D)

FYE 2021

	Supplier	Supplier Location	Main Types of Products and Services Purchased	Amount (RM'000)	Proportion of Group Purchases (%)	Length of Relationship* (No. of Years)
1	One Metal Industries Sdn Bhd	Malaysia	Steel materials	13,575	13.2	3
2	Palm Tech Engineering Construction	Gabon	Sub-contracted civil works	9,322	9.0	1
3	Buildwiser Sdn Bhd	Malaysia	Sub-contracted civil works	8,048	7.8	3
4	Industrial Concrete Products Sdn Bhd	Malaysia	Building materials	6,920	6.7	1
5	Fordgrass International Limited	Gabon	Building materials	5,435	5.3	2
Total				43,300	42.0	

Notes:

Our Group's purchases of input materials and services for FYE 2021 was RM103.076 million.

* Length of the relationship as at the FYE 2021.

Relationship of less than one year as at the FYE 2021.

7. BUSINESS OVERVIEW (CONT'D)

7.12.1 Dependency on suppliers

Generally, the main input materials that we purchase are commodities, such as steel and piping materials, which are readily available from local and overseas suppliers. The works that we engaged subcontractors to carry out are mainly civil and electrical works, which are common services easily available in the countries where we operate.

For the Financial Years Under Review, no other suppliers accounted for more than 10.0% of our purchases by value during the Financial Years Under Review save for the following:

- (i) For the FYE 2019, FYE 2020 and FYE 2021, purchases of steel from One Metal Industries Sdn Bhd accounted for 18.1%, 19.8% and 13.2% of our purchases of input materials and services respectively;
- (ii) Palm Tech Engineering Construction, a subcontractor for civil works accounted 13.3% of our purchases of input materials and services for FYE 2020;
- (iii) Pantech Corporation Sdn Bhd, a supplier of piping materials and fittings accounted for 11.8% of our purchases of input materials and services for FYE 2020.

During the Financial Years Under Review, we were not dependent on any individual supplier for our input materials as the supply of steel and piping materials as well as subcontracted services are easily available from other suppliers in the market. In addition, we have alternative sources of supply for steel and piping materials as well as subcontractors. For the FYE 2021, we have dealings with 8 steel material suppliers located in Malaysia, 24 piping material suppliers located in Malaysia and 4 providers of subcontractors for civil works located in Gabon.

We engage contract workers either directly or through suppliers. We are not dependent on these suppliers as we can engage contract workers directly as well as use alternative suppliers. During the Financial Years Under Review and up to the LPD, we did not have any difficulty in securing contract workers.

7. BUSINESS OVERVIEW (CONT'D)

7.13 MATERIAL DEPENDENCY CONTRACTS

Our business is project based, whereby we are engaged by our customers to construct palm oil mills and facilities, and fabricate palm oil milling equipment based on a fixed lump-sum or fixed lump sum plus scheduled rates contract. Our engagement on a particular contract comes to an end after the mill, facility or equipment has been completed and handed over to our customers. No further revenue is expected from these completed contracts and additional revenue will only accrue to us when we secure and implement new contracts. As our business is project based, we are not dependent on any one project contract for our business continuity.

As at the LPD, we have RM39.5 million of unrecognised contract value with the Olam Group representing 36.9% of our total order book. We derived revenue amounting to RM89.5 million (78.7% of total revenue), RM136.3 million (79.7% of total revenue), RM105.2 million (68.5% of total revenue) and RM58.4 million (38.2% of total revenue) from the Olam Group for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. Our contracts with the Olam Group are awarded on a contract by contract basis through competitive bidding, and the Olam Group is expected to contribute significantly to our Group's revenue and profit in the next 2 financial years due to the timing and progress of their projects.

In view of the above, there is a risk that losing the Olam Group as a customer will have an adverse effect on our operating results. There can also be no assurance that we will be able to secure new customers to replace the Olam Group, in the event that they cease to be our customers in the future. In the event of any delay in securing new contracts from the Olam Group, our financial performance and operating results could be materially and adversely affected.

Olam Group is undergoing a proposed reorganisation. Further details of the Proposed Olam Reorganisation are set out in Section 7.10.1 of this Prospectus. The on-going Proposed Olam Reorganisation may lead to a delay in the awarding of future projects which may negatively affect our financial performance.

7. BUSINESS OVERVIEW (CONT'D)

7.14 INTELLECTUAL PROPERTY RIGHTS

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

Trademark	Issuing authority	Registered owner / Applicant	Trade mark number / Application number	Filing date/ Expiry date	Class	Status
	Intellectual Property Corporation of Malaysia	EMESB	2016008757	16 August 2016/ 16 August 2026	42 ⁽¹⁾	Registered
	Trademark Registrar, Office, Department of Intellectual Property, Thailand	EMESB	181117591	4 October 2016/ 3 October 2026	42 ⁽²⁾	Registered
	Directorate General of Intellectual Property, Indonesia	EMESB	IDM000803118	5 October 2016/ 5 October 2026	42 ⁽³⁾	Registered
	Trademark Registrar, Office, Department of Intellectual Property, Thailand	EMESB	211117326	4 October 2016/ 3 October 2026	40 ⁽⁴⁾	Registered

7. BUSINESS OVERVIEW (CONT'D)

Notes:

- (1) Scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software; and engineering.
- (2) Scientific and technological researches; scientific and technological designs; industrial analysis and research services; design and development of computer hardware; design and development of computer software; and engineering.
- (3) Scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software; and engineering.
- (4) Custom manufacturing of goods to the order and specification of others. Registration of the trademark in Thailand was made due to our intended plan in 2016 to develop new clarification system in CPO processing to be marketed in Thailand in view of the opportunity presented then but such plan has been deferred pending further review. The clarification system in CPO processing is a system to recover oil from water to replace conventional oil rooms in palm oil milling process. The system is to maximise the oil recovery thus reducing oil loss into the waste water stream and improve quality of crude palm oil.

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7. BUSINESS OVERVIEW (CONT'D)

7.15 KEY PRODUCT CERTIFICATIONS AND ACCREDITATIONS

Some of the equipment that we fabricate must comply to certain codes and standards and we have to maintain valid accreditations or certifications to fabricate such equipment. As at the LPD we have registered with DOSH as a manufacturer of unfired pressure vessels.

EMESB first registered with DOSH to manufacture unfired pressure vessels in 2008. The most recent registration is valid from 18 August 2021 to 17 August 2024.

Save for the above and as set out in Section 7.18, the Company does not require any other certifications and accreditations for its business operations.

7.16 BUSINESS STRATEGIES AND PLANS

7.16.1 Our Business Strategies and Plans

Our business strategies and plans are focused on leveraging from our core competencies in the palm oil and related industries to further grow our business and develop new business opportunities. This is summarised in the following diagram:



7.16.2 Expanding existing business activities

(a) Expand the supply of non-chemical water treatment equipment

We are currently involved in supplying non-chemical water treatment equipment for use in palm oil and other industries, which are under environmental related equipment. We plan to develop and grow this business as part of our expansion of existing business.

7. BUSINESS OVERVIEW (CONT'D)

We intend to hire 2 additional sales and marketing staff with relevant experience to market the equipment, with one each assigned to cover the northern and southern regions of Peninsular Malaysia. We also intend to increase marketing activities to prospective customers, which include industrial and other facilities that operate boilers and/or cooling towers, such as palm oil mills and refineries, food and beverage, chemical and manufacturing facilities as well as hotels, shopping malls and office buildings. We will also increase outreach for our sales engagement with our existing customers in the palm oil and other industries, mechanical and electrical contractors, energy services companies, as well as our suppliers and subcontractors. This includes initiating contract with prospective customers through telephone or video conferencing, followed by a video presentation for prospective customers who show interest in our equipment, and may be followed by arranging for a site visit (if allowed by the applicable domestic or international travel regulations).

As part of our business strategy, we intend to provide non-chemical water treatment equipment to customers under the leasing of equipment model which will include a monthly leasing fees. We have started to lease this equipment to some of our customers during FYE 2020 under a trial period and have started to recognise revenue from the leasing of this equipment commencing from FYE 2021. We will maintain the equipment at our cost.

The following table summarises our existing non-chemical water treatment equipment business as at the LPD, including our current customers, industry sectors and mode of operation:

Customer	Customer's Industry	No. of Units	Mode of Operation
Southern Acids Industries Sdn Bhd	Oleochemical manufacturing	4	Outright sale
Sun Ace Kakoh (Malaysia) Sdn Bhd	Plastic additive manufacturing	1	Outright sale
Kerry Ingredients (m) Sdn Bhd	Food and beverage manufacturing	4	Trial ⁽¹⁾
Sunway IFM Sdn Bhd	Shopping mall management	2	Trial ⁽¹⁾
Metek Kitamura (M) Sdn Bhd	Electroplating	1	Lease

Note:

- (1) The non-chemical water treatment equipment is provided to the customer on a trial basis for a period of 6 months, and no monthly leasing fees are collected from the customer during the trial period. Upon acceptance by the customer, we will collect the leasing fees that would have been charged during the trial period and begin to charge them monthly leasing fees from then on. If the customer does not accept the service, we will not collect the monthly leasing fees for the trial period, and we will take back our non-chemical water treatment equipment from their premises, which can then be used for other customers.

For further information, please refer to mode of operation in Section 7.3.5 (a) of this Prospectus.

We intend to offer non-chemical water treatment equipment under the leasing of equipment model to prospective customers as an option with lower up-front cost compared to sale under fixed lump-sum contract. The prospective industry segments that we intend to penetrate are the same as those described above and this includes palm oil mills and refineries, food and beverage, chemical and manufacturing facilities as well as hotels, shopping malls and office buildings.

We will utilise RM1.0 million as part of our IPO proceeds to finance the purchase and installation of 12 units of these non-chemical water treatment equipment which will be leased to potential customers. In the event that we receive orders for more than 12 units, we will finance the additional units through our internally generated funds.

7. BUSINESS OVERVIEW (CONT'D)

The anticipated benefits of providing non-chemical water treatment equipment to customers under the leasing of equipment model include generating a recurring revenue stream to complement our existing project-based revenue stream and potentially expand our business and customer base to operators in other industries.

In March 2022, we appointed Oasis Chemical Sdn Bhd as an authorised distributor for our non-chemical water treatment equipment in Sarawak. Subsequent to 20 April 2021 (being the date where our Group started to lease the non-chemical water treatment equipment to our first customer, i.e. Metek Kitamura (M) Sdn Bhd) and up to the LPD, we have not secured any new customers for the provision of non-chemical water treatment equipment under the leasing of equipment model, and we have not purchased any new non-chemical water treatment equipment that is to be offered to customers on the leasing of equipment model. We intend to further expand the provision of environmental related products business in the fourth quarter of 2022.

We envisaged the funding for the environmental related equipment will be as follows:

	Total Estimated Cost (RM'000)	Total Spent as at the LPD (RM'000)	Sources of Funds	
			Internally Generated and/or Bank Borrowings (RM'000)	IPO Proceeds (RM'000)
Purchase and installation of 12 units of non-chemical water treatment equipment	1,000	-	-	1,000
TOTAL	1,000	-	-	1,000

(b) Continue to focus on our core competencies and markets

We will continue to focus on our core competencies in the construction of palm oil mills and supporting facilities, and fabrication of equipment. Part of our strategy is to extend our reach and leverage from our track record in construction of plants and facilities, and fabrication of equipment with applications to other industry sectors that require structural steels, piping works and specialised tanks for their plants such as explosives manufacturers and pellet fuel manufacturers. As at the LPD, we have been engaged by customers that operate in other industries such as paperboard and packaging, and glove and explosives manufacturing. We have been targeting prospective customers in other sectors through references from our existing customers, engineering consultants, M&E and other contractors, and suppliers. In addition, in relation to the non-chemical water treatment equipment business, we intend to increase our sales and marketing efforts with the 2 additional sales and marketing staff as mentioned above to also focus on different industry sectors.

Our strategy is to grow together with our customers and to be their service provider for upgrading and expansion of their existing plants, construction of new plants and facilities, fabrication of equipment with the objective of expanding their business operations plants in the geographic countries where they operate. We will also explore business opportunities with prospective new customers to grow our customer base, including covering new geographical markets.

As at the LPD, our order book comprising the unrecognised revenue of our subsisting contracts and purchase orders in hand amounted to approximately RM107.0 million.

7. BUSINESS OVERVIEW (CONT'D)

7.16.3 Establishing Operational Facilities in a Foreign Country

(a) New Fabrication Facility and Office in Indonesia

We currently serve customers in Indonesia, primarily in the construction of palm oil mills and fabrication of equipment, and supply of materials and equipment. Indonesia accounted for RM9.0 million (7.9%) for FYE 2018, RM7.8 million (4.6%) for FYE 2019, RM18.7 million (12.2%) FYE 2020, and RM41.4 million (27.0%) of our total revenue for FYE 2021.

As part of our business plan, we intend to establish a new fabrication facility and office located at Balikpapan in East Kalimantan province, Indonesia. In this respect, we intend to incorporate a wholly-owned subsidiary in Indonesia as a limited liability company under the foreign direct investment. As part of our registration process, we intend to apply for a commercial or operational licence including environmental permit, (including Environmental Impact Management Analysis (Analisis Manajemen Dampak Lingkungan), Environmental Management and Environment Monitoring Effort (Usaha Pengelolaan Lingkungan and Usaha Pemantauan Lingkungan) and/or Building Permit (Izin Mendirikan Bangunan)).

Part of our plan is to second two of our existing engineers in EMESB to be stationed in the new subsidiary in Indonesia. We plan to hire a total of 19 Indonesian employees comprising 1 fabrication facility manager, 2 administrative staff, 2 storekeepers, 10 welders and fitters, 2 forklift operators and 2 logistics assistants.

Based on the Indonesian Law no. 5 of 1960 on Principles Agrarian Rules, Law no. 25 of 2007 on Investment, Law no. 11 of 2020 on Job Creation (Omnibus Law) and Government Regulation No. 18 of 2021 on Right to Manage, Land Rights, Strata Title and Land Registration, only Indonesian citizens may have freehold of “Hak Milik” on the land in Indonesia. Foreign companies, such as the wholly-owned subsidiary that we plan to incorporate in Indonesia, are allowed to hold land use rights. Consequently, we intend to acquire land use rights of a piece of land of approximately 1 acre to construct the new fabrication facility and office, which we have not identified as at the LPD. We plan to use this new fabrication facility and office to fabricate steel structures, machinery and equipment to support projects for the construction of palm oil mills and facilities, and fabrication of equipment that we may secure in Kalimantan and other parts of Indonesia in the future.

The anticipated benefits of the new fabrication facility and office in Indonesia include shorter response time to requests from our customers in Indonesia as we will have resources in the country. Shipping time and costs may also be reduced as the new facility is closer to customers' worksites in Indonesia. In addition, the steel structures, machinery and equipment that we intend to fabricate at the new fabrication facility and office in Indonesia does not need to be shipped from Malaysia and will not be subject to import tax and customs clearance costs, which may result in reduced costs to us. Having a fabrication facility in Indonesia may also place us in a better position to secure contracts related to the development or expansion of palm oil refineries or other industry sectors, as it will enable us to provide installation services for the steel structures, machinery and equipment that we fabricate. Establishing a physical presence in Indonesia, the leading producer of palm oil that accounted for 57.0% of the total global production in 2020 based on the latest available statistics (*Source: IMR Report*), better address opportunities for business growth and to diversify our customer base. In addition, Indonesia is geographically close to Malaysia, which should facilitate better management of the planned new fabrication facility and office, and undertake more sales and marketing activities in the country.

7. BUSINESS OVERVIEW (CONT'D)

Our planned timeline to establish the new fabrication facility and office in Indonesia is summarised in the following table:

Indicative Timeline	Milestones
Fourth quarter of 2022	• Incorporate wholly-owned subsidiary in Indonesia. • Acquire land use rights. • Submission of building plans for approval.
First quarter of 2023	• Commence construction of new fabrication facility and office.
Third quarter of 2023	• Complete construction. • Obtain certificate of practical completion.
Fourth quarter of 2023	• Commence business operations at the new fabrication facility and office.

The planned budget and sources of funding to set up a new fabrication facility and office in Indonesia are summarised in the following table:

	Total Estimated Cost (RM'000)	Total Spent as at LPD (RM'000)	Sources of Funds	
			Internally Generated and/or Bank Borrowings (RM'000)	IPO Proceeds (RM'000)
Acquisition of land use rights	2,500	-	-	2,500
Construction of fabrication facility and office⁽¹⁾	2,000	-	-	2,000
Fabrication facility equipment⁽²⁾	500	-	-	500
TOTAL	5,000	-	-	5,000

Notes:

- (1) Includes permits and licenses fees and purchases of office furniture and fittings.
 (2) Includes purchases of equipment such as forklifts, cranes and welding tool.

We intend to establish the new fabrication facility and office facility in Indonesia by the fourth quarter of 2023.

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7. BUSINESS OVERVIEW (CONT'D)

7.17 MATERIAL CONTRACTS

Save as disclosed below, we have not entered into any other material contract, which is not in the ordinary course of our business during the Financial Years Under Review and up to the date of this Prospectus:

- (i) Share sale agreement dated 7 July 2021 entered into among our Company, Wong Choi Ong, Pan Kum Wan, Exquisite Capitals, Lim Siew Kuen and Tham Yew Leong for the Acquisitions, which were completed on 10 August 2021. Further details of the Acquisitions are set out in Sections 6.1.1 of this Prospectus;
- (ii) Underwriting Agreement. Further details of the Underwriting Agreement are set out in Sections 4.5.2 and 4.6 of this Prospectus; and
- (iii) Placement Agreement. Further details of the placement fee are set out in Section 4.5.3 of this Prospectus.

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7. BUSINESS OVERVIEW (CONT'D)

7.18 MAJOR LICENCES AND PERMITS

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

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
EMESB	CIDB	Certificate of registration in respect of Grade G7, Category Building, Category Civil Engineering and Category Mechanical and Electrical	0120040318 – JH 093609	7 April 2022/ 28 April 2024	<u>General terms and conditions</u> (a) The certificate is non-transferable. (b) CIDB reserves the right to review the registration grade of the contractor from time to time. <u>Responsibility and obligations of the contractor</u> (a) The contractor shall comply with the provisions of the Lembaga Pembinaan Industri Pembinaan Malaysia Act 1994, rules and regulations made thereunder and any terms, conditions or restrictions imposed by CIDB from time to time. (b) The contractor shall not participate in any tender or execute any construction works after the expiration of this certificate unless it is renewed.	Complied Noted Complied Complied

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
					(c) The contractor shall not undertake any construction projects which exceeds the value of construction works specified under the registration grade and shall not execute any type of construction work outside of its registered category(ies).	Complied
					(d) The contractor shall inform CIDB of any information in respect of any construction work or contract within 14 days after being awarded or before the commencement of work, whichever that is earlier.	Complied
					(e) The contractor must apply for renewal of registration within 60 days prior to the expiry date of the certificate.	Complied
					(f) The contractor must comply with all the principles stated in the code of ethics for contractors.	Complied
					(g) The contractor must employ skilled construction workers and site supervisors who is accredited and certified by CIDB.	Complied
					(h) All employees at the construction site must have a valid construction personnel card.	Complied

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
EMESB	Majlis Bandaraya Pasir Gudang	Big, medium and small industry license for EMESB at PLO 555, Jalan Keluli 8, Kawasan Perindustrian Pasir Gudang, 81700 Pasir Gudang, Johor: - lesen kejuruteraan besi, logam, plastic, kaca dan aluminium - lesen gudang/stor (di kilang/bengkel) - lesen pejabat - iklan	MPPG: PLS 2/1/1-N466	1 January 2022/ 31 December 2022 and shall be renewed annually	This license must be renewed from 1 September to 30 November every year. Penalty will be imposed starting from December for the late renewal of the license.	Complied
ETSB	Majlis Bandaraya Johor Bahru	Business and signage license for ETSB at 8, Jalan Ekoperniagaan 1/10, Taman Ekoperniagaan, 81200 Johor Bahru, Johor: - lesen pejabat urusan am - iklan	MBJB/U/2019/55/L1/B0306/109	5 March 2019/ 31 December 2022 and shall be renewed annually	-	Not applicable

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
TWTSSB	Majlis Bandaraya Johor Bahru	Business and signage license for TWTSSB at 8, Jalan Ekoperniagaan 1/10, Taman Ekoperniagaan, 81200 Johor Bahru, Johor: - lesen pejabat urusan am dan lain-lain pejabat perkhidmatan (barangan logam) - iklan	MBJB/U/2020/55/L1/B0306/547	10 November 2020/ 31 December 2022 and shall be renewed annually	-	Not applicable

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
EMESB	MITI	Manufacturing license for EMESB to manufacture palm oil and biomass machinery and parts located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor in accordance with the Industrial Co-ordination Act, 1975.	A016044	4 March 2007/ Valid until and unless revoked or surrendered	(a) EMESB shall inform MIDA in writing if there is a change of its registered address. (b) EMESB is encouraged to ensure that the composition of its board of directors shall as much as possible reflect its equity structure. MITI shall be notified of the appointment and any changes of the members of the board of directors of EMESB. (c) For local sales, EMESB shall as much as possible use the services run by the Malaysians including appointing Malaysian-owned distributor companies where at least 30% of its sales to the domestic market shall be distributed by the bumiputera distributors.	Complied Noted. MITI is not notified of the appointment and any changes of the members of the board of directors of EMESB as there is no change to the members of the board of directors of EMESB post Acquisition of EMESB. Noted

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
					(d) The approval is subject to the provisions of the Industrial Coordination Act 1975 and any breach of conditions may result in the revocation of this license.	Complied
					(e) If EMESB intends to expand its production capacity or diversify its products, EMESB is required to obtain the approval from the licensing officer (Secretary General of MITI) by submitting an application using the relevant form which can be obtained from the MIDA website or from the nearest MIDA office.	Noted
					(f) This license is subject to the approval from the relevant State Government and Department of Environment.	Noted

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
					(g) MITI shall be informed of any sales of shares of EMESB.	Complied. MITI has been informed of the Acquisition of EMESB on 19 October 2020.
					(h) EMESB shall train Malaysian citizens so that transfer of technology and expertise can be channeled to all levels of designations.	Complied
					(i) EMESB shall carry out its project as approved and in accordance with other laws and regulations in Malaysia.	Complied

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
EMESB	European Inspection and Certification Company S.A ("EUROCERT")	Certification that EMESB implemented management system that conforms to the requirements of the standard EN ISO 9001:2015 for the fabrication of structural engineering works	00.12.1746	Initial issue date: 21 August 2018 Modification date: 15 December 2021 Expiry date: 14 December 2024	(a) The authorisation of use of the certificate and logo shall be valid for a period equal to the contractual term and shall be subject to faithful compliance with all terms of the certification agreement by EMESB, and particularly its timely participation in annual surveillance audits. (b) The three-year certificate shall be valid on the condition that the management system undergoes the EUROCERT periodic annual surveillance audits. (c) The recertification audit plan must be completed at least 2 months before expiry of the valid certificate which shall be renewed by signing of a new agreement by the parties. (d) EMESB must faithfully implement the compliance (mentioned) standards under which it has been certified, on the terms and conditions referred to in the EUROCERT Management System Certificate Regulation which EMESB accepts by signing the certification agreement.	Complied

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
					(e) If EMESB fails to comply with the terms of the certification agreement and primarily with the requirements of the standard, the regulatory provisions, and timely accept the annual surveillance audits, EUROCERT may terminate the certification agreement and suspend or withdraw the certificate, and EMESB shall not be entitled to a refund of the certification amount in part or in whole. It should also be noted that regardless of EUROCERT's right to suspend or withdraw the granted certificate, for so long as the certificate remains with EMESB, even if not entitled to use it, EMESB shall be fully bound by its financial obligations under the certification agreement. The certification agreement shall cease to be effective on acknowledged delivery by EMESB to EUROCERT of the original certificate and removal of EUROCERT logos from the certified products and/or services which, although ineffective, may be used with third parties.	Noted

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
EMESB	DOSH	Registration of EMESB as the unfired pressure vessel (PVM01) manufacturer located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Registration No. JKKP/2021/19 /36	18 August 2021/ 17 August 2024	(f) EMESB has the obligation to inform EUROCERT in writing when there are changes in structure or documentation (changes in the organisational structure, change of the management representative, change of address, extension of activities or stopping of production, changes in main mechanical equipment etc), which may affect the implementation of the management system that was assessed during the last audit. (a) DOSH shall be notified of any changes/ additions/ transfers of existing officers, machinery and premises. DOSH will revoke the registration if EMESB fails to immediately notify the same. (b) EMESB shall first obtain the design approval from DOSH before the manufacturing or repair works for unfired pressure vessel can be carried out.	Noted ⁽¹⁾ Noted Complied

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
					(c) All work procedures for the manufacturing or repair of unfired pressure vessel shall follow what is stated in the quality control manual which has been reviewed and accepted by DOSH and approval from DOSH shall be obtained for any changes that will be made to the quality control manual.	Complied
					(d) All welding works shall be done by the welder of EMESB in accordance with the welding procedure specification approved by the inspection authority recognised by DOSH. All welding works must also be carried out under the strict supervision and control of EMESB's quality control officer and all welding records must be well kept.	Complied

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
					(e) EMESB is required to pay attention to the work record of every project that has been carried out, among others, the following: (i) welding procedure specification record; (ii) welder qualification test record; (iii) hydrostatic test record; (iv) welding on unfired pressure vessel record; and (v) occupational safety and health management record.	Complied
					(f) All work records should be kept properly for review by DOSH from time to time. The records will also be reviewed when applying for renewal of registration in the future.	Complied
					(g) All manufacturing or repair works can only be carried out at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor.	Complied

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
					(h) It is to be noted that the prior approval from DOSH shall be obtained for the manufacturing or repair of unfired pressure vessel on new premises.	Noted
					(i) EMESB shall comply with the provisions of Factories and Machinery Act 1967 (" FAMA 1967 "), Occupational Safety and Health Act 1994 and regulations which have been enforced from time to time;	Complied
					(j) EMESB shall apply for renewal of registration with DOSH at least 3 months before the expiry of the approval period.	Noted
					(k) It should be noted that the approval can be revoked at any time if the above conditions and other conditions of DOSH are not met.	Noted

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
EMESB	DOSH, Johor	Certificate of fitness in accordance with the FAMA 1967 and Regulation 10(2) of the Factories and Machinery (Notification, Certificate of Fitness and Inspections) Regulations, 1970 ("FAMA Reg") for double girder overhead travelling crane located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Certification No.: PMA-JH/22 161940 Registration No.: JH PMA 88626	11 January 2022/ 28 March 2023	According to Regulation 26(1) of the FAMA Reg, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with DOSH.	Complied
EMESB	DOSH, Johor	Certificate of fitness in accordance with the FAMA 1967 and Regulation 10(2) of the FAMA Reg for air receiver located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Certificate No.: PMT-JH/22 173917 Registration No.: JH PMT 26267	21 April 2022/ 17 July 2023	-	Not applicable

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
EMESB	DOSH, Johor	Certificate of fitness in accordance with the FAMA 1967 and Regulation 10(2) of the FAMA Reg for air receiver located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Certificate No.: PMT-JH/22 173916 Registration No.: JH PMT 21927	21 April 2022/ 17 July 2023	-	Not applicable
EMESB	DOSH, Johor	Certificate of fitness in accordance with the FAMA 1967 and Regulation 10(2) of the FAMA Reg for air receiver located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Certificate No.: PMT-JH/22 173918 Registration No.: JH PMT 21928	21 April 2022/ 17 July 2023	-	Not applicable

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
EMESB	DOSH, Johor	Certificate of fitness in accordance with FAMA 1967 and Regulation 10(2) of the FAMA Reg for double girder overhead travelling crane located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Certificate No.: PMA-JH/21 148113 Registration No.: JH PMA 3435	19 August 2021/ 10 November 2022	According to Regulation 26(1) of the FAMA Reg, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with DOSH.	Complied
EMESB	DOSH, Johor	Certificate of fitness in accordance with the FAMA 1967 and Regulation 10(2) of the FAMA Reg for double girder overhead travelling crane located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Certification No.: PMA-JH/21 148114 Registration No.: JH PMA 3436	19 August 2021/ 10 November 2022	According to Regulation 26(1) of the FAMA Reg, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with DOSH.	Complied

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
EMESB	DOSH, Johor	Certificate of fitness in accordance with the FAMA 1967 and Regulation 10(2) of the FAMA Reg for single girder overhead travelling crane located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Certification No.: PMA-JH/21 148115 Registration No.: JH PMA 3475	19 August 2021/ 10 November 2022	According to Regulation 26(1) of the FAMA Reg, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with DOSH.	Complied
EMESB	DOSH, Johor	Certificate of fitness in accordance with the FAMA 1967 and Regulation 10(2) of the FAMA Reg for double girder electric overhead travelling crane located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Certification No.: PMA-JH/21 148111 Registration No.: JH PMA 9935	19 August 2021/ 10 November 2022	According to Regulation 26(1) of the FAMA Reg, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with DOSH.	Complied

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
EMESB	DOSH, Johor	Certificate of fitness in accordance with the FAMA 1967 and Regulation 10(2) of the FAMA Reg for single girder A shape portal gantry crane located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Certification No.: PMA-JH/21 148112 Registration No.: JH PMA 16107	19 August 2021/ 10 November 2022	According to Regulation 26(1) of the FAMA Reg, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with DOSH.	Complied
EMESB	DOSH, Johor	Certificate of fitness in accordance with the FAMA 1967 and Regulation 10(2) of the FAMA Reg for double girder electric overhead travelling crane located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Certification No.: PMA-JH/21 148109 Registration No.: JH PMA 4451	19 August 2021/ 10 November 2022	According to Regulation 26(1) of the FAMA Reg, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with DOSH.	Complied

7. BUSINESS OVERVIEW (CONT'D)

Company	Authority	Description of licence/permit	Licence no.	Effective date/ Expiry date	Major conditions imposed	Status of compliance
EMESB	DOSH, Johor	Certificate of fitness in accordance with the FAMA 1967 and Regulation 10(2) of the FAMA Reg for double girder electric overhead travelling crane located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Certification No.: PMA-JH/21 148110 Registration No.: JH PMA 4452	19 August 2021/ 10 November 2022	According to Regulation 26(1) of the FAMA Reg, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with DOSH.	Complied
EMESB	DOSH, Johor	Certificate of fitness in accordance with the FAMA 1967 and Regulation 10(2) of the FAMA Reg for air receiver located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	Certificate No.: PMT-JH/22 173919 Registration No.: JH PMT 22438	21 April 2022/ 17 July 2023	-	Not applicable

7. BUSINESS OVERVIEW (CONT'D)

Note:

- (1) The Acquisition of EMESB was an internal reorganisation exercise and had no effect on the implementation of the management system of EMESB that was assessed during the last audit. EMESB was therefore not required to inform EUROCERT of the change in corporate structure.

Our Group does not require any licences or permits to implement our projects in Gabon, Indonesia and Liberia in the respective countries save for work permits for our employees who are sent to the sites to supervise and/or manage the projects, where required, which are procured by the project owners. Please refer to Section 7.21 of this Prospectus for further details.

7. BUSINESS OVERVIEW (CONT'D)

7.19 MATERIAL PROPERTIES, PLANT AND EQUIPMENT

7.19.1 Material properties owned by our Group

As at the LPD, the details of the material properties owned by our Group are as follows:

No.	Registered owner/ Beneficial owner	Title/Postal Address	Description/ Existing use	Category of land use/Tenure	Land area/ gross floor area (approximate) (sq ft)	Restriction in interest/ Encumbrances	Date of issuance of CCC	Audited NBV as at 31 December 2021 (RM'000)
1.	Registered owner: EMESB Beneficial owner: N/A	Title: HSD 590918, PTD 238058, Mukim Plentong, Daerah Johor Bahru, Negeri Johor Postal Address: PLO 555 & PLO 506, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor (PLO 555)	Description: A single-storey factory building annexed a with a 3-storey office building Existing use: Head office and manufacturing plant	Category of land use: Industrial Tenure: 60 years leasehold expiring on 2 July 2067 (remaining tenure of 46 years)	Land area: 174,257 Gross floor area: 103,344 for factory and 9,300 for office	Restriction in interest: This land cannot be sold, mortgaged or transferred in any way whatsoever, including but not limited to by way of agreement to sell, without the consent of the State Authority. Encumbrances: Charged to Standard Chartered Bank Malaysia Berhad.	6 September 2006 and 9 September 2021 ⁽¹⁾ .	12,813

7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner/ Beneficial owner	Title/Postal Address	Description/ Existing use	Category of land use/ Tenure	Land area/ gross floor area (approximate) (sq ft)	Restriction in interest/ Encumbrances	Date of issuance of CCC	Audited NBV as at 31 December 2021 (RM'000)
2.	Registered owner: Eco Springs Development Sdn Bhd ⁽²⁾ Beneficial owner: EMESB	Title: Geran 564512, Lot 173254, No. Petak L227, Mukim Terbau, Daerah Johor Bahru, Negeri Johor Postal Address: No. 37, Jalan Ekoflora 1/11, Taman Ekoflora, 81100 Johor Bahru, Johor	Description: A double-storey cluster house Existing use: Tenanted to one of our Key Senior Management, Tia Tuan Sim	Category of land use: Building Tenure: Freehold	Land area: Not applicable Strata floor area: 3,595	Restriction in interest: (a) The owner of this land is not allowed to offer or sell any unit (parcels) of building to be built on this land other than the building which construction has already started in accordance with the plan approved by the relevant Local Authority.	24 May 2017	1,409

7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner/ Beneficial owner	Title/Postal Address	Description/ Existing use	Category of land use/ Tenure	Land area/ gross floor area (approximate) (sq ft)	Restriction in interest/ Encumbrances	Date of issuance of CCC	Audited NBV as at 31 December 2021 (RM'000)
						(b) Buildings erected on this land once transferred to a Bumiputera individual/ Bumiputera Company cannot be thereafter in any way whatsoever sold, leased or transferred to, a non-Bumiputera individual/ non-Bumiputera Company without consent from the State Authority. (c) Buildings erected on this land cannot be sold or transferred in any way whatsoever to a Non-Citizen/ Foreign Company without the consent of the State Authority. Encumbrances: Charged to Public Bank Berhad.		

7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner/ Beneficial owner	Title/Postal Address	Description/ Existing use	Category of land use/Tenure	Land area/ gross floor area (approximate) (sq ft)	Restriction in interest/ Encumbrances	Date of issuance of CCC	Audited NBV as at 31 December 2021 (RM'000)
3.	Registered owner: ETSB Beneficial owner: N/A	Title: GRN 584428, Lot 173396, Mukim Terbau, Daerah Johor Bahru, Negeri Johor Postal Address: No. 8, Jalan Ekoperniagaan 1/10, Taman Ekoperniagaan, 81100 Johor Bahru, Johor	Description: A single-storey semi-detached factory building with mezzanine office Existing use: Office	Category of land use: Industrial Tenure: Freehold	Land area: 13,993 Gross floor area: 8,785	Restriction in interest: Nil. Encumbrances: Charged to Malayan Banking Berhad.	7 March 2016	2,801

7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner/ Beneficial owner	Title/Postal Address	Description/ Existing use	Category of land use/Tenure	Land area/ gross floor area (approximate) (sq ft)	Restriction in interest/ Encumbrances	Date of issuance of CCC	Audited NBV as at 31 December 2021 (RM'000)
4.	Registered owner: AEPL Beneficial owner: N/A	Title: Lot No. U78892K, Mukim 5 Postal Address: 2 Venture Drive, #13-04 Vision Exchange, Singapore 608526	Description: Office unit at 13 th floor of 25- storey office tower Existing use: Office	Category of land use: Office Tenure: 99 years leasehold expiring on 9 June 2112 (remaining tenure of 90 years)	Land area: Not applicable Strata floor area: 517	Restriction in interest: Nil. Encumbrances: Charged to United Overseas Bank Limited.	26 July 2017	3,491

Note:

(1) The extended area was not in use before we obtained the CCC and we were not imposed any penalties under section 70(27)(f) of Street, Drainage and Building Act 1974. Our Group was imposed a penalty of RM20,496 by the Pasir Gudang Municipal Council in 2020 due to them commencing works on the extension before obtaining the building plans.

(2) Eco Springs Development Sdn Bhd was incorporated on 17 May 2012 under the laws of Malaysia and is principally involved in construction of buildings. EMESB had on 9 May 2017 entered into a sale and purchase agreement with Eco Springs Development Sdn Bhd, being the property developer, for the purchase of the property bearing title Geran 564512, Lot 173254, No. Petak L227, Mukim Terbau, Daerah Johor Bahru, Negeri Johor. As at the LPD, the title of the strata property has yet to be transferred to EMESB.

As at the LPD, there is no breach of any regulatory requirements or any environmental issue which may materially affect our operations and utilisation of the above properties.

7. BUSINESS OVERVIEW (CONT'D)

7.19.2 Material properties rented by our Group

As at the LPD, the details of the material properties rented by our Group are as follows:

No.	Landlord	Tenant	Property address	Description and Existing Use	Land area/ gross floor area (approximate) (sq ft)	Tenure	Date of issuance of CF/CCC	Rental per annum (RM)
1.	Westlite Dormitory (Pasir Gudang) Sdn Bhd ("Westlite")	EMESB	Unit 75-01-06 on the land held under HS(D) 135075 PTD 71015, Mukim of Plentong, Johor Bahru.	Description: Worker's dormitories Existing use: Dormitory for the occupation of EMESB's foreign workers.	Land area: 19,937 Gross floor area: 650	Two (2) years 1 October 2020 to 30 September 2022	9 May 1994	19,800
2.	Westlite	EMESB	75-01-30 on the land held under HS(D) 135075 PTD 71015, Mukim of Plentong, Johor Bahru.	Description: Worker's dormitories Existing use: Dormitory for the occupation of EMESB's foreign workers.	Land area: 19,937 Gross floor area: 650	Two (2) years 14 July 2021 to 13 July 2023	9 May 1994	20,400

7. BUSINESS OVERVIEW (CONT'D)

No.	Landlord	Tenant	Property address	Description and Existing Use	Land area/ gross floor area (approximate) (sq ft)	Tenure	Date of issuance of CF/CCC	Rental per annum (RM)
3.	Westlite	EMESB	Unit 72-04-28 on the land held under HS(D) 135079 PTD 71019, Mukim of Plentong, Johor Bahru.	Description: Worker's dormitories Existing use: Dormitory for the occupation of EMESB's foreign workers.	Land area: 31,715 Gross floor area: 650	Two (2) years 21 March 2022 to 20 March 2023	9 May 1994	23,400

All the above material properties which we rent for the occupation of EMESB's foreign workers have been issued a valid Certificate for Accommodation as required under Employees' Minimum Standards of Housing and Amenities Act 1990 and the Employees' Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020. The properties are currently occupied by 14 of our foreign workers.

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7. BUSINESS OVERVIEW (CONT'D)**7.19.3 Material machinery and equipment**

A summary of the material machinery and equipment all of which are used and owned by us as at the LPD is set out below:

Machinery and equipment	Average age of machinery (years)	No. of units as at the LPD	Audited NBV as at 31 December 2021 (RM'000)
Cutting machines	5	20	147
Bending machine	1	1	93
Cranes	2	4	34
Welding machines	4	9	24
Total			298

No machines are leased except for those machines acquired under hire purchase arrangement.

7.20 EMPLOYEES

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

Category	No. of employees					
	As at 31 December 2021			As at the LPD		
	Local	Foreign	Total	Local	Foreign	Total
Director	2	-	2	2	-	2
Key Senior Management	5	-	5	5	-	5
Human resource, finance & administration	15	-	15	16	-	16
Purchasing	3	-	3	3	-	3
Engineering department	30	2	32	34	4	38
Store and logistic	12	1	13	12	1	13
Production	19	-	19	16	-	16
Sales	1	-	1	1	-	1
Total	87	3	90	89	5	94

Geographical location / activity	No. of employees					
	As at 31 December 2021			As at the LPD		
	Local	Foreign	Total	Local	Foreign	Total
Malaysia	73	-	73	73	-	73
Singapore	3	-	3	3	-	3
Gabon	11	3	14	13	5	18
Total	87	3	90	89	5	94

7. BUSINESS OVERVIEW (CONT'D)

The number of contract workers in our Group as at 31 December 2021 and the LPD, all of whom are foreigners, is as follows:

Category	No. of employees	
	As at 31 December 2021	As at the LPD
Fabrication ⁽¹⁾	17	14
Civil work ⁽²⁾	168	168
Total	185	182

Notes:

- (1) Foreign contract workers located in Malaysia. The employment of these foreign workers is subject to the renewal of valid work permits by the Immigration Department of Malaysia on a yearly basis and these foreign workers are employed by our Group through worker agencies.
- (2) Foreign contract workers located in Gabon. The employment of these foreign workers is on a bi-annual contract and is subject to them having the relevant valid working permits registered under the project owner. These foreign contract workers are employed by our Group through worker agencies and referrals.

As at the LPD, none of our employees are member of any union nor have there been any major industrial disputes in the past. All our foreign employees and contract workers working in Malaysia and Gabon have valid working permits and we have not been and are not in breach of any immigration laws.

7.21 REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUE

Our Group does not have any subsidiary which is operating our business in Gabon, Indonesia and Liberia.

With regards to our operations in Gabon, our Group subcontracts the works awarded by Olam Group to our Gabonese subcontractors. The work permits for our employees, contract workers and subcontractors in Gabon are procured by the project owner, Olam Group on our behalf. The projects and environmental related approvals such as administrative authorisation and environmental impact assessment are required to be obtained by the owner of the projects, i.e. Olam Group, instead of our Group. In addition, Gabon's construction industry practice does not specifically require our Group to have any prerequisite qualifications.

Our nature of works in Indonesia and Liberia involves the supply and delivery and coordination of the testing and commissioning of the plants, including machinery, equipment and related accessories. We are not involved in and have not carried out any construction works and/or installation of equipment in Indonesia and/or Liberia which are normally directly awarded by the project owners to their respective contractors. As such, the project-related approvals are typically obtained by the relevant project owners and we do not require any project permits from the respective country save for work permits for our employees who are sent to the sites to supervise and/or manage the projects, where required, which are procured by the project owners.

Save as disclosed below, our Group complies with all relevant laws, regulations, rules or requirements governing the conduct of our Group's business and environmental issue which may materially affect our Group's business or operations.

7. BUSINESS OVERVIEW (CONT'D)

An overview of the relevant laws and regulations requirements governing the conduct of our business and environmental issue which may materially affect our Group' business or operations in Malaysia and Singapore is as follows:

Malaysia

(a) Industrial Co-Ordination Act 1975 ("ICA 1975")

Pursuant to the ICA 1975, no person shall engage in any manufacturing activity unless he is issued a licence in respect of such manufacturing activity. The ICA 1975 defines "manufacturing activity" as the "making, altering, blending, ornamenting, finishing or otherwise treating or adapting any articles or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade". Manufacturing companies with shareholders' funds of RM2.5 million and above or engaging 75 or more full-time paid employees are required to apply for a manufacturing licence.

As at the LPD, our subsidiary, EMESB, which carries out manufacturing activity holds a valid manufacturing licence issued by the MITI.

(b) Construction Industry Development Board Act 1994 ("CIDB Act 1994")

The CIDB Act 1994 which applies throughout Malaysia, regulates the establishment of the CIDB, and provides for its function relating to the construction industry and for matters connected therewith.

Pursuant to the CIDB Act 1994, a contractor is a person who carries out or completes or undertakes to carry out or complete any construction works. For the purpose of the CIDB Act 1994, any person who has been awarded or executed any contracts for construction works, or has undertaken to carry out, manage or complete any construction works, or has carried out, managed or completed any construction works, shall be deemed to be a contractor unless proven otherwise.

In Malaysia, a contractor must register with the CIDB and hold a valid certificate of registration issued by the CIDB under the CIDB Act 1994 in order to carry out or complete, undertake to carry out or complete any construction works or hold himself as a contractor. Failure to register with the CIDB constitutes an offence and on conviction, the party in breach of the CIDB Act 1994 may be liable to a fine of not less than RM10,000 but not more than RM100,000.

As at the LPD, our subsidiary, EMESB holds and maintains a valid CIDB licence issued by the CIDB.

(c) Local Government Act 1976

Pursuant to section 102 of the Local Government Act 1976, local authorities are empowered to make, amend and revoke by-laws.

As our business is carried out in Johor Bahru and Pasir Gudang, we come under the jurisdiction of the Johor Bahru City Council and Pasir Gudang Municipal Council and the conduct of our business is governed under the Trade, Licence, Business and Industrial (MBJB) By-Laws 2004 and Licensing of Trade, Commerce and Industry Bylaws (Pasir Gudang Municipal Council) 2017 (collectively, "**By-Laws**"). The By-Laws provide that any person may use any premise for operating any business activity when a licence, if necessary, has been obtained. A contravention of the By-laws would result in an offence, which upon conviction, would result in the person being liable to a fine not exceeding RM2,000 or to imprisonment for a term not exceeding 1 year or to both.

7. BUSINESS OVERVIEW (CONT'D)

Our Group was imposed a penalty of RM20,496 by the Pasir Gudang Municipal Council on 16 January 2020 due to commencing works on the extension before obtaining the building plans. The extensions of our Group's manufacturing plant at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor, which involved a 1 storey factory and 1 unit of refuse chamber only obtained CCC on 9 September 2021. The extended area was not in use until we obtained the CCC on 9 September 2021 and we were not imposed any penalties under section 70(27)(f) of Street, Drainage and Building Act 1974.

As at the LPD, our Group holds and maintains valid business licences issued by Johor Bahru City Council and Pasir Gudang Municipal Council.

(d) Factories and Machinery Act 1967 ("FAMA 1967")

FAMA 1967 and the relevant regulations made thereunder, including the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations 1970 provide for the control of factories with respect to matters relating to the safety, health and welfare of person therein, the registration and inspection of machinery and for matters connected therewith.

Under the FAMA 1967, the occupier of the factory has a duty to maintain the standards of safety, health and welfare of his factory and factory workers, including taking precautions against fire, proper maintenance of machinery, keeping factory in a clean state, maintaining all safety appliances and machinery and the mandatory reporting of accidents and dangerous occurrences to the inspector of factories and machineries.

Section 19(1) of the FAMA 1967 provides that no person shall operate or cause or permit to be operated any machinery in respect of which a certificate is prescribed, unless there is in force in relation to the operation of the machinery a valid certificate of fitness issued under the FAMA 1967. In the case of any contravention, an inspector of factories and machineries appointed under the FAMA 1967 shall serve upon the person a notice in writing prohibiting the operation of the machinery or may render the machinery inoperative until such time as a valid certificate of fitness is issued. The person who contravenes Section 19(1) of the FAMA 1967 shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM150,000 or to imprisonment for a term not exceeding 3 years or to both.

EMESB holds certificates of fitness for machineries such as overhead travelling cranes, gantry crane and air receiver located at its manufacturing plant in Pasir Gudang and has held valid certificates of fitness for such machineries whenever the same were operated. During the Financial Years Under Review, all machineries which are utilised by our Group are issued with certificate of fitness under the FAMA 1967. Our Group did not utilise any of the machineries which are pending issuance or renewal of certificate of fitness under the FAMA 1967.

Section 29A of the FAMA 1967 states that no person shall manufacture, fabricate, test, install, maintain, dismantle or repair any machinery which is prescribed unless he has a written authority issued by the Chief Inspector of Factories and Machinery. EMESB has been registered as an unfired pressure vessel manufacturer with DOSH and the latest registration is valid from 18 August 2021 to 17 August 2024.

The Factories and Machinery (Repeal) Act 2022 (the "**FAMA Repeal Act**") has been passed as law. It has received the Royal Assent and was gazetted on 4 March 2022 and 16 March 2022 respectively. However, the date on which the FAMA Repeal Act comes into operation has yet to be appointed and gazetted.

The FAMA Repeal Act will repeal the FAMA 1967 when it comes into operation. It is set out in the FAMA Repeal Act that any registration made, or order, notice, direction, written authority, approval, certificate of fitness, special scheme of inspection or certificate of competency given or issued, under the FAMA 1967 shall, on the coming into operation of the FAMA Repeal Act, be dealt with under the OSHA 1994 and its subsidiary legislations, which will be the law of reference for all matters related to safety and welfare of persons at work.

7. BUSINESS OVERVIEW (CONT'D)

(e) Occupational Safety and Health Act 1994 (“OSHA 1994”)

The OSHA 1994 provides the framework to secure the safety, health and welfare among workforce and to protect others against risks to safety or health in connection with the activities of persons at work.

Under OSHA 1994, it shall be the duty of every employer to formulate a written safety and health policy with respect to the safety and health at work of his employees. The employer shall also establish a safety and health committee at the place of work if there are 40 or more persons employed at the place of work. An occupier of a place of work is also required to employ a competent person to act as a safety and health officer at the place of work. An occupier of a place of work who fails to appoint a safety and health officer shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM5,000 or to a term of imprisonment not exceeding six months or to both.

The OSHA 1994 has been complied with by EMESB since 16 October 2019 up until the LPD. Prior to 16 October 2019, EMESB did not have a safety and health officer. As at the LPD, our subsidiary, EMESB has a documented standard operating policies and procedure with regards to first aid management, emergency responses and occupational safety, health and environmental plan, which has been adopted since 1 January 2016. A safety and health committee has been established since 1 January 2016 and a certified safety officer has been appointed to monitor the safety and health related matters of EMESB since 16 October 2019. There is no material impact to our Group’s business operations or financial performance in the past due to this non-compliance, which has been rectified. We have not been penalised for this past non-compliance, and as at the LPD, have not received any notification from the relevant authority in relation to any penalty to be imposed for this non-compliance. Subsequent to LPD, EMESB has been in compliance with the OSHA 1994.

Similarly, the Occupational Safety and Health (Amendment) Act 2022 (“OSH AA”) has been passed as law. It has received the Royal Assent and was gazetted on 4 March 2022 and 16 March 2022 respectively. However, the date on which the OSH AA comes into operation has yet to be appointed and gazetted.

The OSH AA, when comes into operation, will provide, amongst others:

- (i) the obligation of an employer to conduct a risk assessment in relation of the safety and health risk posed to any person who may be affected by his undertaking at the place of work, and where the risk assessment indicates that implementation of risk control to eliminate or reduce said safety and health risk is required, the employer shall implement such control;
- (ii) the right of an employee to remove himself from the danger or the work if the employer has failed to take any action to remove the danger that the employee has reasonable justification to believe there exist an imminent danger at his place of work; and
- (iii) provisions in relation to the notice of occupation of place of work, installation and periodical inspection of plants, and the requirement of a certificate of fitness for plants to be operated.

(f) Employees’ Minimum Standards of Housing and Amenities Act 1990 (“EMSHAA 1990”)

Pursuant to the EMSHAA 1990 and the Employees’ Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020, employers must comply with the EMSHAA 1990, which includes providing minimum space requirement for workers’ accommodation, basic facilities as well as safety and hygiene standards.

7. BUSINESS OVERVIEW (CONT'D)

The EMSHAA 1990 further provides that no employer or centralized accommodation provider shall use any buildings as accommodation if the building is unfit for human habitation in accordance with the relevant written laws. The employer or centralized accommodation provider shall ensure that every accommodation provided for employees complies with the minimum standards required under EMSHAA 1990 or any regulations made thereunder.

Pursuant to the EMSHAA 1990, no accommodation shall be provided to an employee unless certified with a Certificate for Accommodation. EMSHAA 1990 provides that an employer who contravenes the EMSHAA 1990 commits an offence and shall, on conviction, be liable to a fine not exceeding RM50,000.

As at the LPD, EMESB rents its foreign workers' accommodation from Westlite bearing property addresses Unit 72-04-28, Unit 75-01-06 and Unit 75-01-30 on 2 pieces of land held under HS(D) 135075 PTD 71015 and HS(D) 135079 PTD 71019, both in the Mukim of Plentong, Johor Bahru, which have been issued a valid Certificate for Accommodation. The properties are currently occupied by 14 workers. The remaining 1 worker is staying with his spouse who is a Malaysian.

Singapore

As at the LPD, the works under the customer contracts entered into by our Singapore subsidiary, AEPL, are not conducted in Singapore. In addition, AEPL subcontracts all of the work under its customer contracts and does not carry out any business operations in Singapore. The majority of the works under its customer contracts is subcontracted to EMESB. Accordingly, there are no governmental licences or approvals required to be obtained by AEPL in respect of its business operations in Singapore.

As the Urban Redevelopment Authority of Singapore has designated the office used by AEPL as a commercial property strictly for office use only, no licences or approvals are required to be obtained by AEPL to use the property as an office.

7.22 EXCHANGE CONTROLS

Save as disclosed below, there are no governmental laws, decrees, regulations or other legislations that may affect the repatriation of capital and remittance of profit by or to our Group.

Pursuant to the provisions of the Singapore Companies Act (Chapter 50), capital may not be returned to shareholders unless a capital reduction exercise is carried out in accordance with the provisions of the Singapore Companies Act and the company's constitution (or memorandum and articles of association). There are no restrictions on payment of capital from a capital reduction exercise to foreign shareholders who are not subject to any financial sanctions or other restrictions imposed by the Monetary Authority of Singapore or other regulatory authorities.

A company may, if so authorised by its constitution (or memorandum and articles of association) and subject to the limits imposed by the Singapore Companies Act, buy back its own shares. Similarly, there are no restrictions on payment of the purchase price to foreign shareholders in respect of such purchase.

Dividend payments made to non-resident or resident shareholders are not subject to withholding tax.

7.23 INTERRUPTIONS TO OUR BUSINESS FOR THE PAST 12 MONTHS

With the exception of the effects of COVID-19, we did not experience any material interruptions to our business during the past 12 months prior to the LPD.

7. BUSINESS OVERVIEW (CONT'D)

7.23.1 Effects of COVID-19 on our business operations in Malaysia

Commencing 18 March 2020, the Government of Malaysia implemented several periods of Movement Control Order (“**MCO**”) to limit and reduce the transmission of COVID-19 in the country. Measures implemented included, among others, controls on the movement of people within Malaysia, controls on international travel, and restrictions on business, government, educational, cultural, recreational and other activities. Our business operations in Malaysia were temporarily interrupted by these measures.

MCO Period

The MCO period was from 18 March 2020 to 3 May 2020, and the control measures implemented included, among others, the closure of all businesses except for those classified as “essential services” or that have received written approval from the Ministry of International Trade and Industry Malaysia (“**MITI**”) to operate, restrictions on the movement of people in Malaysia, and restrictions on international travel into and out of Malaysia. On 18 March 2020, we closed our operations including head office and fabrication facilities in Johor and stopped work at all of our subsisting worksites in Malaysia. Our office-based staff worked from home, while all work relating to fabrication, construction, installation and other tasks normally carried out at our fabrication facility and worksites were temporarily halted.

On 18 April 2020, EMESB received written approval from MITI to resume operations at our head office and fabrication facility. These premises were sanitised on 21 April 2020 under the supervision of our safety and human resources staff, and we resumed our operations at our head office and fabrication facility at 50% workforce capacity from 22 April 2020, where half of our staff returned to work while the other half worked from home on a rotational basis. Staff who worked at our fabrication facility and office in Pasir Gudang were required to follow the relevant standard operating procedures (“**SOP**”) at their respective workplaces. Although EMESB also received written approval from MITI to resume operations at specified worksites, we did not return to work at these worksites as the respective customers’ internal policies were not permitted to re-open their facilities for business and external service providers (such as our Group) during the MCO period. Consequently, EMESB’s operational staff only resumed work at worksites in Malaysia commencing from 4 May 2020.

ETSB and TWTSSB did not obtain written approval from MITI to resume operations at our premises during the MCO period, and all staff worked from home since 18 March 2020.

We experienced some reduction in our business activities during the MCO period as we closed our head office and fabrication facility on 18 March 2020 and resumed operations at 50% workforce from 22 April 2020. All of our worksites in Malaysia were temporarily suspended due to the respective customers’ internal policies.

CMCO Period

The Government of Malaysia implemented the Conditional MCO (“**CMCO**”) from 4 May 2020 to 9 June 2020 in Malaysia. The CMCO relaxed some of the controls implemented during MCO, including allowing most economic sectors to resume business operations provided that specified SOP were followed, and large gatherings avoided. Controls on the movement of people within Malaysia was relaxed, while restrictions on international travel were modified.

Our business operations in Malaysia during CMCO were as follows:

- EMESB’s office and fabrication facility operate at full workforce capacity from 4 May 2020, with our staff following the relevant SOP;
- ETSB received written approval from MITI on 6 May 2020 to resume operations at its office and fabrication, and subsequently reopened at full workforce capacity with staff following the relevant SOP on the same day; and

7. BUSINESS OVERVIEW (CONT'D)

- EMESB external worksites in Malaysia for construction of palm oil mill plants, and fabrication of palm oil equipment projects were permitted to be operated by the respective customers between 4 May 2020 and 13 May 2020. We operated at these worksites in accordance with the relevant SOP.

We resumed full operations in Malaysia commencing from between 4 May 2020 and 13 May 2020 with the exception of TWTSSB who were not permitted to operate as they did not receive their MITI approval during this time. While we experienced some reduction in business activity in Malaysia during the CMCO period, the reduction was to a lesser extent compared to the MCO period.

RMCO Period

The CMCO was followed by the Recovery MCO ("**RMCO**"), which commenced on 10 June 2020 and was scheduled to end on 31 December 2020. Starting from 10 June 2020, almost all economic sectors were allowed to resume operations so long as they followed the relevant SOP. The movement of people within Malaysia was relaxed further, although restrictions on international travel into and out of Malaysia remained the same as during the CMCO period.

However, during this RMCO period, the Government of Malaysia re-imposed CMCO measures in specific areas in response to localised surges in COVID-19 transmissions. The control measures put in place following the re-imposition of CMCO included, among others, restrictions on the movement of people including the prohibition of inter-district travel, limiting the operating hours of certain service-based businesses, and the closure of schools.

During the RMCO period, our business operations continued to operate following the previously established SOP with the exception of TWTSSB which was not in operation during the RMCO period. We did not experience any material reduction in our business activities in Malaysia during the RMCO period.

MCO 2.0

In response to a surge in new COVID-19 cases, commencing from 13 January 2021 MCO restrictions were re-introduced to Johor, Kelantan, Melaka, Sabah, Selangor, Sibuan in Sarawak and Wilayah Persekutuan Kuala Lumpur, Labuan and Putrajaya, while other states and territories were placed under CMCO or RMCO restrictions. Subsequently, MCO restrictions were progressively lifted as specific states and territories were placed under CMCO or RMCO restrictions, depending on the number of new COVID-19 cases reported.

On 12 January 2021, EMESB and ETSB each received their respective MITI approvals to operate at full workforce from 13 January 2021. Our business operations continued to operate according to the previously established SOP with the exception of TWTSSB. We did not experience any material reduction in our business activities in Malaysia during MCO 2.0.

MCO 3.0

Following increases in the number of new COVID-19 cases reported, MCO restrictions were reimposed in Kelantan commencing from 16 April 2021, and to several districts and mukims in Johor, Kuala Lumpur, Penang, Sarawak, and Selangor commencing from 3 May 2021. Districts, mukims and states that were not placed under MCO restrictions were placed under CMCO or RMCO restrictions. On 10 May 2021, the MCO restrictions were extended nationwide.

EMESB and ETSB each received their respective MITI approvals to continue operating at normal workforce capacity during MCO 3.0 from 6 May 2021, until 25 May 2021. EMESB and ETSB then operated at 60% workforce capacity from 26 May 2021, and our staff worked on rotational basis from home or at our operational facilities (while following the relevant SOP) with the exception of TWTSSB. We did not experience any material reduction in our business activities in Malaysia during MCO 3.0.

7. BUSINESS OVERVIEW (CONT'D)

National Recovery Plan

Following the steep increase in COVID-19 cases, a three-phase nationwide lockdown of the National Recovery Plan (NRP) was implemented. Phase 1 of the NRP (also known as Full MCO (“**FMCO**”)) commenced with full nationwide lockdown from 1 June 2021 onwards, where all sectors were not allowed to operate during this period except for those in the essential economic and service sectors. Other control measures implemented included restrictions on the movement of people in Malaysia. Phase 2 lockdown will be implemented after the first phase is successful in reducing the number of new daily COVID-19 cases, which will allow the reopening of some economic sectors that do not involve large gatherings of people and where physical distancing can be maintained. This will be followed by Phase 3 where nearly all economic sectors will be allowed to operate subject to strict SOP and restrictions on the number of people allowed to be physically present at workplaces. Phase 4 saw the full reopening of the economy, where interstate travel and domestic tourism were also be allowed.

Individual states and federal territories were categorised by NRP phase according to, among other, the number of new COVID-19 cases reported.

On 31 May 2021 and 1 June 2021, ETSSB and EMESB received their MITI approvals respectively whereby they were permitted to operate during Phase 1 of the NRP according to the previously established SOP with the exception of TWTSSB. During Phase 1, EMESB and ETSSB operated at 60% of their respective workforce capacity at our operational facilities, while the remaining staff worked from home. Subsequently on 5 July 2021, EMESB and ETSSB each received their respective MITI approvals to operate under Phase 1 of the NRP, with operations at 60% of their respective workforce capacity following previously established SOP, with the remaining staff working from home. Our projects in Malaysia were suspended with the exception of a customer who was deemed as essential services namely glove manufacturing. On 18 October 2021, EMESB received its MITI approval to operate at normal workplace capacity as at least 80% of its employees had received two (2) COVID-19 vaccine doses. EMESB has been operating at normal workforce capacity from 19 October 2021 and up to 31 March 2022, following previously established SOP. ETSSB received its MITI approval on 28 September 2021 to operate at 80% workforce capacity as 60% of its employees had received two (2) COVID-19 vaccine doses, and the company operated at 80% workforce capacity from 29 September 2021 to 24 October 2021, following previously established SOP. Johor transitioned to Phase 4 of the NRP on 25 October 2021, and ETSSB has been operating at normal workforce capacity from 25 October 2021 up to 31 March 2022, following previously established SOP. TWTSSB also resumed operations at normal workforce capacity from 25 October 2021 up to 31 March 2022 following the relevant SOP. We did not experience any material reduction in our business activities during Phase 1, Phase 2, Phase 3 and Phase 4 of the NRP.

Transition to Endemic Phase

On 1 April 2022, Malaysia entered the ‘Transition to Endemic’ phase where all economic sectors are allowed to operate, and interstate and international travel are allowed, subject to adherence to the relevant SOP and guidelines. EMESB and ETSSB continued to operate at normal workforce capacity, while following the relevant SOP and guidelines, from 1 April 2022 and up to the LPD. As TWTSSB did not have subsisting contracts, it rationalised its operations and laid off its staff from 1 April 2022. Moving forward, any orders for the supply of spare parts and construction materials that may be received by TWTSSB (which previously had only served our customers in Gabon) will be fulfilled by EMESB (which will arrange for the shipment of goods to the customers’ locations in Gabon when required), and any orders received for maintenance services in Gabon will be fulfilled by engaging subcontractors in that country to carry out the work. TWTSSB is dormant as at LPD and it may resume its operations if future opportunities arise.

7. BUSINESS OVERVIEW (CONT'D)

Business Operations SOP

We have and will continue to manage our supply chain to ensure that we will continue to maintain sufficient stocks of input materials to meet the delivery timelines and deadlines of our on-going projects.

The SOP that we have implemented for our business operations in Malaysia to control the spread of COVID-19 includes the following:

- All staff and visitors to our head office and fabrication facility, and our worksites have to make a health declaration (which includes their recent travel history and current health status), pass a temperature check and record the result, provide their contact information, and wear a face-covering before they are allowed to enter the premises. While at the premises, they have to wear a face-covering at all times and maintain social distancing whenever possible;
- We encourage our staff to hold discussions and meetings with customers and other external parties through videoconferencing to minimise business travels and face-to-face meetings.

Positive diagnosis for COVID-19

Since 18 March 2020 and as at the LPD, a total of 41 of our staff and contract workers have received positive diagnoses for COVID-19, comprising 30 Malaysian and 11 non-Malaysians. As at the LPD, all 41 of these staff and contract workers have recovered and returned to work, having either received their Clearance or Discharge Letter from the Ministry of Health Malaysia or do not exhibit COVID-19 symptoms at the end of the respective quarantine periods.

The steps that we have taken in response to an employee receiving a positive diagnosis for COVID-19 include the following:

- The employee who has received the positive diagnosis for COVID-19 (Category A) is required to self-quarantine and was not allowed to return to work for 14 days. For Malaysian staff, they must undergo a COVID-19 test at the end of that period, and are only allowed to return to the workplace after they obtain a negative test result and receive their Clearance or Discharge Letter from the Ministry of Health Malaysia. As per the requirements at that time, non-Malaysian staff are allowed to return to work if they do not exhibit COVID-19 symptoms at the end of the respective 14-day quarantine periods.
- We conducted contact tracing to identify all close contacts of the Category A staff, who are classified as Category B staff. All Category B are required to self-quarantine for 14 days, and if they start to exhibit COVID-19 symptoms they are required to undergo a COVID-19 swab test. If the result is positive, they will be classified as Category A staff. Category B staff are allowed to return to their workplace after they complete the self-quarantine period without exhibiting symptoms. As at the LPD, we conducted 514 COVID-19 tests for employees and contract workers. The total cost of these tests was approximately RM80,900.
- Employees who had close contact with Category B staff (Category C staff) are required to self-quarantine until their Category B contact completes their self-quarantine period or receives their COVID-19 test result. If the test result is negative, the Category C staff is permitted to return to the workplace. If the test result is positive, the person's classification will be changed to Category B.

7. BUSINESS OVERVIEW (CONT'D)

7.23.2 Effects of COVID-19 on our business operations in Gabon

The government of Gabon began to take measures to reduce the transmission of COVID-19 in their country from early March 2020. Nationwide measures implemented included restricting international travel, controlling the movement of people, goods and vehicles between specific areas within the country, imposing curfews, banning or restricting large gatherings, closing schools, and ordering certain businesses to close. In addition, the government implemented additional COVID-19 measures for specific areas.

From early-2020 and up to the LPD, none of our worksites in Gabon were closed and none of our work was suspended due to measures taken by the government of Gabon in response to COVID-19. Although our staff were not able to travel into and out of Gabon due to the restrictions on international travel, this did not result in a material disruption in our business operations. We were able to effectively manage the implementation of our on-going projects in Gabon through our staff in Gabon, maintaining contact with our head office in Malaysia through teleconferencing and electronic means.

We faced some restrictions in mobilising our staff and contract workers between our different worksites in Gabon due to the controls placed on the movement of people within Gabon, as described above. Although this resulted in some delays in mobilising staff from one location to another, it did not result in any material disruptions in implementing our projects.

Business Operations SOP

As we do not have an office in Gabon, our project team are stationed at a subcontractor's office in Gabon and consequently our staff do not need to travel between Malaysia and Gabon to implement our projects in that country. We communicate with our project team and other staff in Gabon through videoconferencing, telephone, email and other electronic means.

In response to COVID-19, we implemented enhanced health and hygiene measures as part of our business operations SOP in Gabon, including the following:

- We provided our staff and contract workers with face masks, hand sanitiser fluid, soap and hand washing stations at all of our worksites and site offices.
- Our staff and contract workers were not allowed to leave the premises of their designated worksites. Food and other daily necessities were delivered to them by designated drivers.
- External parties who delivered goods to our worksites were required to comply with our SOP and minimise their contact with our staff and contract workers.
- Customers, external parties and other visitors were not allowed to enter our site offices in Gabon. Instead, we encouraged our staff to conduct discussions and meetings through teleconferencing to minimise contact.

Our subcontractor in Gabon adopts and implements the SOP described above for the office where our project team is stationed.

Our business operations in Gabon were not materially affected by these measures, and work proceeded as normal. However, we experienced some delays in receiving goods from Malaysia, particularly machinery and equipment fabricated at our fabrication facility, as described in Section 7.23.6.

Since 18 March 2020 and up to the LPD, a total of 14 of our staff and contract workers in Gabon have received positive diagnoses for COVID-19. As at the LPD, all of these 14 staff and contract workers have recovered and returned to work. Our business operations in Gabon were not affected by these positive diagnoses for COVID-19.

7. BUSINESS OVERVIEW (CONT'D)

7.23.3 Effects of COVID-19 on our business operations in Indonesia

To control the spread of COVID-19 in their country, the government of Indonesia began to take measures from early February 2020, starting with restrictions on international travel. Nationwide measures taken by the government included restrictions on economic activities except those deemed essential, closure of specified public spaces, and social distancing and hygiene requirements. In addition, modified measures were also implemented for specific cities and provinces.

From early-2020 and up to the LPD, none of our projects in Indonesia were affected by worksite closures or were suspended due to measures taken by the government of Indonesia in response to COVID-19. Furthermore, our current projects in Indonesia during this period do not involve construction, installation or other works involving our employees at worksites, as this scope of work is not part of our contracts. These works are carried out by external parties that are engaged by the customer. However, our operations in Indonesia experienced some delays due to delays in receiving goods from Malaysia, particularly machinery and equipment fabricated at our fabrication facility, as described in Section 7.23.6, which affected our financial performance in Indonesia as described in Section 7.23.5.

7.23.4 Effects of COVID-19 on our business operations in Singapore

The government of Singapore began to implement measures to control the spread of COVID-19 commencing from early April 2020, which included closure of non-essential workplaces, places of worship and entertainment venues, reduced crowd density in retail outlets, and restrictions on gatherings. There has been minimal disruption to our business operations as all AEPL personnel perform managerial, technical, or administrative functions that can be effectively carried out from home. As at the LPD, none of our staff in Singapore received a positive diagnosis for COVID-19.

7.23.5 Impact on our Business Operations and Financial Performance

FYE 2020

Our business operations in Malaysia, Gabon, and Indonesia were affected by COVID-19, including due to the following factors:

- Measures implemented by the governments of the respective countries to control the spread of the disease, which included restrictions on international travel, movement of people, and closure or limits to business activity, which have slowed down our work on some projects; and
- Temporary suspension of our fabrication facility as well as worksites in Malaysia. As a result, one of our projects namely Victory Enghoe Plantations Sdn Bhd was delayed during FYE 2020 due to COVID-19 conditions and we applied for an extension of time from the customer. The extension of time for the project was granted by the customer and the project is completed within the extended period.

For further details on completed projects, please refer to Section 7.3.1.1 (m), 7.3.1.2 (j) and 7.3.2 (d) of this Prospectus.

For the FYE 2020, our total revenue decreased by RM17.2 million or approximately 10.1% to RM153.7 million (FYE 2019: RM170.9 million). Our GP declined by RM16.1 million or 42.8% to RM21.5 million in FYE 2020 (FYE 2019: RM37.6 million). This was contributed by the following:

7. BUSINESS OVERVIEW (CONT'D)

- EMESB temporarily suspended its operations between 18 March 2020 and 22 April 2020 during the closure of our facilities in MCO 1.0, and we resumed operations with 50% workforce capacity in our head office and fabrication facility from 22 April 2020 to 3 May 2020. This has disrupted some shipments of fabricated steel structures, machinery and equipment to some of our project worksites, as described in Section 7.23.6. As a result of the closure of our fabrication facilities, we did not ship any goods to foreign countries for our projects between 18 March 2020 and 8 May 2020. EMESB only resumed operations with normal workforce capacity at the head office and fabrication facility, and operational staff at worksites from 4 May 2020.
- Construction of palm oil mills, and other construction, fabrication, and supply project activities at external worksites in Malaysia were suspended from 18 March 2020, and we only returned to worksites in Malaysia after 4 May 2020 due to our customers' internal policies. As a result, there was no project implementation and progress billings for these customers during this period.
- Generally, there were delays in shipment of our fabricated machinery and equipment for our projects in Gabon and Indonesia, which resulted in slower project implementation, and consequently slower progress billings.
- We did not complete the fabrication of palm oil mill equipment project for Sime Darby Plantation Berhad by the contracted completion date as there were delays in the supply of parts from a supplier that was appointed by the customer due to COVID-19 control measures, and as a result, we made provision of LAD of RM0.6 million and RM0.4 million, which was set off from our progressive billing (being 90.9% of the maximum claim on the LAD of RM1.1 million) for the FYE 2020.
- We had higher freight and logistics expenses for FYE 2020 compared to FYE 2019. Due to delays in progress of our projects in Indonesia owing to COVID-19, we had to deliver our fabricated components to project sites in Indonesia in batches resulting in additional shipments. In addition, freight rates increased during the COVID-19 pandemic period, whereby freight rates for Indonesia increased from RM280 per m³ to RM450 per m³, which represent an increase of approximately 60.7%, while freight rates for Gabon increased from RM11,386 per 40-foot high cube container to RM27,286 per 40-foot high cube container, which represent an increase of approximately 140%.
- Gross losses for some of our projects in FYE 2020, including gross loss of RM4.6 million for the construction of palm oil mill in Indonesia as a result of COVID-19 and other external factors such as cost overrun from the delay in the progress of the project, additional custom clearance cost, and rising shipment costs and steel prices which we were unable to pass on to the customer; and gross loss of RM2.2 million for upgrading work for a palm oil mill in Malaysia as a result of COVID-19 and other external factors such as cost overrun from the delay in the progress of the project, and rising steel prices which we were unable to pass on to the customer.

Although ETSSB's operations were temporarily suspended from 18 March 2020 to 6 May 2020, and TWTSSB's operations has been suspended from 18 March 2020 up to 24 October 2021, it did not have a material impact on our revenue for FYE 2020. Although TWTSSB's operations in Malaysia were suspended, its staff worked from home and maintained contact with customers and suppliers in Malaysia and foreign countries through e-mail, telephone and videoconferencing. Orders received by TWTSSB for the supply of spare parts and construction materials were fulfilled by EMESB, which arranged for the shipment of goods to the customers' locations in Gabon when required. Orders received by TWTSSB for maintenance services in Gabon were fulfilled by engaging subcontractors in that country to carry out the work.

7. BUSINESS OVERVIEW (CONT'D)**FYE 2021**

EMESB operated at 60% workforce capacity from 26 May 2021 up to 18 October 2021, while ETSB operated at 60% workforce capacity from 26 May 2021 up to 28 September 2021, which had affected the progress of our fabrication works at our facility in Johor. As for our worksites in Malaysia, during NRP Phase 1 we are not permitted to operate at the worksites with the exception of a customer who is in glove manufacturing. Generally, our expected completion dates were temporarily impacted due to the COVID-19 conditions during NRP Phase 1. Subsequently, EMESB returned to normal workforce capacity from 19 October 2021 to 31 December 2021 (and up to the LPD), and ETSB operated at 80% workforce capacity from 29 September 2021 to 24 October 2021, and at normal workforce capacity from 25 October 2021 to 31 December 2021 (and up to the LPD), and TWTSSB returned to normal workforce capacity from 25 October 2022 to 31 December 2021 (and up to 31 March 2022). Our worksites in Malaysia are also permitted to operate.

We notified our customers relating to the disruptions, where required, and they have provided an extension of time for the projects, including those summarised in the following table:

Customer	Description	Location	Original Completion Date	Extension of Time Granted
Olam Palm	Construction of biogas plant for the Awala palm oil mill	Awala, Gabon	November 2020	October 2021 ⁽¹⁾
Olam Palm	Construction of the Mouila Lot 3 palm oil mill, comprising:	Mouila, Gabon		
	- Civil, structural, piping, electrical and additional piling works		July 2020	October 2021 ⁽²⁾
	- Kernel crushing plant		July 2020	October 2021 ⁽²⁾
Olam Palm	Fabrication of machinery for unloading station in relation to the construction of the Mouila Lot 3 palm oil mill	Mouila, Gabon	August 2020	October 2021 ⁽³⁾
Olam Palm	Fabrication of bulking tanks for the Mouila Lot 3 palm oil mill	Mouila, Gabon	January 2020	October 2021 ⁽³⁾
Ladang Petri Tenggara Sdn Bhd	EPCC of ESP for biomass power plant at Sungai Kachur palm oil mill in Kota Tinggi, Johor	Johor, Malaysia	December 2020 ⁽⁴⁾	July 2021 ⁽⁴⁾
Customer A ⁽⁵⁾	Construction of buildings for a new glove manufacturing plant at Sendayan, Negeri Sembilan	Negeri Sembilan, Malaysia	September 2021	November 2021 ⁽³⁾
	- Civil and steel structural works for warehouse, office, electrical sub-stations and others			
PT Kapuas Maju Jaya Oil Mill	Civil, structural and mechanical works for new palm oil mill at Kapuas, Kalimantan Tengah	Kalimantan Tengah, Indonesia	November 2021	July 2022
GoodGloves Industries Sdn Bhd	Fabrication of equipment for a new glove manufacturing plant at Sendayan, Negeri Sembilan	Negeri Sembilan, Malaysia		
	- Fabrication of stainless-steel tanks		February 2021	December 2021 ⁽³⁾
	- Piping works for 8 glove manufacturing lines		September 2021	December 2021 ⁽³⁾
Austin Powder Malaysia Sdn Bhd	Refurbishment of existing building and construction of new buildings for an explosives manufacturing facility in Bentong, Pahang	Pahang, Malaysia	February 2022	June 2022 ⁽⁶⁾
Olam Palm	Installation, testing and commissioning of an irrigation system for an oil palm plantation at Mouila, Gabon	Mouila, Gabon	August 2023	April 2024 ⁽⁷⁾

7. BUSINESS OVERVIEW (CONT'D)

Notes:

- (1) The project has been completed and is pending commissioning prior to handover to the customer.
- (2) The project has been completed and commissioned and is currently pending acceptance by the customer.
- (3) The project has been completed.
- (4) Original expected completion date of December 2020 based on the letter of award secured on 13 March 2020. Due to the MCO, the customer deferred the completion date to July 2021. We have applied for an extension of time from the customer up to October 2021 and this is pending approval. For the FYE 2021, we have made a provision for LAD of RM0.2 million, being the maximum claim on the LAD as at 30 November 2021. The project was completed in November 2021.
- (5) Customer A operates in Malaysia and are involved in construction services, supplying retail store fixtures and store displays, providing interior store planning and design services. The name of Customer A has not been disclosed as Customer A is not agreeable to disclose its identity in order to safeguard the competitive position of the customer in the market in which the customer operates.
- (6) The original completion date was February 2022 based on the letter of award dated 19 July 2021. Following disruption caused by major floods in Bentong, Pahang in December 2021, the consultant engaged by the customer and the customer have jointly agreed to grant the extension of time up to 30 June 2022, pursuant to a letter of extension dated 25 May 2022 issued by the consultant. Subsequent to the LPD, we experienced some delays in implementing the project due to weather conditions at the site, and as a result we have submitted another application for an extension of time up to 30 September 2022 that is pending approval.
- (7) The original completion date was August 2023. Following disruptions caused by the COVID-19 pandemic and weather conditions in Gabon, Olam Palm granted extension of time up to 30 April 2024.

For further details on on-going projects, please refer to Section 7.3.1.1 (n), 7.3.1.2 (k) and 7.3.2 (e) of this Prospectus.

For the FYE 2021, our total revenue decreased marginally by RM0.5 million or approximately 0.3% to RM153.2 million (FYE 2020: RM153.7 million). Our GP for the FYE 2021 increased by RM5.7 million or approximately 26.5% to RM27.2 million (FYE 2020: RM21.5 million), and our overall GP margin increased to 17.8% (FYE 2020: 14.0%). In addition, we recorded higher PAT and PAT margin of RM8.1 million (FYE 2020: RM6.5 million) and 5.3% (FYE 2020: 4.2%) respectively. Notwithstanding the increases in GP, GP margin, PAT and PAT margin for FYE 2021 compared to FYE 2020, our financial results in FYE 2021 were affected by the COVID-19 pandemic due to higher material and freight costs as compared to the pre-COVID 19 period level (namely FYE 2019 when our GP margin was 22.0% and PAT margin was 7.3%). There is no assurance that COVID-19 will not adversely affect our future business operations and financial performance.

As at 31 December 2021, we had:

- cash and bank balances and fixed deposits with licensed banks of RM20.0 million;
- working capital of RM43.8 million, being the difference between current assets of RM101.5 million and current liabilities of RM57.7 million; and
- banking facilities, which consist of term loans, bank overdraft, revolving credit and trade lines (comprising letter of credit, trust receipt, banker's acceptance, invoice financing and bank guarantee), with a total credit limit of RM96.6 million, of which RM46.0 million (including RM13.8 million set aside as bank guarantees) which has yet to be utilised.

After taking into consideration the funding requirements for our committed capital expenditures, our existing level of cash and bank balances, expected cash flows to be generated from our operations, banking facilities available and the estimated net proceeds from the Public Issue, our Board is of the view that we will have sufficient working capital for a period of 12 months from the date of this Prospectus.

7. BUSINESS OVERVIEW (CONT'D)

7.23.6 Impact on our Supply Chain

We have implemented the following measures to ensure that we have sufficient quantities of input materials at the locations where they are required for our business operations:

- Steel products and pipes are the main input materials for the fabrication of palm oil mills and equipment, which we carry out mainly at our fabrication facility in Malaysia.

We have purchased these materials before the first MCO period commenced to meet our initial fabrication schedules. The reduction in fabrication activity during the MCO period resulted in reduced usage of these materials, and as such there was no adverse material effect on our supply chain as there were sufficient quantities of these materials on-hand when our operations returned to normal after the first MCO. As at the LPD, we have not experienced any material disruptions to our business operations arising from shortages of steel products and pipes.

As at the LPD, notwithstanding the on-going COVID-19 pandemic, we have not encountered any material delays in placing new orders for and receiving deliveries of steel products and pipes.

- Machinery and components for equipment, such as motors, valves and gas engines, that are purchased from suppliers in foreign countries are delivered to our fabrication facility in Malaysia. We are not able to pre-order and stock up on these goods as the choice of machinery and component used (in terms of the supplier and model) are determined by the third-party engineers and consultants that provide us with the design. From early-2020 up to the LPD, we have faced some delays in ordering and receiving these goods from our suppliers in foreign countries.
- Construction materials such as cement, concrete, gravel, bricks, sand, soil, steel, wood, timber and plywood are the main input materials that we use to construct buildings and structures. They are delivered to our respective project worksites in Malaysia, Gabon and Indonesia.

Similarly, we have purchased these buildings materials before movement restrictions in Malaysia, Gabon and Indonesia. In many cases, these buildings materials were delivered to the worksites, where we have stored them ahead of use. Consumption of these materials was reduced in line with reduced work activity in response to COVID-19, and consequently, we had sufficient quantities of construction materials on hand when work resumed. As at the LPD, we have not experienced any material disruptions to our business operations arising from shortages of building materials.

As at the LPD, save for the delays in receiving goods for our projects in Indonesia from Malaysia, particularly machinery and equipment fabricated at our fabrication facility, we have not experienced any material delays in placing orders and receiving deliveries of building materials, notwithstanding the ongoing COVID-19 pandemic.

Some of the materials used in implementing our projects in Gabon comprise goods originating from our fabrication facility in Malaysia and shipped to Gabon. These comprise steel structures and machinery and equipment fabricated by us, as well as other goods such as machinery and equipment, fittings and building materials purchased from suppliers in Malaysia.

As a result of COVID-19, we experienced some delays in delivering goods from Malaysia for our projects in Gabon due to the following reasons:

- As EMESB's fabrication facility was closed or only allowed to operate at reduced workforce capacity for certain periods due to MCO, this resulted in some delays in fabricating some of the steel structures, machinery and equipment for projects in Gabon.

7. BUSINESS OVERVIEW (CONT'D)

- Longer shipment time due to reduced frequency of cargo ships sailing from Malaysia to Gabon, more stringent inspection of goods at the port of disembarkation, and slower receiving of our goods at the port of disembarkation due to workforce restrictions enforced by local authorities.

During this period, we purchased some of the building materials from suppliers in Gabon to mitigate against delays in receiving shipments from Malaysia.

Similarly, our business operations in Indonesia experienced some temporary interruptions due to the suspension of work at our fabrication facility as described above, as the fabrication of some machinery and equipment for our projects in Indonesia being delayed.

7.23.7 Impact of our earning prospects

Our business operations were affected by the COVID-19 pandemic which resulted in the temporary suspension of our business activities followed by subsequent partial operations during the MCO period in 2020 and Phase 1 of NRP, EMESB operated at normal workforce capacity from 19 October 2021 up to the LPD, and ETSB operated at 80% workforce capacity from 29 September 2021 to 24 October 2021, and at normal workforce capacity from 25 October 2021 up to the LPD.

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

7.24 SEASONALITY

We did not experience any seasonality in our business during the Financial Years Under Review.

7.25 ENVIRONMENTAL, SOCIAL AND GOVERNANCE

(i) Environmental

Our Group is in the process of adopting sustainable practices in response to environmental issues such as climate change, waste and pollution. These practices include:

Regulatory requirement and environmental issue

As disclosed in Section 7.3.1.1 (f) of the Prospectus, to address the pollution-related issues, our Group constructs biogas plants for palm oil mill effluent (POME) treatment at palm oil mills for our customers which comprise of (1) POME pre-treatment system, (2) bioreactor tanks, (3) biogas treatment system and (4) power generation system following the standards set under Department of Environment.

Expanding the supply of environmental-related equipment

As disclosed in Section 7.3.2 (a) of the Prospectus, our Group is involved in the supply of environmental-related equipment i.e., heat recovery equipment and non-chemical water treatment equipment used in the palm oil industry or other industries. To promote more of the environmental and energy efficiency business to customers, our Group allocated a total of RM 1 million from the use of proceeds from the Public Issue for our expansion of environmental and energy efficiency business as disclosed under Section 4.4 of the Prospectus.

7. BUSINESS OVERVIEW (CONT'D)

Usage of clean energy via the installation of solar panel

As disclosed in Section 12.4.5 of the Prospectus, our Group was installing a solar photovoltaic system to reduce the consumption of electricity at the office and manufacturing plant located at PLO 555, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor Malaysia.

The installation work has been completed in November 2021 and is in the process of obtaining approval from the Malaysian Green Technology and Climate Change Centre (MGTC) for Green Investment Tax Allowance and approval from Energy Commission to operate the solar photovoltaic system.

(ii) **Social**

Our Group is committed to serving the interests of our customers, employees, contractors as well as the wider communities through the following practices:

Workplace

As disclosed in Section 7.23.1 of the Prospectus, to ensure the continuation of business operations during the COVID-19 period while concerned about the welfare of the employees, visitors, customers, contractors etc., standard operating procedure on COVID-19 was established.

Employee

Our Group in its Environmental, Social and Governance Policy effective 1 January 2022 disclosed that employees are given an equal opportunity to grow their career pathway and would invest in the professional development training of employees to retain and reshape them for future company's business expansion purposes. The management is committed to involving employees of the company in making decisions in relation to social policies.

Besides, social protection for foreign workers' welfare is set up by the company. Foreign workers employed by our Group are provided with worker's dormitories that should be registered with the Employees' Minimum Standards Housing and Amenities Act 1990. As per disclosed in Section 7.21 (f) of the Prospectus, as at the LPD, foreign workers' accommodations have been issued with a Certificate of Accommodation for (1) Unit 72-04-28, (2) Unit 75-01-06 and (3) Unit 75-01-30 on 2 pieces of land in Mukim Plentong, Johor Bahru.

Occupational Health & Safety

As disclosed in Section 7.21(e) of the Prospectus, the OSHA 1994 regulates among others the safety, health and welfare of persons at work, protecting others against the risks to safety or health in connection with the activities of persons at work in the manufacturing industry. For the Financial Years Under Review and up to the LPD, our Group has not been issued any penalties by DOSH pursuant to the OSHA 1994.

7. BUSINESS OVERVIEW (CONT'D)

(iii) Governance

Our Group is committed to conducting our business ethically and in compliance with the approved code of conduct effective 1 July 2020.

In addition, our Group also has a zero-tolerance policy towards bribery, and has put in place policies and procedures to maintain compliance with the Malaysian Anti-Corruption Commission Act 2009 and its amendments. Besides, a risk management framework is in place to ensure close monitoring of risk towards the achievement of company objectives.

In addition to the above, our Board takes note of the increasing importance of environmental, social and governance matters as sustainability considerations in supporting our long-term strategies. The Board will take guidance from, amongst others, the recommendations under the Malaysian Code of Corporate Governance as at 28 April 2021 as well as the Sustainability Reporting Guide 2015 by Bursa Securities and intends to disclose or apply these code and guide upon issuance of our first annual report.

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8. INDUSTRY OVERVIEW

30 May 2022

The Board of Directors
Ecoscience International Berhad
PLO 555, Jalan Keluli 8
Pasir Gudang Industrial Estate
81700 Pasir Gudang
Johor, Malaysia

Vital Factor Consulting Sdn Bhd
(Company No.: 199301012059 (266797-T))

V Square @ PJ City Centre (VSQ)
Block 6 Level 6, Jalan Utara
46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Tel (603) 7931-3188
Fax (603) 7931-2188
Website: www.vitalfactor.com

Dear Sirs and Madam

Independent Assessment of the Construction of Palm Oil Plants and Fabrication of Equipment for the Palm Oil Milling Industry

We, Vital Factor Consulting Sdn Bhd (Vital Factor), are an independent business consulting and market research company in Malaysia. We commenced our business in 1993 and, among others, our services include the development of business plans incorporating financial assessments, information memorandums, commercial due diligence, feasibility and financial viability studies, and market and industry studies. We have been involved in corporate exercises since 1996. To date, we have assisted approximately 100 companies for initial public offerings as well as other corporate exercises such as mergers and acquisitions, and reverse takeovers for public listed companies on Bursa Malaysia Securities Berhad (Bursa Securities), acting as the independent business and market research consultants.

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

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

Yours sincerely

Wooi Tan
Managing Director

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

8. INDUSTRY OVERVIEW (CONT'D)



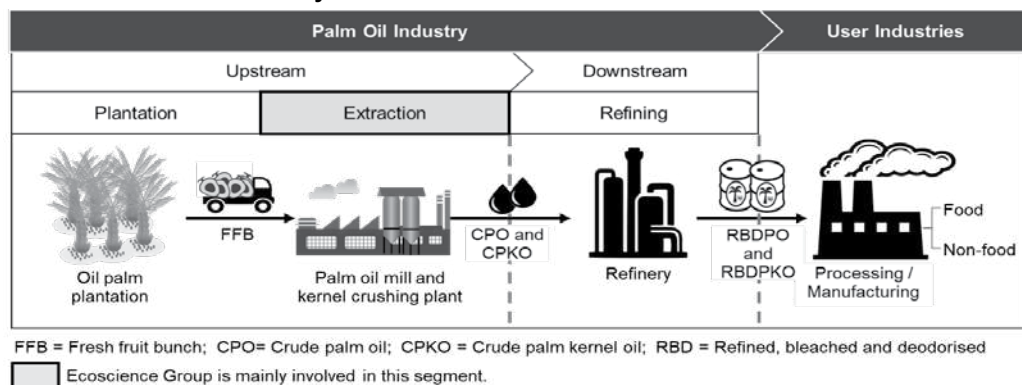
INDEPENDENT ASSESSMENT OF THE CONSTRUCTION OF PLANTS AND FABRICATION OF EQUIPMENT FOR THE PALM OIL MILLING INDUSTRY

1. INTRODUCTION

- Ecoscience International Berhad and its subsidiaries (Ecoscience Group) are mainly involved in the construction of palm oil mills and supporting facilities including fabrication of palm oil milling equipment. These activities accounted for at least 75% of Ecoscience Group's total revenue for the financial years ended 31 December (FYE) FYE 2018, FYE 2019, FYE 2020 and FYE 2021. Therefore, this report will focus on the palm oil industry as Ecoscience Group's main user industry. As Ecoscience Group mainly serve the markets in Malaysia, Gabon and Indonesia, this report will cover the three markets.

2. OVERVIEW OF THE PALM OIL INDUSTRY

2.1 Value Chain of the Palm Oil Industry



- The palm oil industry involves the production of fresh fruit bunches (FFB) in plantations and processing them in mills and palm kernel crushing plants to extract crude palm oil (CPO) and crude palm kernel oil (CPKO) respectively. The CPO and CPKO are subsequently refined to produce refined palm oil products that are supplied to user industries to manufacture a variety of food and non-food products. The palm oil industry can be categorised into the upstream and downstream sectors.
- The **upstream sector** involves the operations of oil palm plantations, palm oil mills and kernel crushing plants. Large oil palm plantations usually have an integrated palm oil mill with a kernel crushing plant. Furthermore, palm oil mills may source FFB from third party oil palm plantations as they need a constant source of supply of FFB to optimise production efficiency. Ecoscience Group is involved in the construction of palm oil mills and supporting facilities in this segment.
- The **downstream sector** involves operating palm oil refineries to remove undesirable materials from CPO and CPKO to produce refined palm oil products. Undesirable materials in palm oil include free fatty acids, pigments, odour-causing compounds and moisture. Excessive levels of these materials can adversely affect the colour, smell, taste, nutritional value, stability and shelf-life of manufactured food and non-food products. The processes involved in refining include de-gumming and de-acidification, decolourisation, deodorisation and fractionation. Refined palm oil products comprise refined, bleached and deodorised palm oil (RBDPO) and palm kernel oil (RBDPKO).
- RBDPO and RBDPKO are supplied to user industries to manufacture food products such as cooking oil, margarine, shortening, ghee, and as an ingredient in other food products, and non-food products such as soaps, detergents and cosmetics.

2.2 Palm Oil Industry Ecosystem

- The value chain of the palm oil industry starts from the oil palm plantation where oil palm trees are cultivated to produce FFB that contain the fruits from which palm oil is extracted. Palm oil mills have to be close to FFB sources as the quality of the fruits deteriorate from the time of plucking until they are processed. As

8. INDUSTRY OVERVIEW (CONT'D)



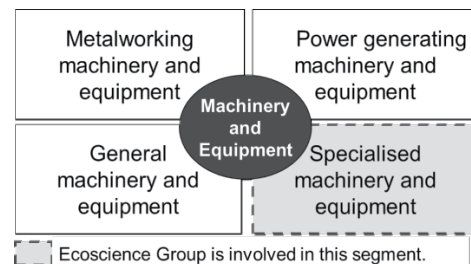
such, palm oil millers would aim to receive the fruits within 24 hours of plucking to maximise quality and yield. Mainly, for this reason, palm oil mills are located close to one or more large plantations to ensure a constant supply of FFB.

- As oil palm plantations are generally large, they are usually located in remote areas far from the nearest town. Oil palm plantations and mills are typically labour-intensive operations due to the large number of workers required to tend to oil palm trees, harvest FFB and operate the palm oil mill daily. Therefore, there is a need to develop community facilities in or near plantations and palm oil mills to support workers and their families and to minimise workers' travel time to and from work. These community facilities are aimed to be self-sustaining and include, among others:
 - accommodation for plantation and mill workers and staff, and their families;
 - community amenities such as schools, clinics, shops and recreational facilities;
 - operational buildings such as offices, laboratories and storage areas; and
 - infrastructure such as road access, power and water supply, and sewerage systems.
- Ecoscience Group is involved in the construction of palm oil mills and facilities and fabricating palm oil milling equipment, focusing on structures and process or static equipment that has no moving parts. Equipment with moving parts such as engines, motors, compressors and pumps are purchased and integrated with the static equipment to provide processing functions.

3. PERFORMANCE OF SPECIALISED MACHINERY AND EQUIPMENT INDUSTRY IN MALAYSIA

3.1 Machinery and Equipment Sector

- The machinery and equipment sector is segmented into metalworking, power generating, general, and specialised machinery and equipment. Specialised machinery and equipment are designed for specific industries such as the electrical and electronic, oil and gas, medical, food and beverage processing and agriculture industry including the palm oil industry.



- The sales value of the manufacture of specialised machinery and equipment in Malaysia declined by 11.8% from RM6.8 billion in 2020 to RM6.0 billion in 2021. In quarter 1 (Q1) 2022, sales value of this category increased by 28.2% to RM1.59 billion compared to RM1.24 billion in Q1 2021 (*Source: Department of Statistics Malaysia (DOSM)*)
- Ecoscience Group operates under the specialised machinery and equipment segment of the industry. As a main contractor for the construction of palm oil milling plants, Ecoscience Group fabricates some of the palm oil milling equipment including, among others, steriliser, thresher, palm kernel plant (except ripple mills) and kernel crushing plants (except palm kernel expellers and filter presses) while some of the equipment is manufactured by external parties.

3.2 Machinery and Equipment for Agriculture Processing in Malaysia

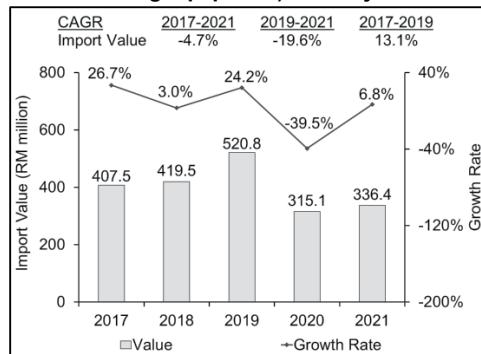
- The manufacture of palm oil milling equipment falls under the machinery and equipment for agriculture processing which is part of the umbrella of the specialised machinery and equipment sector.
- Between 2017 and 2019, the import and export of machinery and equipment for agriculture processing increased at a CAGR of 13.1% and 19.6% respectively. However, in 2020, the import and export of this type of machinery and equipment declined by 39.5% and 13.0% respectively. This was likely to be due to the COVID-19 pandemic which adversely affected the economy in Malaysia as well as the import and export demand for machinery and equipment for agriculture processing. In 2021, the import of this type of machinery and equipment recovered to grow by 6.8% compared to 2020. This was mainly attributed to machinery and equipment used for cleaning and sorting, used in milling industry as well as used for the preparation of fruits, nuts and vegetable including palm oil. The export of machinery and equipment for agriculture processing equipment declined at a lower rate of 8.7% in 2021 compared to 2020. The

8. INDUSTRY OVERVIEW (CONT'D)

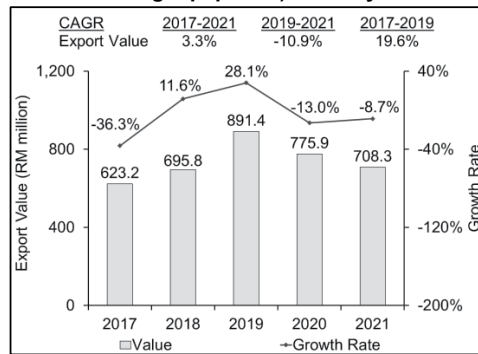


decline was mainly due to temperature treatment machinery such as sterilisers, as well as those used in extraction or preparation of animal or fixed vegetable fats.

Import of Machinery and Equipment for Agriculture Processing (including palm oil milling equipment) in Malaysia



Export of Machinery and Equipment for Agriculture Processing (including palm oil milling equipment) in Malaysia

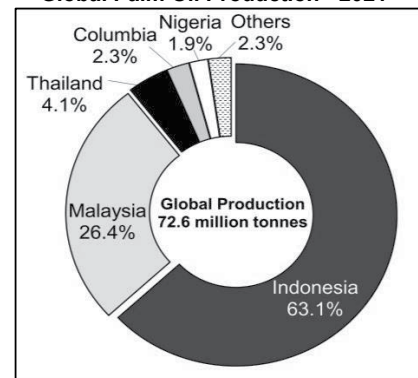


(Source: Malaysia External Trade Statistics (METS))

4. GLOBAL PALM OIL PRODUCERS

- Global palm oil production was estimated at 72.6 million tonnes in 2021. Indonesia was the leading palm oil producer, accounting for 63.1% of the total global palm oil production followed by Malaysia at 26.4%. Meanwhile, Thailand, Columbia and Nigeria accounted for 4.1%, 2.3% and 1.9% of the global palm oil production respectively. Other palm oil producing countries include Papua New Guinea, Brazil and Gabon.

Global Palm Oil Production - 2021



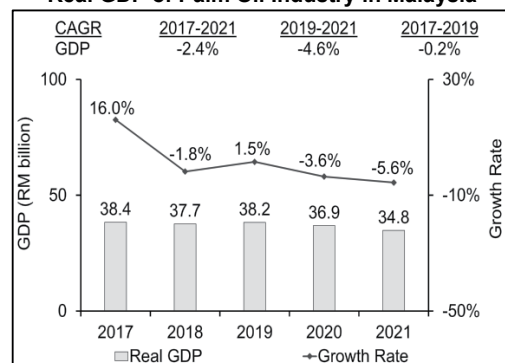
(Source: Vital Factor analysis))

5. PERFORMANCE OF THE PALM OIL INDUSTRY IN MALAYSIA

5.1 GDP of Palm Oil Industry in Malaysia

- The palm oil industry is one of Malaysia's key drivers of economic growth. Real GDP of the palm oil industry indicates the performance of the industry, and consequently, this will affect the demand for the construction of palm oil mills and equipment. The palm oil sector accounted for 35.1% of the agriculture industry's real GDP in 2021. (Source: Bank Negara Malaysia (BNM))

Real GDP of Palm Oil Industry in Malaysia



(Source: DOSM)

- In 2021, the real GDP of the palm oil industry declined by 5.6% compared to 2020. This was mainly due to the acute impact from labour shortages and floods in the earlier part of the year which continued to affect harvesting activities. (Source: BNM). In Q1 2022, The real GDP of palm oil industry grew by 3.9% compared to Q1 2021. Overall in 2022, agriculture industry is forecasted to recover and grow by 1.5%, mainly driven by higher oil palm production with the expectation for a gradual improvement in labour supply as well as heavier rainfall in the early part of the year which would improve soil moisture and increase oil palm yields in the latter part of the year. (Source: BNM)

5.2 Oil Palm Plantation in Malaysia

- In 2021, the largest oil palm cultivation areas in Malaysia were in Sarawak, Sabah and Pahang with a total planted area of 1.6 million hectares (Ha), 1.5 million Ha and 0.8 million Ha respectively. In 2021,

8. INDUSTRY OVERVIEW (CONT'D)



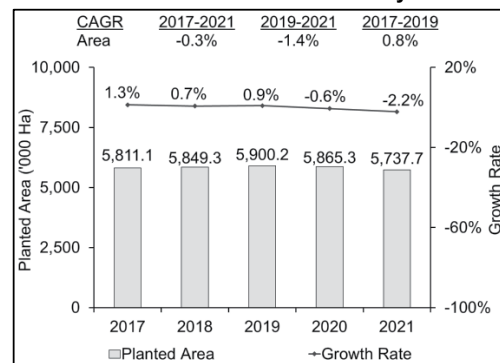
estates and organised smallholders accounted for 85.0% of the total oil palm planted area, while the independent smallholders accounted for 15.0%.

- Growth in planted areas has decline at an average annual rate of 1.4% between 2019 and 2021, This would also lower the growth for supporting industries including the construction of palm oil mills and fabrication of equipment.

5.3 Palm Oil Mills and Refineries in Malaysia

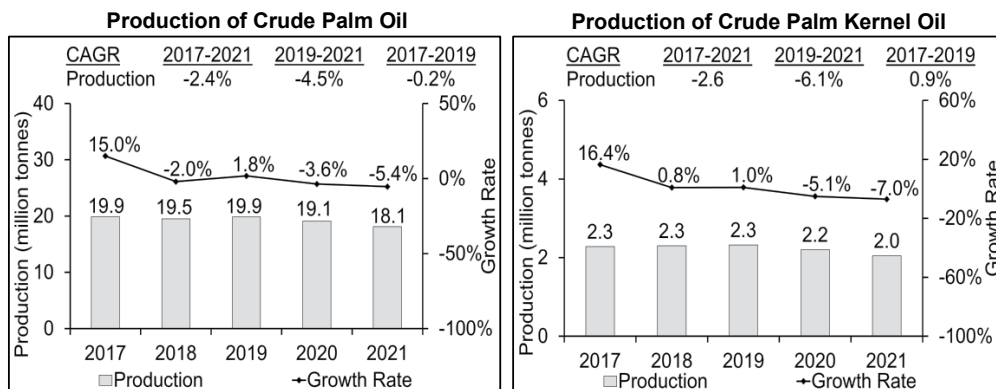
- The number of palm oil mills and refineries would represent potential markets for equipment replacements and upgrade, and plant refurbishment for fabricators of the palm oil mill and refinery equipment such as Ecoscience Group. In 2021, there were 451 palm oil mills and 49 palm oil refineries in operation in Malaysia. Since 2016, licences for the development and operation of palm oil mills in Malaysia are only issued to companies if they possess or have access to matured oil palm plantations of at least 4,000 Ha belonging to their groups or subsidiary companies. As such, growth in the number of palm oil mills faces constraints that may negatively impact operators in the construction of palm oil mills and fabrication of equipment.

Oil Palm Planted Area in Malaysia



(Source: MPIC)

5.4 Crude Palm Oil and Palm Kernel Oil Production in Malaysia



(Source: MPOB)

- In 2021, the production of CPO declined by 5.4% in line with the lower FFB yield which also decreased by 7.5% to 15.5 tonnes per Ha. Based on latest available information, in 2020, Sabah remained the largest CPO producing state having accounted for 24.3% of the total production of CPO in Malaysia. This was followed by Sarawak, Johor and Pahang which accounted for 21.2%, 16.5% and 15.7% respectively, while the other states accounted for the remaining 22.4% in 2020.
- Similarly, the production of CPKO also declined by 7.0% in 2021. Based on the latest available information, Sabah remained as the largest CPKO producing state in Malaysia in 2019, having accounted for 24.0% of the total production of CPKO, followed by Selangor, Johor and Sarawak which accounted for 22.2%, 20.2% and 16.0% respectively, while the remaining 17.6% was produced in the other states.
- In 2021, production volume of CPO and CPKO declined by 5.4% and 7.0% respectively compared to the previous year. The decline was mainly affected by floods, while labour shortages continued to affect harvesting activities. (Source: BNM)
- In 2019, the Ministry of Plantation Industries and Commodities established several policies including limiting the total acreage of oil palm cultivated areas to 6.5 million Ha, stopping the new planting of oil palm in peatlands, a ban on the conversion of forest reserved areas for oil palm cultivation and providing

8. INDUSTRY OVERVIEW (CONT'D)



public access to palm plantation maps. These policies will place constraints on the growth of oil palm planted areas, which would limit the opportunities for the construction of new palm oil mills or fabricators of palm oil mills and equipment.

6. PALM OIL INDUSTRY IN GABON

- Gabon constitutes Ecoscience Group's main market for the construction of palm oil mills and facilities. Ecoscience Group's revenue from Gabon was mainly derived from its largest customer, Olam Group Limited and its group of companies (Olam Group), a Singapore based multinational corporation. It operates in the food and agriculture business operating in 60 countries worldwide. The section below covers Olam Group's role in the agriculture industry in Gabon.

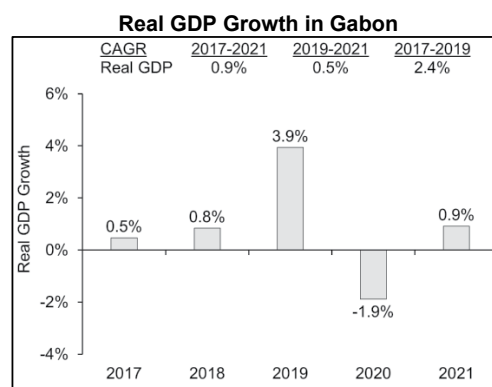


6.1 Overview of Gabon

2021	Gabon
Nominal GDP (USD billion)	19.2
GDP per capita (USD '000)	9.0
Land size ('000 square km)	267.7
Population (million)	2.1

(Source: Vital Factor analysis)

- Gabon is one of the few Sub-Saharan Africa (SSA) nations with upper-middle-income status, mainly due to its abundant mineral resources such as petroleum and manganese.
- Following the discovery of large oilfields in the early 1970s, the economy of Gabon accelerated with real GDP growth exceeding 9% between 1968 and 1977, surpassing the average growth of 4.3% for the other SSA countries. In the mid-1970s, the petroleum industry accounted for over 50% of the country's total GDP. However, the economy was adversely affected as commodity prices fell and resources were depleted. Between 2019 and 2021, real GDP in Gabon grew at a CAGR of 0.5%. The economy was driven by the petroleum industry which accounted for 20.2% of the country's total GDP in 2019 (*latest available information*).



(Source: Vital Factor analysis)

6.2 Overview of the Agriculture Industry

- In 2010, the government of Gabon launched the Emerging Gabon Strategic Plan (PSGE) aimed at diversifying its economy by 2025, which resulted in the growth of the agriculture industry, mainly through public-private partnership (PPP) arrangements. Under the PSGE, Gabon and Olam Group entered into four PPPs to develop and operate two large-scale palm oil and rubber projects, a Special Economic Zone project specialising in wood processing, and a fertiliser plant. Olam Group's total investment in Gabon is expected to reach USD5.8 billion by 2022, of which USD2.1 billion were executed between 2010 and 2017. The palm oil project was executed under a joint venture structure through the establishment of Olam Palm Gabon SA, with 60% owned by Olam Group and 40% owned by the Gabonese Republic. The estimated cost for the palm oil and rubber projects was USD1.0 billion and is expected to involve 100,000 Ha and 28,000 Ha of land respectively. In 2018, the area for oil palm and rubber plantations reached 32,000 Ha and 28,000 Ha respectively (*latest available statistics*).
- In 2014, cooperation between Gabon and Olam Group extended to include the Gabonese Agricultural Achievements and Initiatives of Committed Nationals (GRAINE) programme, which involved local smallholder farmers in the development of oil palm and food crops. The execution of the GRAINE programme was through the establishment of Sotrader (The Agricultural Processing and Rural Development Company, a joint venture between the Gabonese Republic and Olam Group aimed at transforming Gabon into a food self-sufficient country and a net exporter of palm oil. The first phase of

8. INDUSTRY OVERVIEW (CONT'D)

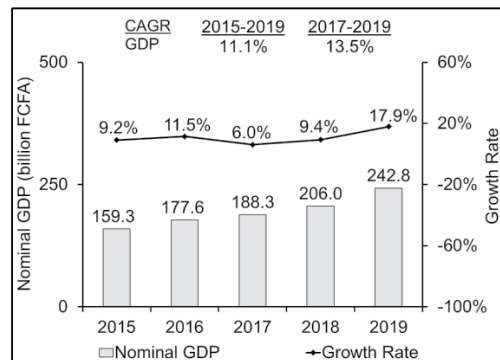


the GRAINE programme was implemented from 2015 to 2020, and the second phase from 2021 to 2025. Investment for the first phase of the GRAINE programme was estimated at USD1.5 billion to develop 10,500 Ha of oil palm and 10,000 Ha of food crops. Phase two of the GRAINE programme has yet to be established.

6.3 Performance of Agriculture and Palm Oil Industry in Gabon

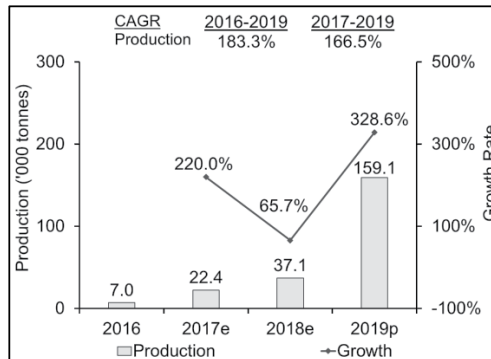
- Based on the latest available information, between 2017 and 2019, the nominal GDP of the agriculture industry in Gabon grew at a CAGR of 13.5%, higher than the country's nominal GDP growth of 3.8% for the same period. However, contribution from the agriculture industry remained small at below 3.0% of the total GDP for the same period.
- In 2019, the palm oil industry in Gabon experienced substantial growth registering 328.6% growth in production volume compared to 2018 (*latest available statistics*). The growth in palm oil production was mainly driven by Olam Palm Gabon SA. In 2019, the exports of palm oil in terms of tonnage from Gabon also grew substantially to an estimated 56,600 tonnes. There will be no analysis of specialised machinery and equipment due to limited data and statistics on Gabon.

Nominal GDP of Agriculture Industry in Gabon

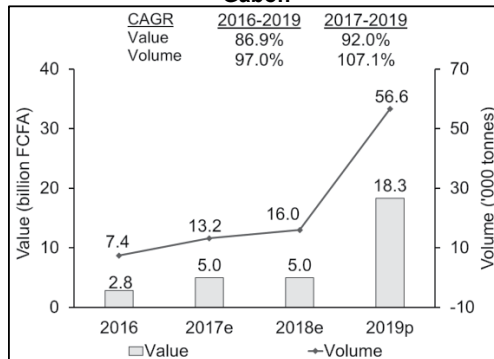


FCFA = Central Africa CFA franc; 1 USD ≈ 581.166 FCFA. (Source: Bank of Central African States)

Palm Oil Production in Gabon



Export Value and Volume of Palm Oil from Gabon



e = estimates; p = preliminary. (Source: Bank of Central African States)

7. PALM OIL INDUSTRY IN INDONESIA

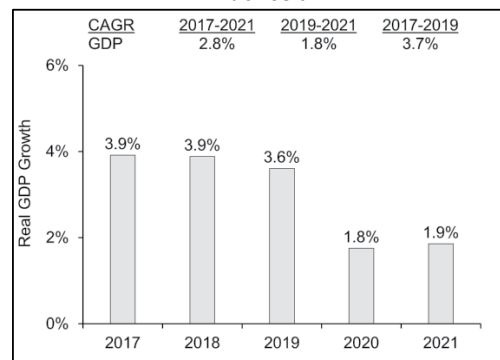
2021	Indonesia
Nominal GDP (USD billion)	1,218.2
GDP per capita (USD '000)	4.5
Land size ('000 square km)	1,916.9
Population (million)	272.7

(Source: Statistics Indonesia)

7.1 Overview of Indonesia

- As Indonesia is one of Ecoscience Group's markets for the construction of palm oil mills and equipment, the following is an assessment of the performance of the agriculture industry in the country.

Real GDP Growth of Agriculture Industry in Indonesia



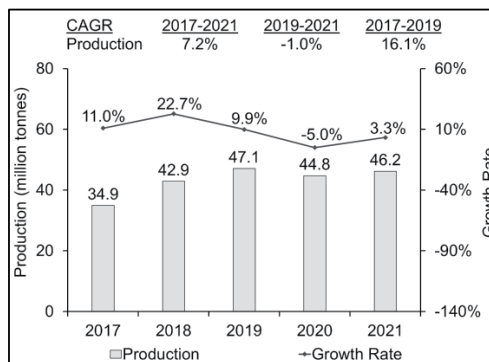
(Source: Statistics Indonesia)

8. INDUSTRY OVERVIEW (CONT'D)



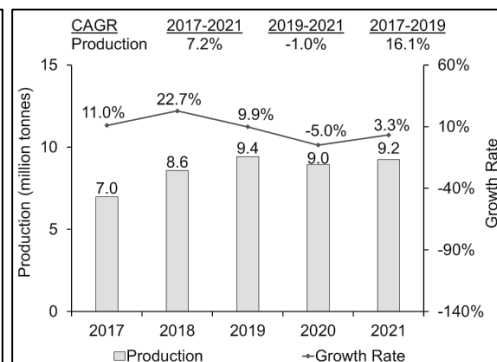
- In 2021, the manufacturing, wholesale and retail trade, agriculture and construction industry were the main contributors to Indonesia's GDP, while the agriculture industry contributed approximately 12.6% to Indonesia's overall GDP. In 2020, the Indonesian economy contracted by 2.1%, mainly due to the COVID-19 pandemic, while the real GDP of the agriculture industry grew by 1.8%, albeit at a lower rate compared to 2019. In 2021, the real GDP of the Indonesian economy grew by 3.7% compared to the previous year. Meanwhile, the real GDP of the agriculture industry grew by 1.9% in 2021.

Production of Crude Palm Oil in Indonesia



(Source: Statistics Indonesia)

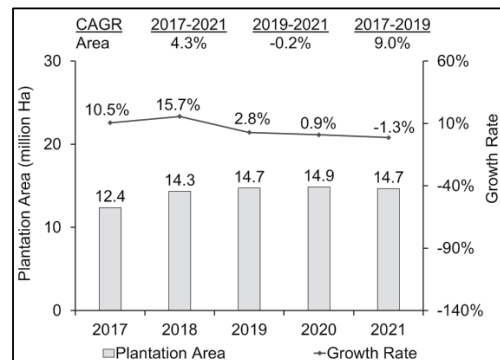
Production of Palm Kernel Oil in Indonesia



7.2 Overview of the Palm Oil Industry

- Between 2019 and 2021, the area under oil palm plantations in Indonesia declined by 0.2% to 14.7 million Ha in 2021. In September 2018, there was a Presidential Instruction to delay the granting of licences for oil palm plantations for a maximum of three years from the date of the issuance of the Presidential Instruction. This will limit the growth of oil palm plantation areas in Indonesia. Nevertheless, Indonesia is the largest palm oil producer in the world, contributing approximately 57% of the global palm oil production in 2020 (*latest available statistics*).

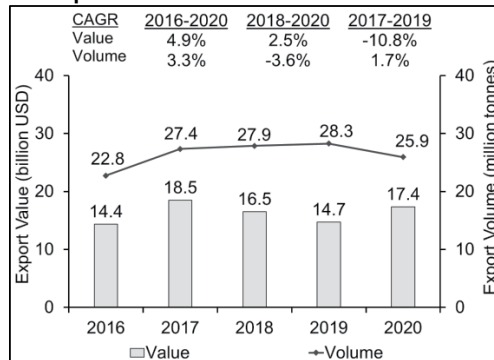
Oil Palm Plantation Area in Indonesia



(Source: Statistics Indonesia)

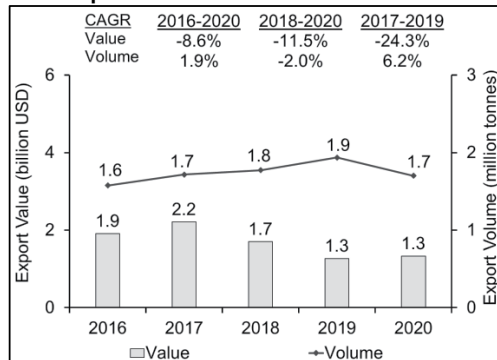
7.3 Export Demand of Crude Palm Oil and Palm Kernel Oil in Indonesia

Export of Crude Palm Oil from Indonesia



(Source: Statistics Indonesia)

Export of Crude Palm Kernel Oil from



- Between 2017 and 2019, the export value of CPO and CPKO declined at an average annual rate of 10.8% and 24.3% respectively. This was mainly due to the lower CPO and CPKO prices between 2017 and 2019. The production of palm oil in Indonesia is mainly to cater to export demand. Based on latest

8. INDUSTRY OVERVIEW (CONT'D)

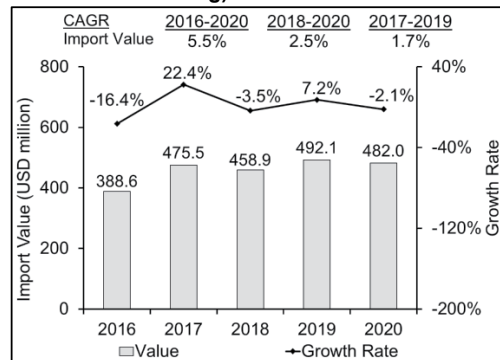


available statistics, in 2020, a large proportion of the exports of CPO was to India, which accounted for 17.6% of the total export volume of CPO from Indonesia.

7.4 Machinery and Equipment for Agriculture Processing

- Based on latest available statistics, between 2018 and 2020, the import of machinery and equipment for the agricultural processing industry including the palm oil milling industry grew by a CAGR of 2.5%.
- Indonesia is a net importer of machinery and equipment for agriculture processing including palm oil milling equipment. This is indicated by the fact that in 2020, the import value of these types of machinery and equipment into Indonesia was USD482.0 million compared to exports at USD3.2 million.

Import of Machinery and Equipment for Agriculture Processing (including palm oil milling) in Indonesia

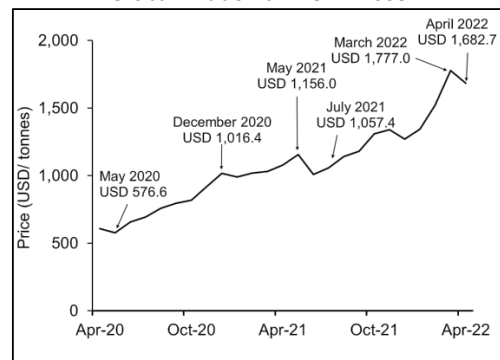


(Source: Vital Factor analysis)

8. GLOBAL PALM OIL PRICE

- Increases in CPO prices would encourage investments in the upstream palm oil industry while sustained low prices would make the production of low yielding plantations commercially uneconomical. Any decline in the investment in upstream activities would affect supporting service providers including Ecoscience Group. In April 2022, the price of CPO increased by 56.1% to USD1,682.7 compared to USD1,078.1 in April 2021. Some of the factors affecting the CPO prices include demand and supply conditions, price movements in crude oil as palm oil is used as feedstock to produce biodiesel, and competition from alternatives vegetable oils including soybean, sunflower, peanut and rapeseed oil. In addition, the implementation of the Renewable Energy Directive (2018/2001/EU) by the European Union to gradually reduce the use of food and feed crops (including palm oil) as feedstock for biofuels, bioliquids and biomass fuels to 0% by 2030 impacts on palm oil prices.

Global Crude Palm Oil Prices

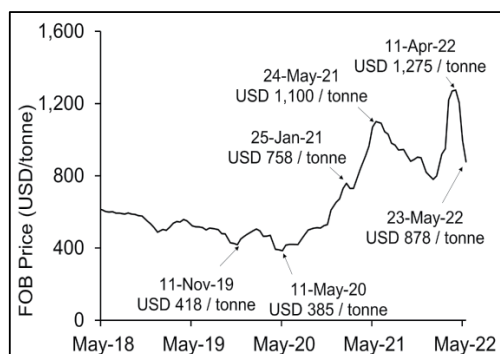


(Source: Vital Factor analysis)

9. GLOBAL STEEL PRICE

- Steel is a globally traded commodity and are subject to price fluctuations or volatility. Global prices affect local companies involved in the fabrication of palm oil processing machinery and equipment as steel represent a large proportion of the overall cost of palm oil processing machinery and equipment. Between May 2018 and May 2022, steel recorded the lowest global price at USD385 per tonne on 11 May 2020 before it peaked at USD1,275 per tonne on 11 April 2022. On 23 May 2022, the global steel price had declined to USD878 per tonne.

Global Bimonthly Steel Prices



(Source: Vital Factor analysis)

Note: Chart range is 14 May 2018 to 23 May 2022

10. COMPETITIVE ANALYSIS

- The criteria for selecting the companies listed below is they must be a public listed company or a private company with revenue of RM20 million and above, and are involved in the construction of palm oil processing plants and mills and/or fabrication of palm oil processing equipment. This is not an exhaustive list of operators in Malaysia and Indonesia. They were compiled from published documents, websites,

8. INDUSTRY OVERVIEW (CONT'D)



industry directories, Bursa Securities and Indonesia Stock Exchange, and they include public listed companies or their subsidiaries, and private companies with available financial information.

Listed in descending order of segment/company revenue and where applicable Group Revenue	Business Activities		FYE ⁽¹⁾	Group Rev ⁽²⁾ (RM mil)	Segment/ Company Rev ⁽³⁾ (RM mil)	Group/ Company NP (RM mil)	Group/ Company NPM (%)
	A	B					
Malaysian Operators							
CB Industrial Product Holding Berhad ⁽⁴⁾	✓	✓	Dec-21	606.0	243.9 ⁽⁷⁾	92.4	15.2
Muar Ban Lee Group Berhad ⁽⁴⁾	✓	✓	Dec-21	340.6	96.2 ⁽⁸⁾	19.2	5.6
Eonmetall Group Berhad ⁽⁴⁾	✓	✓ ⁽⁶⁾	Dec-21	216.9	35.6	24.9	11.5
Ecoscience Group	✓	✓	Dec-21	153.2	153.2	8.1	5.3
PMT Industries Sdn Bhd ^{(4) (5)}	✓		Dec-20	-	104.5	10.0	9.6
Seremban Engineering Berhad ⁽⁴⁾	✓		Jun-21	93.6	93.6	2.6	2.8
Merge Jati Engineering Sdn Bhd	✓	✓	Jun-21	-	67.1	2.1	3.1
A.K.K Engineering Sdn Bhd	✓	✓	Dec-20	-	63.0	-	-0.1
Uni-Vessel Engineering (Butterworth) Sdn Bhd	✓	✓	Jun-21	-	39.2	1.6	4.1
Kejuruteraan Wang Yuen Sdn Bhd	✓		Dec-20	-	38.7	2.5	6.5
Taner Industrial Technology (M) Sdn Bhd	✓		Dec-20	-	34.9	1.9	5.4
Dolphin International Berhad ⁽⁴⁾	✓	✓	June-21	8.9	3.7	-40.5	-455.1
Indonesian Operators							
PT. Krakatau Steel (Persero) Tbk ⁽⁹⁾	✓	✓	Dec-21	8,939.0 ⁽¹¹⁾	109.8 ⁽¹¹⁾	257.6 ⁽¹¹⁾	2.9
PT. Paramita Bangun Sarana Tbk ⁽¹⁰⁾		✓	Dec-21	81.0 ⁽¹²⁾	81.0 ⁽¹²⁾	24.2 ⁽¹²⁾	29.9

A = fabrication of palm oil processing equipment; B = construction of palm oil processing plants and mills; Sdn Bhd = Sendirian Berhad; Bhd = Berhad; Rev= revenue; NP = net profit; NPM = net profit margin (1) Latest available financial information from annual reports, Companies Commission of Malaysia (CCM) and Ecoscience Group. (2) Revenue of holding company and its subsidiaries which may include other business activities (3) Segment revenue refers to the portion of the Group revenue which is derived from construction/fabrication of palm oil milling plants and/or equipment and may include other business activities. (4) An entity listed on Bursa Securities or subsidiary of a listed entity. (5) Part of Wah Seong Corporation Berhad, a listed entity on Bursa Securities. (6) It is involved in the construction of palm fibre and kernel oil extraction plants using solvents. (7) Refers to the revenue from the Equipment and Engineering operating segment which mainly include construction of palm oil mills, trading of palm oil equipment, and manufacturing, installation and repair of bio-energy systems. (8) Refers to the revenue from the manufacturing segment involving the manufacture of oilseed expeller, automated kernel crushing plants and related parts. (9) An entity listed on Indonesia Stock Exchange, PT. Krakatau Steel (Persero) Tbk is a diversified group with business operations in steel products, real estate and hotels segment and engineering and construction segment, port services and other services. (10) An entity listed on Indonesia Stock Exchange, PT. Paramita Bangun Sarana Tbk is involved in the construction of palm oil mills and other plants and facilities. (11) Based on BNM's exchange rate of 1USD = MYR4.146. (12) Based on BNM's exchange rate of 100IDR = MYR0.029.

- The following are some of the private companies or subsidiary of public listed companies involved in the construction of palm oil processing plants and mills and/or fabrication of palm oil processing equipment in Indonesia:

- CV. Intifada Jaya	- PT. CB Polaindo ⁽¹⁾	- PT. Palmec
- CV. Palm Service Indonesia	- PT. Galung Effendo Sehati	- PT. Pancakarsa Bangun Reksa
- PT. Asia Raya Foundry	- PT. Jaya Buwana Indonesia	- PT. Persada Dinamik Jaya
- PT. Banguncipta Persada Mandiri	- PT. Krakatau Engineering	- PT. Putra Tunas Megah
- PT. Baoban Jaya Abadi	- PT. Merge Jati	- PT. Sinar Galuh Pratama
- PT. Barata Indonesia	- PT. Palmas Project Engineering	- PT. Triroyal Timurraya

Note: The above companies are listed in alphabetical order. There are no publicly available financial data.

(1) A subsidiary of CB Industrial Product Holding Berhad.

- As for Gabon, there is no publicly available information for companies involved in the construction of palm oil processing plants and mills and/or fabrication of palm oil processing equipment. Generally, foreign operators are involved in the construction of plants and fabrication of equipment for the palm oil industry in Gabon. Some of these foreign operators include operators from Malaysia.

8. INDUSTRY OVERVIEW (CONT'D)



11. MARKET SIZE AND SHARE

- There are no publicly available statistics for the construction of palm oil milling plants as well as the fabrication of equipment for the palm oil milling industry in Gabon, Indonesia or Malaysia, and therefore market size and share cannot be determined.

12. INDUSTRY CONSIDERATION FACTORS

- The construction of plants and facilities, and fabrication of equipment for palm oil milling is linked to the performance of the palm oil industry. A thriving palm oil industry is reflected by increasing oil palm plantation acreage and supported by good CPO prices, which will encourage investments in new and upgrades of palm oil milling plants, equipment and community facilities. The prices of CPO as a commodity are dependent on global demand, competition from substitute edible oils such as sunflower, rapeseed and soybean, demand from non-food usage such as biodiesel, climate influences such as El Nino and La Nina, as well as restrictive trade practices from major importing countries. In April 2022, the price of CPO increased by 56.1% to USD1,682.7 compared to USD1,078.1 in April 2021 ⁽¹⁾. In 2020, the top three world's largest importer of CPO was India, Netherlands and Spain which collectively accounted for 70.7% of total global imports. Based on latest available statistics, between 2018 and 2020, global imports of CPO grew at a CAGR of 6.0% ⁽¹⁾. In 2020, the top three world's largest consumer of CPO was Indonesia, India and China, which collectively accounted for 39.9% of total global consumption. Between 2018 and 2020, global consumption of CPO grew by a CAGR of 2.5% ⁽²⁾. (Sources: (1) Vital Factor analysis; (2) MPIC)
- Since the World Health Organisation declared COVID-19 a pandemic on 11 March 2020, the pandemic has affected most countries in the world. Measures taken to combat the COVID-19 pandemic has caused, among others, restrictions in domestic and international travels, interruptions in the supply chain, and restrictions on social and economic activities. With the rollout of vaccines which commenced at the end of 2020, the global economy recovered by 6.1% in 2021. (Sources: Vital Factor analysis)
- MALAYSIA:** The real GDP of Malaysia's economy grew by 3.1% in 2021 compared to 2020. Meanwhile, the real GDP of the palm oil industry contracted by 5.6% in 2021 compared to 2020. According to BNM, Malaysia's economy is projected to expand with real GDP between 5.3% and 6.3% in 2022, underpinned by continued expansion in external demand, full upliftment of containment measures, reopening of international borders, and a further improvement in labour market conditions. The recovery of Malaysia's economy will be supported by eight economic stimulus packages provided by the Malaysian government with a total allocation of RM530 billion.
- INDONESIA:** In 2021, the real GDP of the Indonesian economy recovered to register growth of 3.7% in compared to the previous year. Meanwhile, the real GDP of the agriculture industry grew by 1.9% in 2021. Moving forward, the development in the Indonesia economy including the agriculture industry will be dependent on the effectiveness of the management of the COVID-19 pandemic, as well as monetary and fiscal policies including the National Economic Recovery Programme introduced by the government of Indonesia with a total allocation of Rp744.75 trillion as at the end of 2020 to support the Indonesia economy during the COVID-19 pandemic.
- GABON:** The government of Gabon has introduced several support measures including an allocation of 4 billion CFA franc for electricity bill payment, 2 billion CFA franc for water bill payment, unemployment allowance, reduction in taxes, allocation of 225 billion CFA franc emergency financing for businesses, and moratorium on bank loans to support the economy of Gabon.

9. RISK FACTORS

Before investing in our Shares, you should pay particular attention that our Group and our activities are governed by the legal, regulatory and business environment in Malaysia and other foreign jurisdictions that we have a presence in currently and in the future. Our business is subject to a number of factors, many of which are outside our control. Prior to making an investment decision, you should carefully consider, along with the other matters set forth in this Prospectus and the key risks below.

9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

9.1.1 We are dependent on Olam Group as a customer and they continue to contribute significantly to our order book

We are dependent on Olam Group as customers due to their contribution to our total revenue during the Financial Years Under Review, which amounted to RM89.5 million (78.7%), RM136.3 million (79.7%), RM105.2 million (68.5%) and RM58.4 million (38.2%) for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively.

The Olam Group is an agricultural products and food conglomerate. Olam Group Limited, with headquarters in Singapore, is a public listed company on the Singapore Exchange. Olam Group Limited is 51.1%-owned by Temasek Holdings (Private) Limited (as at 31 May 2022), an entity owned by the government of Singapore. Olam Group operates in approximately 60 countries, including Gabon and Malaysia.

Olam Group is undergoing a proposed reorganisation. Further details of the Proposed Olam Reorganisation are set out in Section 7.10.1 of this Prospectus. The on-going Proposed Olam Reorganisation may lead to a delay in the awarding of future projects which may negatively affect our financial performance.

Our business with the Olam Group is project based, where we are engaged to construct palm oil mills and facilities, and fabricate palm oil milling equipment based on a fixed lump-sum or fixed lump-sum and scheduled rates contracts. Generally, our engagement on a contract comes to an end after the mill, facility or equipment has been completed and handed over to the Olam Group. No further revenue is expected from these completed contracts. Additional revenue will only accrue to us when we secure and implement new contracts.

As at the LPD, our order book with the Olam Group amounted to approximately RM39.5 million, being the unrecognised revenue of the contracts and purchase orders in hand, 98.7% of which is expected to be recognised during the FYE 2022 and FYE 2023, and the length of our business relationship with the Olam Group was approximately 8 years, since they first became our customer in 2014. Although we have had an established business relationship with the Olam Group, there is no assurance that they will continue to be our customer.

As at the LPD, we have tendered for new projects with the Olam Group. In the event of any delay in securing new contracts from these tenders, our financial performance and operating results could be materially and adversely affected.

In the event we lose Olam Group as a customer, this would materially and adversely affect our financial performance and operating results. There can be no assurance that we will continue to secure new contracts from Olam Group in the future. Furthermore, if they terminate our business relationship prematurely, there is no assurance that we will be able to secure new customers to replace Olam Group in a timely manner and the failure to do so would adversely affect our financial performance, operating results and prospects.

9. RISK FACTORS (CONT'D)

9.1.2 Our financial performance is dependent on our ability to continually secure new projects and ensure the continuity of our order book

Our financial performance depends on our ability to secure new projects to sustain our order book. If we are unable to do so, our order book may decline and this would adversely affect our sustainability and future business performance.

Generally, we are engaged by our customers on a fixed lump sum or fixed lump sum plus scheduled rate basis. Our engagement on a contract or purchase order comes to an end after the palm oil mills, facilities or equipment (including for rubber and other industries) have been completed and handed over to the customer, or the order is fulfilled. As the nature of construction of palm oil mills and facilities, and fabrication of equipment are project based, there is no assurance that we would be able to continuously secure new projects nor can we be assured that new projects would be secured on favourable commercial terms.

Projects for the construction and fabrication of palm oil mills, facilities and equipment are typically awarded based on competitive bidding. As a result, to continually secure new projects, we have to bid and compete against other operators, including those based in other countries. There can be no assurance that our bids will be successful or that we will be able to continually to secure new projects. Our business operations and financial performance will be adversely affected if we are unable to secure new projects. In addition, given the prevailing competitive market environment coupled with the fluctuating cost of input materials, there can be no assurance that the GP margin for our new projects secured and/or to be secured as well as our historical GP margin (FYE 2018: 24.3%, FYE 2019: 22.0%, FYE 2020: 14.0% and FYE 2021: 17.8%) achieved in the past can be sustained in the future. If there is any decline in our future GP margin, our future profitability and financial performance may be materially and adversely affected. In addition, our order book is also subject to the risk of termination or suspension of projects, and variation orders that reduce the scope of work of our projects. For further information on fluctuation risks in the market price of steel and sea freight rates, please refer to Section 9.1.7 and Section 9.1.9 of this Prospectus.

Our order book is also subject to the risk of termination or suspension of projects, and variation orders that reduce the scope of work of our projects. Although we have an order book of RM107.0 million as at the LPD, there is no assurance that our current order book can be sustained in the future nor can we provide any assurance that the implementation of the projects and orders that are currently in our order book will not be delayed, suspended or cancelled.

9.1.3 We are subject to risks associated with Gabon

For the Financial Years Under Review, Gabon was our largest market which amounted to RM89.7 million (79.0%), RM136.1 million (79.6%), RM106.0 million (69.0%) and RM69.5 million (45.4%) of our total revenue for FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively.

We are subject to Gabon's government policies, legal system, taxation system (including withholding tax), monetary policy (including exchange controls and repatriation of profits), licensing and other requirements, and laws and regulations governing business operations, labour, HSE and other policies. Failure to comply with any of the relevant laws, regulations and other requirements of operating a business in Gabon may cause the Gabonese authorities to take action against us or we may be subject to fines and/or penalties, all of which could adversely affect our business operations and financial performance. There is also a risk that any changes in law, policies and regulations in Gabon may adversely affect our business operations and financial performance. As Gabon is our largest market, our business is dependent on the performance of the palm oil industry and the economy as well as the political stability and the social environment. Any adverse changes in the palm oil industry, economy, political and social environment would adversely impact on our business operations as well as financial performance.

We have never been in breach of any laws since we first commenced projects in Gabon.

9. RISK FACTORS (CONT'D)

9.1.4 We are subject to risks of delays in completing our projects and termination or suspension of contracts

Our projects include delivery milestones and timing of completion in the respective contracts. Our ability to achieve these milestones and timing of completion depends on many factors, including but not limited to, availability of steel products, pipes, building materials and other materials, availability of labour in our fabrication facility in Johor as well as project worksites in Malaysia and foreign countries such as Gabon, Indonesia and Liberia, the timely shipment and clearance through customs of materials and products such as fabricated equipment, piping, fittings and building materials from our fabrication facility in Johor to worksites in the respective foreign countries, the ability to secure sufficient third-party sub-contractors and contract workers with the relevant skills from time to time, timely and satisfactory coordination with third party sub-contractors for the projects and restrictions on business operations and/or movement of people at our operational facilities and project worksites imposed by governments to control the spread of COVID-19. In this respect, there is no assurance that we will be able to meet our contractual milestones and completion date as some of these factors may be beyond our control.

If we experience any delays in implementing our projects, it is our practice to apply for an extension of time with the respective customer. While we have sought or will continue to seek for extension of time for projects, there is no assurance that customers will grant us an extension of time.

Any delays in completing specific deliverables to meet specific deadlines, and in completing the entire project to meet the contractual deadlines could result in adverse effects including, among others, our customers claiming LAD against us which may adversely affect our profitability and cash flow, damage to our relationship with the affected customer which may affect their decision in awarding new contracts to us in the future, damage to our reputation which may affect our competitiveness in bidding for contracts with prospective customers, cost overruns as we are compelled to commit additional resources as we attempt to complete the project in a timely manner, which could affect our financial performance, and potential knock-on delays to our concurrent projects due to the internal reallocation of management, financial and other resources.

During the Financial Years Under Review and up to the LPD, we made provision for LAD amounting to RM0.6 million and RM0.4 million, which was set off from our progressive billing (being 90.9% of the maximum claim on the LAD of RM1.1 million) for the FYE 2020 in respect of a fabrication of palm oil mill equipment projects in Malaysia as a result of delay in the supply of parts by a supplier who was appointed by the customer, and provision for LAD amounting to RM0.2 million (being the maximum claim on the LAD as at 30 November 2021) for FYE 2021 in respect to the EPCC of ESP for biomass power plant at a palm oil mill in Malaysia as a result of movement and business operation restrictions related to the on-going COVID-19 pandemic.

We are also subject to the risk of early contract termination or suspension of projects resulting from, among others, changes in our customer's business strategy, requirements or financial circumstances, changes in government policy, regulations and laws, or market conditions that affect our customer, or failure to meet our contractual obligations. There can be no assurance that our customers will not terminate or suspend our contracts as some of these factors are beyond our control.

9. RISK FACTORS (CONT'D)

During the Financial Years Under Review and up to the LPD, customers terminated or suspended two of our contracts, which are as follows:

- (i) In August 2014 we secured a contract from a customer in Indonesia to fabricate mechanical works as part of the proposed construction of a new palm oil mill in Indonesia. In February 2018, the customer terminated our contract as a result of termination of work for the entire palm oil mill project due to a site possession issue. In FYE 2018, we recognised one-off partial reversal of revenue of RM3.1 million, which was previously recognised in the FYE 2017 for work performed but yet to be billed.
- (ii) We secured a contract in July 2018 for the provision of civil works for a biomass power plant in Kluang, Johor. In January 2019, the customer requested that our works be suspended as the overall project was halted. The project was suspended due to funding requirements. This resulted in the partial reversal of revenue of RM0.5 million which was previously recognised in the FYE 2018 for work done but yet to be billed. The project was terminated by the customer in January 2022 due to funding constraints.

Further information on LAD and early contract termination or suspension are provided in Section 12.3.1(iii)(c) of this Prospectus. While we strive to minimise the occurrence of delays, suspension or early termination of contracts by carrying out, amongst others, the following:

- (i) conducting thorough due diligence on potential customers and viability of projects;
- (ii) negotiating for favourable termination clause and consequences; and
- (iii) closely monitoring of the progress of the projects and deliverables on the part of our Group,

there is no assurance that we will not experience any delays, suspension or early termination of contracts that could adversely affect our business operations, financial performance, relationship with customers and reputation.

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9. RISK FACTORS (CONT'D)

9.1.5 We are exposed to foreign currency exchange fluctuations

Some of our revenues and purchases during the Financial Years Under Review were denominated in foreign currencies, including transactions made while conducting our business in foreign countries such as Gabon, Indonesia and Liberia. The breakdown of our revenue transacted in RM and foreign currencies during this period is summarised in the following table:

Currency	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RM	18,081	15.9	25,503	14.9	40,233	26.2	83,209	54.3
Foreign Currencies	95,546	84.1	145,425	85.1	113,460	73.8	69,956	45.7
<i>Euro</i>	89,734	79.0	136,131	79.7	106,020	69.0	31,165	20.4
<i>USD</i>	6,006	5.3	9,294	5.4	7,440	4.8	38,791	25.3
<i>IDR</i>	(194)	(0.2)	-	-	-	-	-	-
Total Revenue	113,627	100.0	170,928	100.0	153,693	100.0	153,163	100.0

The breakdown of our purchases transacted in RM and foreign currencies during the Financial Years Under Review is summarised in the following table:

Currency	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RM	41,003	53.0	62,683	55.9	75,006	72.5	82,763	79.1
Foreign Currencies	36,302	47.0	49,521	44.1	28,390	27.5	21,850	20.9
<i>Euro</i>	30,179	39.0	43,175	38.5	21,626	20.9	14,698	14.1
<i>IDR</i>	4,216	5.5	4,997	4.4	6,054	5.9	4,285	4.1
<i>USD</i>	1,756	2.3	1,260	1.1	297	0.3	2,715	2.6
<i>Other currencies*</i>	151	0.2	87	0.1	413	0.4	152	0.1
Total Purchases	77,305	100.0	112,204	100.0	103,396	100.0	104,613	100.0

* Other currencies comprised GBP and SGD.

RM is our reporting currency and the functional currency for our business operations in Malaysia, including contracts with customers for projects in Malaysia. Our contracts for projects carried out in foreign countries are denominated in foreign currencies, including Euro or USD for projects in Gabon, IDR or USD for projects in Indonesia, and USD for projects in Liberia. Purchases of materials and services are denominated in RM and foreign currencies, including Euro, IDR, USD, GBP and SGD. AEPL, our subsidiary in Singapore, uses Euro to recognise daily transactions and present its financial statements.

We are exposed to foreign currency exchange gains or losses arising from timing differences between when our billings, and actual receipts from customers and payments to suppliers denominated in foreign currencies are translated into RM. For AEPL, we are also exposed based on timing differences between when the billings and actual receipts from customers denominated in USD are translated into Euro, and when the assets, liabilities, revenue, and earnings recorded by AEPL are translated from Euro into RM for financial reporting and repatriation purposes.

9. RISK FACTORS (CONT'D)

Fluctuations in the foreign currency exchange rates between the RM and foreign currencies, including the Euro, may have a material effect on our reported income and expenses, as they are stated in RM in our combined financial statements.

9.1.6 Our business and financial performance may be affected by the prolonged COVID-19 pandemic

Our financial performance was affected by the economic and other disruptions related to COVID-19 in Malaysia and other countries where we carry out our construction or installation works including Gabon, Indonesia and Liberia.

Our operational facilities in Johor faced some disruptions due to COVID-19 and this is summarised as follows:

- EMESB's fabrication facility and office:
 - . Operations were temporarily shut between 18 March 2020 and 21 April 2020;
 - . We resumed operations with 50% workforce capacity from 22 April 2020 to 3 May 2020;
 - . We returned to normal workforce capacity between 4 May 2020 and 25 May 2021;
 - . We operated at 60% workforce capacity between 26 May 2021 and 18 October 2021;
 - . We operated at normal workforce capacity from 19 October 2021 and up to the LPD.
- ETSB's office:
 - . Operations were temporarily shut between 18 March 2020 and 6 May 2020;
 - . We resumed operations with normal workforce capacity between 6 May 2020 and 25 May 2021;
 - . We operated at 60% workforce capacity between 26 May 2021 and 28 September 2021;
 - . We operated at 80% workforce capacity between 29 September 2021 and 24 October 2021;
 - . We operated at normal workforce capacity from 25 October 2021 and up to the LPD.

We were able to carry out our business operations in Malaysia, apart from the periods and restrictions described above, and complied with relevant SOP. Similarly, we continued to operate in other countries while complying with relevant SOP. Any deterioration in the COVID-19 pandemic in Malaysia and/or other countries, such as increases in COVID-19 infections and/or the emergence of COVID-19 variants could result in the tightening of MCO and other restrictions, which could include suspension or interruption of our operations in the affected areas or countries. This could have an adverse effect on our business operations and financial performance.

While we have implemented and enforced the relevant SOP at our operational facilities and external worksites to reduce the risk of COVID-19 among our employees and contract workers, there can be no assurance that there will not be any positive diagnosis for COVID-19 in our operational facilities or worksites. There is a risk that if any of our employees or contract workers receive a positive diagnosis for COVID-19, we may be required to temporarily shut down one or more of our facilities for a period of time as advised by the Ministry of Health Malaysia or other health authorities. The affected staff, as well as other staff who have come into close contact with them and/or exhibit symptoms consistent with COVID-19, will be required to quarantine, and may be unable to perform their work duties as a result.

As at the LPD, a total of 41 of our employees and contract workers in Malaysia have received positive diagnosis for COVID-19, all of whom have since recovered and returned to work. As at the LPD, a total of 14 of our staff and contract workers in Gabon have received positive diagnoses for COVID-19, all of whom have recovered and returned to work.

The COVID-19 pandemic may also result in delays in implementing our business strategies in accordance with the expected timeline as set out in Section 7.16 of this Prospectus. Such delays may adversely affect the development of our business and future financial performance.

9. RISK FACTORS (CONT'D)

For further information on the effects of COVID-19 pandemic on our business operations, please refer to Section 7.23.1 of this Prospectus.

9.1.7 We are exposed to fluctuations in the market price of steel

We mainly use steel products and pipes for the construction of plants and facilities and fabrication of equipment. Steel materials and pipes were our largest purchases during the Financial Years Under Review, having accounted for 32.8%, 32.5%, 44.1% and 26.2% of our total purchases for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021. We mainly purchased steel plates, bars, rods and pipes from suppliers in Malaysia to fabricate plant, equipment and structures for palm oil, rubber and other industries.

Steel is a commodity whose price is affected by, among others, overall economic performance, demand, production capacity and supply. Between May 2018 and May 2022, global steel prices recorded the lowest global price at USD385 per tonne on 11 May 2020 before it peaked at USD1,275 per tonne on 11 April 2022. On 23 May 2022, the global steel price had declined to USD878 per tonne (*Source: IMR Report*). Geopolitical events, such as the 2022 Russian Ukraine conflict, may result in fluctuations in commodity prices, including the market price of steel. Fluctuations in the market price of steel may have an adverse effect on our business operations and/or financial performance.

To help reduce our exposure to the fluctuations in steel price, we take the following measures, whenever it is practical:

- (i) lock in the price for all of the steel products and pipes with suppliers for a period of time while we bid for a contract; or
- (ii) purchase all of the steel materials and pipes that are required for a project promptly after securing the contract or purchase order in order to stay close to the budget that were used to bid for the contract.

However, there can be no assurance that these measures will result in purchasing the required steel materials at prices that are not materially higher than the budgeted prices.

An increase in the market price of steel may increase the cost of carrying out and completing our projects. As our projects are mainly carried out based on fixed lump sum or fixed lump sum plus scheduled rates contracts and purchase orders, we will not be able to pass on costs increases stemming from the increase in the steel prices to our customers without their agreement. Consequently, any unanticipated increase in the market price of steel may have an adverse effect on our financial performance and margins.

9.1.8 We are dependent on our subcontractors to carry out building and construction works and contract workers for labour supply which may affect the timing our projects

As a building or turnkey contractor, we engage subcontractors to carry out some portions of our projects, including the construction of plants and facilities in Malaysia, Gabon and Liberia for the Financial Years Under Review. The works that we engaged subcontractors to carry out for our construction of plants and facilities include among others, civil and structural works (such as earthworks and foundation), erection of steel structures, installation of machinery and road infrastructure works, as well as mechanical, electrical and piping works.

9. RISK FACTORS (CONT'D)

From this perspective, we are dependent on our subcontractors to perform their works and deliver their services in a timely manner. We also engage contract workers as a source of labour to carry out the construction of plants and facilities in Gabon, and also to carry out fabrication works at our operational facilities in Johor.

For the FYE 2018, FYE 2019, FYE 2020 and FYE 2021, purchases of subcontracted services collectively amounted to RM27.1 million (35.9% of total purchases of input materials and services), RM38.3 million (33.5% of total purchases of input materials and services), RM39.7 million (37.6% of total purchases of input materials and services) and RM42.8 million (41.6% of total purchases of input materials and services) respectively. Further information on purchases of services from subcontractors and contract workers are set out in Section 7.11 of this Prospectus.

Our subcontractors including contract workers carry out their works under our direct control, supervision and management, therefore we are ultimately responsible for ensuring that they deliver according to schedule and to the required specifications and quality. In the event that they deliver any substandard work to us or are unable to deliver their services in a timely manner, there is a risk that we may be liable for any compensation to the customer as a result of our subcontractors' non-performance, late performance or poor quality. Furthermore, we are reliant on our subcontractors for their adherence to health and safety regulations. In the event our subcontractors do not comply, we would be responsible for any misconduct, injuries or accidents of safety issues to the workers which may lead to stop work orders or suspension of projects.

While we may attempt to seek compensation from the relevant subcontractors for any delays, non-performance or poor performance in meeting specifications and quality as such rights are not expressly set out in our work orders, we may be required to compensate our customers prior to receiving compensation from our subcontractors. As at the LPD, we have not encountered any material occurrences of delay/non-performance/poor performance from our subcontractors since the inception. In the event we are unable to seek compensation from our subcontractors or if the amount of the claims cannot be recovered in full or at all, we may be required to bear some or all of the cost of the claims. These additional costs would increase our overall costs which may adversely impact on our financial performance. Although we seek to manage and monitor our projects closely to adhere to the project milestones and the project specifications, there is no assurance that we will not experience any delays in the completion of our projects or poor performance relating to the work performed by our subcontractors or contract workers.

Further information on subcontracted works on the construction of plants are set out in Section 7.3.1.1 (k) of this Prospectus, and the construction of facilities are set out in Section 7.3.1.2 (h) of this Prospectus.

9.1.9 We are exposed to fluctuations in sea freight rates

We utilise sea freight to ship our steel structures, equipment and other goods required to complete our projects from Malaysia to palm oil mill, other palm oil and rubber facilities, and other worksites in other countries, as well as materials and equipment to fulfil orders from customers in other countries, including Gabon, Indonesia and Liberia. Based on our contracts and purchase orders with our customers, we are responsible for the sea freight and other costs related to shipping these goods to their specified destinations. Sea freight rates are set by common carriers and are influenced by, among others, the number of scheduled sailings between ports, availability of ships, demand for shipping, and fuel prices. Sea freight charges amounted to RM1.6 million (1.8%), RM12.1 million (9.0%), RM21.1 million (16.0%) and RM14.1 million (11.2%) of our total cost of sales for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively.

9. RISK FACTORS (CONT'D)

We can only book sea freight when the steel structures, machinery and equipment, and other goods are ready for shipment, which is usually some period of time after the respective contracts are secured. Thus, there is a risk that our actual sea freight rates may be materially higher compared to the budgeted sea freight rates used in preparing the bid for the contract. It may not be possible to delay the shipment, as such delays could mean that we fail to meet our delivery and project deadlines, thus leading to the penalties such as LAD. Furthermore, for FYE 2020 and up to the LPD, sea freight rates have increased due to, among others, increase in fuel prices and disruption to trade patterns related to COVID-19, including the trade imbalance between China and the rest of the world.

An increase in sea freight rates may increase the costs of implementing and completing our projects. As our projects are mainly carried out on fixed lump sum or fixed lump sum plus scheduled rates contracts and purchase orders, we will not be able to pass on costs increases due to increases in sea freight rates to our customers without their agreement. Consequently, an increase in sea freight rates may have an adverse effect on our financial performance and margins.

9.1.10 We are dependent on our directors and key management team

The performance of our business operations, implementation of on-going projects, and successful execution of our business strategy will depend on the expertise, experience, and contributions of our Managing Director, Wong Choi Ong and Executive Director, Pan Kum Wan, as well as our Key Senior Management comprising Tia Tuan Sim, Andy Tan Boon Kiong and Thing Jin Suan. Our business operations, ongoing projects, and business strategy may be adversely affected if we lose the services of one or more of the Directors or key management team named here, and are unable to employ a suitable replacement in a timely manner.

For further information on the profiles of our Directors and Key Senior Management, please refer to Sections 5.1.2, 5.2.2 and 5.4.3 of this Prospectus.

9.1.11 We may not be successful in implementing our business strategies and future plans

Our business strategies and future plans involve expanding our existing business activities including the expansion in the supply of environmental related products, and establishing a new fabrication facility and office in Indonesia. For further information on our business strategy and future plans, please refer to Section 7.16 of this Prospectus.

There is a risk that we may be delayed, or fail to successfully implement our business strategies and future plans due to, among others, adverse market conditions, prolonged COVID-19 pandemic, limited experience, expertise or track record in a specific field, inability to secure customers to support new activities or facilities, or delay or failure to implement the projects. Any delay or failure to successfully implement our business strategies and future plans may have an adverse effect on our expected future financial performance.

9.1.12 We are required to comply with HSE laws and regulations

We are required to comply with the relevant health, safety and environment (“HSE”) laws and regulations that are enforced at locations where we carry out construction and fabrication work, including at our fabrication facility in Johor and project worksites in Malaysia, as well as at project worksites in foreign countries such as Gabon and Liberia. These HSE laws and regulations are concerned with, among others, the occupational health and safety of our employees and contract workers as they perform their jobs and the effect that the works that we carry out have on the surrounding environment.

9. RISK FACTORS (CONT'D)

Injury or harm of our employees and contract workers as they perform their jobs, as well as failure to comply with or breaches of the relevant HSE laws and regulations, may result in suspension or slowdown of our work that could delay our project implementation, civil, administrative or legal proceedings taken against us, financial penalties, and/or suspension or termination of the affected contract.

During the Financial Years Under Review and as at the LPD, there have been no material injury or harm that affected our employees or contract workers, or breach or failure to comply with the relevant HSE laws and regulations that resulted in any of the negative consequences listed above. Nevertheless, there can be no assurance that injury or harm to our employees or contract workers, or breach or failure to comply with relevant HSE laws and regulations, will not occur in the future.

9.1.13 We are dependent on the palm oil industry

We are dependent on the palm oil industry as it accounted for most of our revenue during the Financial Years Under Review, having represented RM82.2 million (72.3%), RM146.3 million (85.6%), RM133.6 million (86.9%) and RM108.9 million (71.1%) of our total revenue for FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively. We also serve customers that operate in other industries such as the paperboard and packaging, and glove and explosives manufacturing.

Our business operations and financial performance will be adversely affected if there is a slowdown in the palm oil industry due to, among others, a fall in the global market prices of CPO and CPKO, a decline in demand for palm oil and palm oil products due to, among others, trade barriers and restrictions, actions by pressure groups and changing customer preferences, adverse changes in the countries where oil palm plantations are located, natural disasters, changes to climactic conditions that adversely affect oil palm cultivation and crop production or other factors that may affect oil palm cultivation, crop production and demand for palm oil and its derivatives and products.

In the event there is a slowdown in the palm oil industry, we may not be able to secure sufficient customers in other industries to avoid the adverse effects to our business operations and financial performance.

9.1.14 We are subject to the risks of defect liability, warranty claims and minimum performance guarantee from our customers

We extend a defect liability period usually for a period of 12 months from the date of completion, handover or acceptance by the customer, as defined in the respective contracts. We are responsible for making good, at our expense, any defects or faults that may be found or that occur during the defect liability period. Our customers may make claims against us during the defect liability period for the construction of plants and facilities.

Our customers may also make warranty claims against us for the construction and fabrication of palm oil mill and facilities, and other equipment and facility projects, as defined in the contract. The warranty periods are defined as a specified period of time from the date of completion, handover or acceptance by the customer, and is usually for a period of 25 years for structures (portal frame and wailing systems) generally in respect of the construction of the workers' quarters in Gabon (which is provided at the request of the customer), 1 to 5 years for structural works, 12 months for workmanship, and 12 months for machinery and equipment. During the warranty period, we are responsible for making good, at our expense, defects, faults, breakdowns or failures that occur to the affected structure or equipment.

In the event that a customer makes a defect liability or warranty claim against us, we will have to incur costs to make good the defect, fault, breakdown or failure. In the event that the costs of making good are material, it may adversely affect our financial performance.

9. RISK FACTORS (CONT'D)

We also provide a minimum performance guarantee on the level of output and/or quality for some machinery and equipment, as stipulated in the respective contracts for the construction of palm oil mills or plants including fabrication of equipment, as well as other industrial equipment. In the event that the equipment fails to meet the minimum performance guarantee parameters, we will be responsible for making any necessary modifications to achieve the required performance level at our expense and may also be liable for performance liquidated damages as stipulated in the respective contracts.

During the Financial Years Under Review, total costs incurred to make good defects during the defect liability period for all of our construction of palm oil mill plants or upgrades, and construction of facilities for palm oil, rubber and other industries amounted to approximately RM7,469, RM196,304, RM17,833 and RM186,524 for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 respectively.

There is no assurance that we will not receive defect liability or warranty claims in the future that may result in us incurring material costs that would adversely affect our financial performance.

9.1.15 Our business operations may be disrupted by the non-renewal and/or revocation of material licences and permits

We are required to obtain and maintain licences and permits approvals from government authorities in Malaysia, where we have operational facilities to fabricate steel structures, machinery and equipment, and where we implement some of our projects. The major licences and permits that we require in Malaysia include the certificate of registration as a contractor with CIDB, manufacturing license for the manufacturing of palm oil and biomass machinery and parts, and DOSH registration for the manufacture of unfired pressure vessels. The details of our major licences and permits are set out in Section 7.18 of this Prospectus. We do not require any licences or permits to implement our projects in Gabon, Indonesia and Liberia.

Some of these licences and permits require that we pass periodic inspection, fulfil specified obligations, laws and regulations, and/or fulfil other conditions in order to remain valid. Failure to do so may result in the suspension, revocation, or non-renewal of the affected licences or permits. All of our licences and permits are valid for a specified period of time, after which they will expire. Consequently, we have to renew them as and when they expire. In the event of the suspension, revocation, or non-renewal of our licences or permits, we may not be able to carry out certain activities or manufacture certain types of equipment. This may lead to, among others, disruption to our business operations resulting in delays or failure to complete affected projects, and consequently, adversely affect our financial performance.

As we do not have a physical presence or business entity in Gabon, Indonesia and Liberia, we implement our projects there based on the following arrangements:

- (i) As at LPD, we have 18 employees in Gabon managing and supervising our projects, of which 17 are working in the country based on work permits provided by our customers there. We also have 168 contract workers in Gabon who are working based on work permits provided by our customers or subcontractors in Gabon.
- (ii) We do not have employees stationed in Indonesia as at the LPD as the projects are remotely managed by our team in Johor due to the travel restrictions from COVID-19 pandemic. The construction works are carried out by external parties that are engaged by the customer.
- (iii) We do not have employees stationed in Liberia as the project has been completed, save for the commissioning of the biogas plant, which does not require our employees or contract workers.

9. RISK FACTORS (CONT'D)

9.1.16 Our insurance coverage may not cover all losses or liabilities that may arise from our business operations

Carrying out our business operations at our operational facilities and worksites involve risks and hazards including, but not limited to, workplace and other accidents, loss of cargo during shipment, fire, flood and other natural disasters. To protect against various losses and liabilities, we generally maintain insurance coverage for some of our contracts at levels that are stipulated in such contracts or at levels that we believe are customary to the nature of our business. We maintain insurance coverage for, among others, general liability, workman's compensation, and damages to our facilities, machinery and equipment, where required by law. We may incur losses or liabilities that exceed our policy limits or that are not covered by our insurance coverage, which may have an adverse effect on our business operations and financial performance. As at the LPD, the total sum insured under our insurance policies is RM151.9 million and there has been no material claims against our insurance policies in the past.

All of our insurance coverage is subject to periodic renewal, which may involve changes in the insurance premium, terms and policy limits. If there is a significant increase in the premium on our insurance coverage, we may incur higher costs to maintain our insurance coverage at the same level or we may have to reduce the level of our insurance coverage. There is also a risk that we are unable to renew or replace our insurance coverage when they expire. The occurrence of any of these events may have an adverse effect on our business operations and financial performance.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We face competition from operators in Malaysia and foreign countries

We face competition from operators who are involved in the construction of plants and fabrication of equipment for the palm oil industry, including those that are based in Malaysia as well as in foreign countries. We may also face competition from new entrants that seek to establish themselves in the industry from time to time. Competitors may have advantages over us in terms of, among others, financial, labour, operational, technological, marketing, and other areas or resources. There can be no assurance that we will continue to remain competitive against existing and prospective competitors, and consequently no assurance that customers will continue to award contracts and purchase orders to us in the future. Failure to remain competitive and secure new contracts will have an adverse effect on our future financial performance.

9.2.2 In Malaysia, the capping of total cultivated oil palm area and regulatory limitations on the development of palm oil mills may affect our business

In 2019, Malaysia enforced various policies such as capping the total oil palm cultivated area to 6.5 million hectares by 2023, a stop on new planting of oil palm in peatland, ban on the conversion of forest reserved areas for oil palm cultivation and opening up of oil palm plantation available for public access. (*Source: IMR Report*) These policies have the impact of constraining the growth of the production of oil palm fresh fruit bunch, which is the feedstock for palm oil mill. Consequently, this will constrain the growth of new palm oil mills, which may affect demand for our services and equipment.

In Malaysia, licences for the development and operation of palm oil mills are issued to a company only if it possesses its own matured plantations or has access to plantations belonging to its group or subsidiary companies of at least 4,000 hectares. (*Source: IMR Report*) This is likely to limit the growth of palm oil mills in Malaysia, which may impact on the demand for our services and equipment.

9. RISK FACTORS (CONT'D)

9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

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

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

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

9.3.2 Volatility of share prices traded on Bursa Securities

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

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

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

- (i) variations in our financial results and operations;
- (ii) success or failure of our Key Senior Management in implementing business and growth strategies;
- (iii) gain or loss of an important business relationship;
- (iv) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (v) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other related events or factors;
- (vi) changes in market valuations and share prices of companies with similar businesses to our Group that may be listed on Bursa Securities;
- (vii) additions or departures of our Key Senior Management;
- (viii) fluctuation in stock market prices and volume; or
- (ix) involvement in litigation.

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

9. RISK FACTORS (CONT'D)

9.3.3 The interest of our Promoters who controls our Group may not be aligned with the interest of our shareholders

Upon Listing, our Promoters will hold approximately 49.1% of our enlarged number of issued Shares. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group including the election of Directors, the timing and payment of dividends as well as having voting control over our Group. Our Promoters will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law or by relevant guidelines or regulations.

As a step towards good corporate governance, we have appointed 4 Independent Non-Executive Directors and set up an Audit and Risk Management Committee to ensure that, among others, all future transactions involving related parties are entered into on an arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to our minority shareholders. Our Audit and Risk Management Committee will in that sense represents the interest of the minority shareholders and the general public at large.

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

9.3.4 Failure or delay in our Listing

Below is a non-exhaustive list of possible occurrences or events which could cause a delay or termination of our Listing:

- (i) our Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder;
- (ii) we are unable to meet the public shareholding spread requirement of the Listing Requirements of having at least 25% of our enlarged number of issued Shares for which listing is sought to be held by a minimum of 200 public shareholders holding not less than 100 Shares each, at the point of our Listing;
- (iii) the revocation of approvals from relevant authorities prior to our Listing or Admission for whatever reason other than the reasons specified in paragraph (iv) below; or
- (iv) if the SC issues a stop order pursuant to Section 245 of the CMSA prior to our Listing or if permission is not granted by Bursa Securities for our Listing before the expiration of 6 weeks from the date of issue of this Prospectus or such longer period as may be specified by the SC pursuant to Section 243 of the CMSA.

If any event in paragraphs (i), (ii) or (iii) above occurs, investors will not receive any of our IPO Shares and we will return in full (without interest or any share of revenue or benefit arising therefrom) all monies paid in respect of any application for our IPO Shares in compliance with Section 243(2) of the CMSA. However, if our IPO Shares have been issued and allotted to investors, we can only repay the monies paid in respect of our IPO Shares by a cancellation of our IPO Shares pursuant to a capital reduction exercise in accordance with Sections 116 or 117 of the Act. Such cancellation can be implemented by either:

- (i) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya; or
- (ii) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from the directors.

Therefore, there is a risk that monies paid in respect of our IPO Shares cannot be recovered in a timely manner.

9. RISK FACTORS (CONT'D)

Should the event in paragraph (iv) above occur, the issue of our IPO Shares shall be considered void and the investors will not receive any IPO Shares. In such event, and pursuant to Sections 243(2) and 245(7) of the CMSA, as the case may be, we shall be liable to forthwith repay, without interest, all monies received from our IPO Shares and if such monies are not repaid within 14 days after we become liable to pay or within 14 days of the stop order, we will be liable to repay the monies together with interest at the rate of 10% per annum or such other rate as may be prescribed by the SC upon expiration of that period until full refund is made.

9.3.5 Uncertainty of dividend payments

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

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

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10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

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

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

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10. RELATED PARTY TRANSACTIONS (CONT'D)

Save for the Acquisitions pursuant to our internal reorganisation for the Listing (details of which are as set out in Section 6.1.1 of this Prospectus) and as disclosed below, there is no other material related party transaction entered or to be entered into by our Group for the Financial Years Under Review and up to the LPD:

Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	Transaction value				
				FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	January 2022 up to the LPD RM'000
EMESB	Top Well Trading & Services ⁽¹⁾	Wong Choi Ong, who is our Non-Independent Executive Director / Managing Director and major shareholder, was the shareholder of Top Well Trading & Services. Top Well Trading & Services had been struck off on 7 September 2021.	Sale of consumables and spare parts for palm oil mills from EMESB to Top Well Trading & Services	230 (Represents 0.2% of our Group's revenue for the FYE 2018)	43 (Negligible as compared to our Group's revenue for the FYE 2019)	-	-	-
EMESB	Buildwiser Sdn Bhd ⁽²⁾	Wong Choi Ong and Pan Kum Wan, who are our Directors and major shareholders, were the directors and major shareholders of Buildwiser Sdn Bhd. They resigned as directors on 6 October 2020 and disposed of their shareholdings in Buildwiser Sdn Bhd on 5 October 2020 to a third party unrelated to them and our Group.	Subcontractor services in civil, structural and fabrication works provided by Buildwiser Sdn Bhd to EMESB	1,186 (Represents 1.4% of our Group's costs of sales for the FYE 2018)	1,776 (Represents 1.3% of our Group's costs of sales for the FYE 2019)	2,364 (Represents 1.8% of our Group's costs of sales for the FYE 2020)	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	Transaction value				
				FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	1 January 2022 up to the LPD RM'000
			Sales of goods from EMESB to Buildwiser Sdn Bhd	10 (Negligible as compared to our Group's revenue for the FYE 2018)	-	-	-	-
			Rental of office spaces by EMESB to Buildwiser Sdn Bhd	10 (Represents 2.7% of our Group's other income for the FYE 2018)	8 (Represents 1.8% of our Group's other income for the FYE 2019)	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	Transaction value			
				FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000
ETSB	Buildwiser Sdn Bhd ⁽²⁾	Wong Choi Ong and Pan Kum Wan, who are our Directors and major shareholders, were the directors and major shareholders of Buildwiser Sdn Bhd. They resigned as directors on 6 October 2020 and disposed their shareholdings in Buildwiser Sdn Bhd on 5 October 2020 to a third party unrelated to them and our Group.	Rental of office spaces by ETSB to Buildwiser Sdn Bhd	-	20 (Represents 4.6% of our Group's other income for the FYE 2019)	30 (Represents 2.2% of our Group's other income for the FYE 2020)	-
							1 January 2022 up to the LPD RM'000

10. RELATED PARTY TRANSACTIONS (CONT'D)

Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	Transaction value				
				FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	1 January 2022 up to the LPD RM'000
ETSB	Sterling Engineering & Trading Sdn Bhd	Law Nyok Koi, the spouse of Wong Choi Ong and Li Siok Go, the spouse of Pan Kum Wan, who are persons connected with Wong Choi Ong and Pan Kum Wan respectively, were also shareholders of Sterling Engineering & Trading Sdn Bhd.	Sale of goods (economizer) from ETSB to Sterling Engineering & Trading Sdn Bhd.	191 (Represents 0.2% of our Group's revenue for the FYE 2018)	-	-	-	-
EMESB	Wong Choi Ong	Law Nyok Koi and Li Siok Go disposed their respective shareholdings in Sterling Engineering & Trading Sdn Bhd on 26 November 2021 to a third party unrelated to them and our Group. Wong Choi Ong is our Non-Independent Executive Director / Managing Director and major shareholder.	Disposal of a motor vehicle by EMESB to Wong Choi Ong (This is a one-off transaction)	-	-	47 (Represents 0.1% of our Group's NA for the FYE 2020)	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Note:

- (1) For the avoidance of doubt, Top Well Trading & Services does not have any relationship with TWTSSB save for the common directorship held by Wong Choi Ong. Top Well Trading & Services had been struck off on 7 September 2021.
- (2) Ceased to be a related party since October 2020. Subsequent to October 2020, Buildwiser Sdn Bhd remained as a supplier to the Group. For FYE 2021, Buildwiser Sdn Bhd is one of the top 5 suppliers of the Group, providing sub-contracted civil works services to the Group for the amount of RM8,048,000, accounting for 7.8% of the proportion of the Group's purchases in FYE 2021.

Our Directors confirm that all the related party transactions outlined above were transacted on an arm's length basis and on normal commercial terms which are not unfavourable to our Group, which were based on quotation from the second-hand dealer (on the motor vehicle), asking rental for similar office space (on the rental of office space), comparison of profit margins against similar sales to other customers (on the sales to Sterling Engineering & Trading Sdn Bhd and to Top Well Trading & Services), the apportionment of costs for secondment of engineer based on the market-rate salary of an engineer with comparable experience and expertise for a project awarded by EMESB to Buildwiser Sdn Bhd (on the sales from EMESB to Buildwiser Sdn Bhd) and quotation given by other subcontractors (on the subcontractor services).

Upon Listing, to safeguard the interest of our Group and our minority shareholders, our Audit and Risk Management Committee will review the terms of related party transactions and ensure that any related party transactions are carried out on an arm's length basis and on terms which are not more favourable to the related parties than those normally agreed with other customers and suppliers, and are not detrimental to our minority shareholders.

In the event that there are any proposed related party transactions that involve the interest, direct or indirect, of our Directors, the interested Director(s) shall disclose his interest to our Board, of the nature and extent of his interest including all matters in relation to the proposed related party transaction that he is aware or should reasonably be aware of. The interested Director(s) shall also abstain from any Board deliberation and voting on the relevant resolution(s) in respect of such proposed related party transaction.

In the event that there are any proposed related party transactions that require the prior approval of our shareholders, our Directors, major shareholders and/or persons connected with them which have any interest, direct or indirect, in the proposed related party transactions will also abstain from voting in respect of their direct and/or indirect shareholdings. Such interested Director and/or major shareholder will also undertake to ensure that persons connected with them, if any, will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

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10. RELATED PARTY TRANSACTIONS (CONT'D)

10.2 TRANSACTIONS ENTERED INTO THAT ARE UNUSUAL IN THEIR NATURE OR CONDITIONS

Our Board has confirmed that there are no related party transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Company or any of our subsidiaries was a party in respect of the Financial Years Under Review.

10.3 LOANS AND FINANCIAL ASSISTANCE MADE TO OR FOR THE BENEFIT OF RELATED PARTIES

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

Parties	Nature of relationship	Nature of transaction	Amount			
			FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000
EMESB and Ecosciences Engineering & Construction Gabon ("EECG")	Wong Choi Ong, who is our Non-Independent Executive Director / Managing Director, is also the major shareholder of EECG. EECG has been struck off on 20 August 2021.	Advances from EMESB to EECG for project expenses in Gabon ⁽¹⁾	3,146 (Represents 8.1% of our Group's NA as at 31 December 2018)	-	-	-
EMESB and HESB	Wong Choi Ong, who is our Non-Independent Executive Director / Managing Director and major shareholder, is also a director of HESB, a 40% owned associated company of EMESB. HESB had been struck off on 30 November 2021.	Advances from EMESB to HESB for working capital purposes	467 (Represents 1.2% of our Group's NA as at 31 December 2018)	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)**Note:**

- (1) EECG was an entity established by our Non-Independent Executive Director / Managing Director, Wong Choi Ong and our Project Director, Andy Tan Boon Kiong as a Gabonese branch office of our Group, solely for the purpose of overseeing and managing the day-to-day project expenses in Gabon. These project expenses were costs incurred for the construction of palm oil mills and facilities in Gabon for the purchase of building materials such as sand, steel, cement and bricks as well as labour costs and other administrative expenses. All the expenses incurred by EECG were fully charged back to EMESB on a claim basis.

The branch office has been maintained since 2014. In year 2020, in order to manage our operations in Gabon more efficiently and focus more on our project management, our Group subcontracted our construction activities to Palm Tech Engineering Construction. In view of this, our Group is no longer needed to maintain a branch office in Gabon.

Our Directors confirm that the advances made by EMESB to EECG for payments made on behalf of EMESB were on an arm's length basis and such arrangement is not unfavourable to our Group. However, the advances made by EMESB to HESB was not made on arm's length basis as it was provided free of cost. Going forward, we will not be providing any such financial assistance to or for the benefit of related parties.

10.4 LOANS AND FINANCIAL ASSISTANCE FROM RELATED PARTIES TO OUR GROUP

For the Financial Years Under Review, our Executive Directors Wong Choi Ong and Pan Kum Wan, had extended personal guarantees for financing facilities granted to our Group, of which further details are set out in Section 12.4.3 of this Prospectus.

In conjunction with the Listing, we have written to our financiers to seek approval for the release and/or discharge of the personal guarantees, or substituting the same with a corporate guarantee from our Company (as the case may be). As at the LPD, we have received approvals (subject to the Listing) for the substitution of the said personal guarantees, with a corporate guarantee from our Company. Our Group expects the same to be completed upon the listing of our Company.

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11. CONFLICTS OF INTEREST**11.1 INTEREST IN SIMILAR BUSINESS**

Save as disclosed below, as at the LPD, none of our Directors and Substantial Shareholder have any interest, direct or indirect in any businesses or corporations that (i) carry on a similar trade as that of our Group; or (ii) are customers or suppliers of our Group:

Business/ Corporation	Principal activity	Nature	Interested directors and/or substantial shareholders	Nature of interest
PT Palmas Project Engineering ("PT Palmas")	Construction of palm oil mills and refineries	PT Palmas is our major customer for FYE 2018. The contribution of PT Palmas to the revenue of our Group for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021 amounted to approximately RM5.7 million, RM66,000, RM150,000 and RM6.2 million, accounting for 5.0%, 0.04%, 0.1% and 4.0% of the total revenue for the respective financial years.	Lim Siew Kuen	Lim Siew Kuen, our Substantial Shareholder is a director of PT Palmas ⁽¹⁾

Note:

- (1) Lim Siew Kuen's shareholding in our Company will reduce to 4.7% after our IPO and as such, he will cease to be a substantial shareholder after our IPO.

The transactions between our Group and PT Palmas were carried out on arm's length basis and on normal commercial terms which were not more favourable to PT Palmas than those generally available to third parties. Revenue for the FYE 2018 was in respect of supply of fabricated equipment which was awarded to the Group prior to the appointment of Lim Siew Kuen to the board of directors of PT Palmas in 2019.

The Board is of the view that Lim Siew Kuen's interest in PT Palmas does not give rise to a conflict of interest situation after taking into consideration of the following:

- (a) Lim Siew Kuen does not hold any shares in PT Palmas, nor does he have any control over the board of directors or board of commissioner of PT Palmas, which comprises 3 directors and 1 commissioner respectively;

11. CONFLICTS OF INTEREST (CONT'D)

- (b) Lim Siew Kuen is not a director of any of the companies within our Group and has no influence over the decision making of our Group. His shareholding in our Company is solely for investment purposes and he will cease to be a substantial shareholder of our Company upon completion of the IPO;
- (c) our Group is not dependent on PT Palmas for revenue;
- (d) PT Palmas operates in Indonesia only, while our Group derives our revenue principally from Gabon, with Indonesia contributing 27.0% to our revenue for the FYE 2021.

Moving forward, our Group may potentially compete with PT Palmas for business in Indonesia as it is a target market which our Group has expanded into. Our Group intends to set up a new fabrication facility and office in Indonesia as set out in Section 7.16.3(a) of this Prospectus. Notwithstanding this, any decision by our Group relating to its business growth strategy will not, in any way, be affected by Lim Siew Kuen's interest in PT Palmas. Our Group will continue to participate in tender for projects and optimise on growth opportunities both in Malaysia and in foreign markets. Our Audit and Risk Management Committee will assess the financial risk and matters relating to any potential conflict of interest situation that may arise within our Group including any transaction, procedure or course of conduct that raises questions of management integrity, to ensure that transactions are carried out in the best interest of our Group.

As such, the interests of our Directors and substantial shareholders in other businesses and corporations would not (i) give rise to a situation of conflict of interest with the Group; or (ii) detract time and commitment from the Directors which may hinder their effective discharge of duties in our Company.

11.2 DECLARATIONS BY ADVISERS ON CONFLICTS OF INTEREST

(i) Declaration by HLIB

HLIB, its subsidiaries and associated companies as well as its penultimate holding company, namely Hong Leong Financial Group Berhad, and the subsidiaries and associated companies of Hong Leong Financial Group Berhad (collectively, the "**Hong Leong Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, assets and funds management and credit transaction services businesses.

The Hong Leong Group has engaged, and may in the future engage, in transactions with and perform services for our Group. In addition, in the ordinary course of business, any member of the Hong Leong Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with our Group, hold long or short positions, and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of our Group.

The Hong Leong Group may have, in the ordinary course of its business, granted credit facilities to our Group. As at the LPD, our Group has outstanding credit facilities with the Hong Leong Group amounting to approximately RM5.9 million.

Notwithstanding the above, HLIB is of the view that the aforesaid lending relationship would not give rise to a conflict of interest situation in its capacity as the Principal Adviser, Sponsor, Underwriter and Placement Agent for our IPO as:

- (a) HLIB is a licensed investment bank and its appointment as the Principal Adviser, Sponsor, Underwriter and Placement Agent for our IPO and the extension of the credit facilities by the Hong Leong Group arose in its ordinary course of business;

11. CONFLICTS OF INTEREST (CONT'D)

- (b) the conduct of the Hong Leong Group in its banking business is strictly regulated by the Financial Services Act 2013, Islamic Financial Services Act 2013 and, where applicable, the CMSA, as well as the Hong Leong Group's own internal controls and checks; and
- (c) the said credit facilities which is 0.03% of the audited NA of the Hong Leong Group as at 30 June 2021 of RM22.8 billion, are not material.

(ii) Declaration by Chooi & Company + Cheang & Ariff

Chooi & Company + Cheang & Ariff confirms that there is no situation of conflict of interest that exists or is likely to exist in its capacity as the Solicitors as to the laws of Malaysia in respect of our IPO.

(iii) Declaration by Infinitus Law Corporation

Infinitus Law Corporation confirms that there is no situation of conflict of interest that exists or is likely to exist in its capacity as the Solicitors as to the laws of Singapore in respect of our IPO.

(iv) Declaration by Crowe Malaysia PLT

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

(v) Declaration by Vital Factor Consulting Sdn Bhd

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

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12. FINANCIAL INFORMATION**12.1 HISTORICAL STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AND FINANCIAL POSITION****12.1.1 Historical financial performance**

We were incorporated in Malaysia under the Act on 21 August 2020. On 10 August 2021, we completed the Acquisitions which resulted in AEPL and EMESB becoming our wholly-owned subsidiaries. As such, the financial statements of our Group comprise:

- (i) the combined statements of financial position as at 31 December 2018, 31 December 2019 and 31 December 2020, as well as the consolidated statements of financial position as at 31 December 2021;
- (ii) the combined statements of profit or loss and other comprehensive income for the FYE 2018, FYE 2019 and FYE 2020, as well as the consolidated statements of profit or loss and other comprehensive income for the FYE 2021;
- (iii) the combined statements of changes in equity for the FYE 2018, FYE 2019 and FYE 2020, as well as the consolidated statements of changes in equity for the FYE 2021; and
- (iv) the combined statements of cash flows for the FYE 2018, FYE 2019 and FYE 2020, as well as the consolidated statements of cash flows for the FYE 2021.

The combined financial statements for the FYE 2018, FYE 2019 and FYE 2020 were prepared based on the audited financial statements of Ecoscience for the financial period ended 31 December 2020 as well as separate audited financial statements of AEPL, EMESB, ETSB and TWTSSB for the Financial Years Under Review. The consolidated financial statements of the Group for the FYE 2021 were prepared based on the audited consolidated financial statements of Ecoscience and its subsidiaries for the FYE 2021. All intra-group transactions and balances have been eliminated on combination.

Our historical financial statements have been prepared in accordance with MFRS and IFRS for the purpose of the Accountants' Report. Our subsidiaries' historical financial statements for the Financial Years Under Review have been prepared in accordance with MFRS and/or IFRS, save for the audited financial statements of TWTSSB for the FYE 2018 and FYE 2019 which have been prepared in accordance with Malaysian Private Entities Reporting Standard. As such, the audited financial information of TWTSSB for the FYE 2018 and FYE 2019 is not directly comparable with the Accountants' Report.

The historical financial information presented below should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" as set out in Section 12.3 of this Prospectus and the Accountants' Report, together with its related notes, as set out in Section 13 of this Prospectus.

	<-----Audited----->			
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000
Revenue	113,627	170,928	153,693	153,163
Cost of sales	(86,062)	(133,369)	(132,220)	(125,939)
GP	27,565	37,559	21,473	27,224
Other income	366	433	1,341	579
Administrative expenses	(14,657)	(14,885)	(13,281)	(14,285)
Other operating expenses	(511)	(1,077)	(12)	(328)
Finance costs	(1,971)	(2,515)	(2,542)	(2,770)
Net impairment (loss)/net reversal of impairment loss on financial assets	(369)	(2,417)	1,540	655
PBT	10,423	17,098	8,519	11,075

12. FINANCIAL INFORMATION (CONT'D)

	<-----Audited----->			
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000
Taxation	(2,687)	(4,616)	(1,999)	(3,005)
PAT	7,736	12,482	6,520	8,070
Other comprehensive (expense)/income	(199)	(266)	1,067	(917)
Total comprehensive income for the financial year	7,537	12,216	7,587	7,153
GP margin ⁽¹⁾ (%)	24.3	22.0	14.0	17.8
EBITDA ⁽²⁾	13,763	20,561	11,771	14,218
EBITDA margin ⁽³⁾ (%)	12.1	12.0	7.7	9.3
PBT margin ⁽⁴⁾ (%)	9.2	10.0	5.5	7.2
PAT margin ⁽⁵⁾ (%)	6.8	7.3	4.2	5.3
Basic and diluted EPS ⁽⁶⁾ (sen)	2.3	3.7	1.9	2.4
Number of Shares in issue after our IPO ('000)	340,000	340,000	340,000	340,000

Notes:

(1) Computed as GP divided by revenue.

(2) Computed as follows:

	<-----Audited----->			
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 (RM'000)
PAT	7,736	12,482	6,520	8,070
Add: Taxation	2,687	4,616	1,999	3,005
Depreciation	1,814	1,653	1,308	1,259
Interest expenses	1,747	2,021	2,215	2,078
Less: Interest income	(221)	(211)	(271)	(194)
EBITDA	13,763	20,561	11,771	14,218

(3) Computed as EBITDA divided by revenue.

(4) Computed as PBT divided by revenue.

(5) Computed as PAT divided by revenue.

(6) Computed as PAT divided by the enlarged total number of 340,000,000 Shares after our IPO.

12. FINANCIAL INFORMATION (CONT'D)**12.1.2 Historical statements of financial position**

The table below sets out the summary of our audited combined statements of financial position as at 31 December 2018, 31 December 2019 and 31 December 2020, as well as our audited consolidated statements of financial position as at 31 December 2021, which has been extracted from the Accountants' Report in Section 13 of this Prospectus.

	<-----Audited----->			
	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2021 RM'000
Total non-current assets	26,235	26,988	27,076	26,933
Total current assets	75,774	88,903	111,271	101,480
Total assets	102,009	115,891	138,347	128,413
Total non-current liabilities	10,629	11,967	12,319	11,594
Total current liabilities	52,370	56,450	74,016	57,654
Total liabilities	62,999	68,417	86,335	69,248
Share capital	-	-	#	51,566
Invested equity	6,357	6,357	6,357	-
Foreign exchange translation reserve	(133)	(399)	668	(249)
Retained profits	32,786	41,516	44,987	53,057
Merger deficit	-	-	-	(45,209)
Total equity	39,010	47,474	52,012	59,165
Total equity and liabilities	102,009	115,891	138,347	128,413

Note:

Denote RM2

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12. FINANCIAL INFORMATION (CONT'D)**12.2 CAPITALISATION AND INDEBTEDNESS**

The following table sets out our capitalisation and indebtedness as at 30 April 2022, and after adjusting for the Public Issue and use of proceeds.

	Unaudited as at 30 April 2022 RM'000	After the Public Issue and use of proceeds RM'000
Indebtedness		
<u>Current</u>		
Secured and guaranteed:		
- Bank overdraft	12,430	5,430
- Bankers' acceptances	6,956	6,956
- Term loans	1,250	1,250
- Lease liabilities	430	430
- Revolving credits	500	500
- Invoice financing ⁽¹⁾	18,450 ⁽²⁾	18,450
	40,016	33,016
<u>Non-current</u>		
Secured and guaranteed:		
- Lease liabilities	343	343
- Term loans	8,570	8,570
	8,913	8,913
Total borrowings	48,929	41,929
<u>Contingent liabilities</u>		
Secured and guaranteed:		
- Performance guarantee ⁽³⁾	4,373	4,373
Total indebtedness⁽⁴⁾	53,302	46,302
Shareholders' equity	59,486	82,783
Total capitalisation and indebtedness	112,788	129,085
Gearing ratio ⁽⁵⁾ (times)	0.82	0.51

Notes:

- (1) This represents credit facility provided by financial institutions which was utilised to finance purchases and export sales based on the relevant invoices from the suppliers and to the customers. The cost of financing was captured under interest expenses on bankers' acceptance.
- (2) Utilised to finance the purchase of materials, equipment and shipping cost.
- (3) Represents the performance guarantee extended to third parties in respect of the contract works carried out by our Group. Please refer to Section 7.3.5 (e) of this Prospectus for further details of our performance guarantee.
- (4) Comprises total borrowings and contingent liabilities.
- (5) Computed as total borrowings divided by shareholders' equity.

12. FINANCIAL INFORMATION (CONT'D)**12.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

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

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

12.3.1 Review of operations

We are an investment holding company. Through our subsidiaries, we are principally involved in the following business segments:

- (i) **Construction of plants and facilities** : This involves the construction of new plants for palm oil mills, upgrading works on existing plants for palm oil mills, palm oil refineries, biodiesel plants, biogas plants and power generation plants for palm oil mills as well as the construction of supporting facilities such as residential and operational buildings, amenities and infrastructure
- (ii) **Fabrication of equipment** : This involves the fabrication of palm oil mill equipment for newly constructed plants for palm oil mills or the replacement of equipment in existing plants for palm oil mills on a standalone basis as well as for other industries such as pulp and paper and rubber gloves
- (iii) **Supply of materials and equipment** : This involves supply of construction and piping materials, spun piles and heavy construction equipment
- (iv) **Other activities** : This involves supply of spare parts, provision of maintenance and site clearance and earthworks services

Please refer to Section 7 of this Prospectus for further information on our business activities.

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12. FINANCIAL INFORMATION (CONT'D)

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

(i) Revenue

Our primary source of revenue is derived from our construction of plants and facilities segment. We mainly construct palm oil mills for our customers in the plantation industry. Apart from palm oil mills, we also construct other types of plant within the palm oil or supporting industries such as palm oil refinery, biodiesel plant, biogas plant as well as power generation plant for palm oil mills. This business segment includes the construction of the entire plant as well as upgrading works on existing plants.

To complement our core business activities of constructing plants, we are also involved in the construction of facilities comprising residential and operational buildings, amenities and infrastructure to cater to the needs of the community that supports the operations of palm oil mills and rubber plantations. We are also involved in the construction of facilities for other industries such as buildings for rubber glove manufacturing plants, explosives manufacturing facilities and renewable energy power station.

During the Financial Years Under Review, we secured contracts from the Olam Group to construct these facilities such as, among others, workers' quarters, operational buildings, amenities and infrastructure, which will cater to the needs of the community that supports the operations of the Olam Group's palm oil mills and rubber plantations in Gabon, Africa. These facilities are integral to the effective and efficient operations of plantations and mills as some of them are usually located a long distance away from the nearest towns or other communities.

We secured these contracts from the Olam Group following the completion of the construction of its palm oil mill and rubber plantation facilities by us in Gabon, Africa, where these facilities are constructed to support the operations of its plantation estates.

Besides our construction segment, we also derived revenue from our fabrication segment, where we fabricate equipment on a standalone basis for palm oil mills as well as for other industries, such as pulp and paper, rubber gloves and power generation. Our standalone equipment is either integrated with the newly constructed plants or used to replace equipment in existing plants. In addition, we also secured contracts in respect of supplying materials and equipment such as piping materials, spun piles and heavy construction equipment. We have also started to recognise revenue from the leasing of non-chemical water treatment equipment commencing from FYE 2021 under fabrication segment. Lastly, we also derived revenue from other activities such as trading of consumables, spare parts and building materials, as well as provision of maintenance and site clearance and earthworks services.

The pricing of our products and services varies from customer to customer as they are provided based on the customers' specifications and requirements and are determined based on factors such as, among others, type and complexity of plants and facilities, project duration as well as logistics arrangement.

In general, palm oil mill and facilities construction project can be completed within 12 to 24 months depending on, among others, size and capacity of the plant, weather and site condition, design and technical complexity as well as variation orders, if any.

12. FINANCIAL INFORMATION (CONT'D)

Revenue from our construction segment is recognised over time during the period in which the construction services are rendered using the input method, determined based on the proportion of construction costs incurred for work performed to-date, over the estimated total construction costs. Transaction price (or contract revenue) is computed based on the price specified in the contract and adjusted for any variable consideration, such as incentives and penalties. Incentives represent the additional revenue apart from the transaction price (or contract revenue) which are not included in the respective contracts. Incentives may be awarded to us by our customers when we complete and deliver our projects within the project timeline.

For the Financial Years Under Review, we recognised total incentives of RM2.4 million from the Olam Group for the construction of workers' quarter projects in Gabon as revenue in FYE 2018. We issued the claims for the incentives of RM1.6 million in FYE 2018 and RM0.7 million in FYE 2019. Whereas penalties represent among others, LAD which can be claimed by our customers against us in the event that we are unable to complete and deliver our projects in accordance with the project timeline as stated in the contracts. For the FYE 2020, we made provision for LAD of RM1.0 million (including a provision for LAD of RM0.6 million and RM0.4 million which was set off against the progressive billing) for the fabrication of palm oil mill equipment for Sime Darby Plantation Berhad. For the FYE 2021, we made a provision for LAD of RM0.2 million, which was the maximum claim on the LAD as at 30 November 2021, for the EPCC of ESP for biomass power plant at a palm oil mill in Johor for Ladang Petri Tenggara Sdn Bhd. Past experience on our completed projects is used to estimate and provide for the variable consideration, using the most-likely method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contract asset is recognised when services have been rendered but invoices have not yet been issued. Conversely, a contract liability arises when invoices have been issued for services which have not yet been rendered.

Revenue from our fabrication of equipment segment is generated from the provision of fabrication of palm oil mill equipment for newly constructed plants for palm oil mills or the replacement of standalone equipment in existing plants for palm oil mills, as well as for other industries such as pulp and paper, rubber gloves and power generation. These equipment are usually fabricated according to our customers' requirements in terms of specifications and designs, and generally require 6 to 12 months to be fabricated. It also includes delivery, installation, testing of fabricated equipment at our customers' operation site and thereafter, acceptance by our customers.

Revenue from the supply of materials and equipment is recognised when we have transferred control of the goods to our customers, being the date when the goods have been delivered to and accepted by our customers.

Revenue from the provision of repair and maintenance and other services is recognised at a point in time when the services have been rendered to the customers and coincides with the delivery of services and acceptance by our customers.

We market our services in both the local and foreign markets, where majority of our customers are companies involved in the palm oil, rubber and other industries such as pulp and paper, rubber gloves and explosives manufacturing, as well as power generation.

12. FINANCIAL INFORMATION (CONT'D)**(a) Revenue by business segments**

The table below sets out our revenue by business segments for the Financial Years Under Review:

	<-----Audited----->							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Construction of plants and facilities								
• Plants	10,369	9.1	50,832	29.7	103,877	67.6	28,145	18.4
• Facilities	86,790	76.4	99,549	58.2	15,641	10.2	57,968	37.9
	97,159	85.5	150,381	87.9	119,518	77.8	86,113	56.3
Fabrication of equipment	9,913	8.7	18,844	11.0	17,925	11.7	33,060	21.6
Supply of materials and equipment	1,166	1.0	451	0.3	13,129	8.5	32,233	21.0
Other activities ⁽¹⁾	5,389	4.8	1,252	0.8	3,121	2.0	1,757	1.1
Total	113,627	100.0	170,928	100.0	153,693	100.0	153,163	100.0

Note:

(1) Please refer to Section 7.1.2 (iv) of this Prospectus for further details of other activities.

(b) Revenue by geographical locations

The table below sets out our revenue by geographical locations of our customers where the projects are carried out for the Financial Years Under Review:

	<-----Audited----->							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	8,868	7.8	23,027	13.5	28,178	18.3	41,849	27.3
Foreign								
Gabon	89,734	79.0	136,131	79.6	106,020	69.0	69,504	45.4
Liberia	6,006	5.3	2,055	1.2	765	0.5	451	0.3
Indonesia	9,019	7.9	7,821	4.6	18,730	12.2	41,359	27.0
India	-	-	1,892	1.1	-	-	-	-
Singapore	-	-	2	-*	-	-	-	-
	104,759	92.2	147,901	86.5	125,515	81.7	111,314	72.7
Total	113,627	100.0	170,928	100.0	153,693	100.0	153,163	100.0

Note:

* Negligible.

12. FINANCIAL INFORMATION (CONT'D)**(c) Commentaries on revenue****Comparison between FYE 2018 and FYE 2019**

For the FYE 2019, our total revenue increased by RM57.3 million or approximately 50.4% to RM170.9 million (FYE 2018: RM113.6 million). This was mainly due to the increase in revenue by RM53.2 million from construction of plants and facilities.

By business segments**Construction of plants and facilities**

Revenue from our construction segment increased by RM53.2 million or approximately 54.7% to RM150.4 million (FYE 2018: RM97.2 million) mainly attributed to the following factors:

- (i) increase in revenue from the construction of plants by RM40.4 million. In particular:
 - we secured new contracts from Olam Palm for the construction of a palm oil mill, kernel crushing plant and biogas plant in Gabon with a total contract sum of RM127.5 million, for which we recognised revenue of RM30.6 million during the FYE 2019;
 - we commenced upgrading works for an existing palm oil refinery in Malaysia for KL-Kepong Edible Oils Sdn Bhd, which contributed RM5.7 million to our revenue for the FYE 2019; and
 - we performed upgrading works for an existing palm oil mill in Malaysia for Victory Enghoe Plantations Sdn Bhd, where we recorded revenue RM4.2 million for the FYE 2019.
- (ii) increase in revenue from construction of facilities by RM12.8 million. In particular:
 - we recorded an increase in revenue by RM5.4 million to RM92.3 million (FYE 2018: RM86.9 million) from the Olam Group for the construction of supporting facilities for the palm oil mill and rubber plantation community comprising 215 blocks of workers' quarters and infrastructure facilities such as office units, clinic, school, stores and clubhouses. These are ongoing contracts which were secured prior to FYE 2019 and we had commenced our construction works since the FYE 2017; and
 - we recorded an additional revenue of RM6.7 million from the new contracts secured from Olam Palm to construct another 21 blocks of workers' quarters in Gabon during the FYE 2019.

Fabrication of equipment

For the FYE 2019, revenue from our fabrication segment increased by RM8.9 million or approximately 89.9% to RM18.8 million (FYE 2018: RM9.9 million) mainly attributed to the following factors:

- (i) we commenced works for the fabrication of palm oil mill equipment such as the electrostatic precipitators for biomass boilers at 5 palm oil mills in Malaysia for our local customer, namely Sime Darby Plantation Berhad which contributed RM9.5 million to our revenue; and

12. FINANCIAL INFORMATION (CONT'D)

- (ii) we secured new contract from Olam Palm for the fabrication of bulking tanks for which we recognised revenue of RM4.3 million during the FYE 2019.

However, the above was partly offset by a lower revenue from PT Palmas Project Engineering by RM4.6 million for the fabrication of palm oil mill equipment which was near completion in the previous financial year.

Supply of materials and equipment

Our revenue contribution from the supply of material and equipment segment decreased by RM0.7 million to RM0.5 million (FYE 2018: RM1.2 million) during the FYE 2019 as a result of lower supply of construction materials such as cement, gravel, sand, bricks and High Density Poly Ethylene (HDPE) pipes to the Olam Group in Gabon for their internal usage in relation to a minor upgrading works for their palm oil mills during the FYE 2018.

Other activities

Revenue from our others segment also decreased by RM4.1 million to RM1.3 million (FYE 2018: RM5.4 million) mainly attributed to the absence of one-off project (site clearing and earthworks for a biomass power plant in Kluang) which contributed RM3.9 million or 71.8% of revenue in FYE 2018. The project was suspended in January 2019 and terminated by the customer in January 2022 at the request of our customer. In addition, we reversed RM0.5 million of our revenue which had been recognised during the FYE 2018 for work performed on the said project but yet to be billed.

By geographical locationsForeign markets

Foreign markets accounted for approximately 86.5% of our revenue for the FYE 2019, while local market contributed the remaining 13.5%, with Gabon, Africa remaining as the principal market for our foreign sales, accounting for approximately 79.6% of our revenue for the FYE 2019.

For the FYE 2019, sales derived from Gabon, Africa increased by approximately RM46.4 million to RM136.1 million (FYE 2018: RM89.7 million) mainly due to higher revenue recognition for new and on-going contracts from the Olam Group for the construction of workers' quarters, palm oil mill, kernel crushing plant and biogas plant, in which new contracts contributed approximately 31.5% of the total revenue from such contracts while the on-going projects contributed remaining 68.5% of the total revenue from such contracts. However, revenue from Liberia, Africa decreased by RM3.9 million to RM2.1 million (FYE 2018: RM6.0 million) mainly due to the completion of fabrication work for bulking tank and near completion of the construction of biogas plant during the FYE 2019.

Local market

Revenue from the local market increased by approximately RM14.1 million to RM23.0 million (FYE 2018: RM8.9 million) mainly due to higher orders and/or contracts for the upgrading works for palm oil mills and/or refinery, as well as fabrication of palm oil mill equipment for our local customers as explained above.

12. FINANCIAL INFORMATION (CONT'D)

For the FYE 2019, RM136.1 million or approximately 79.6% of our total revenue was denominated in EUR (FYE 2018: RM89.7 million or approximately 79.0%). During the FYE 2019, our revenue decreased by RM3.6 million due to strengthening of RM against EUR as follows:

	FYE 2018	FYE 2019	Variance due to movement in exchange rate	
			FYE 2019	Increase/(Decrease)
Revenue (EUR'000)	18,854	29,369	29,369	-
Revenue (RM'000)	89,734	136,131	⁽²⁾ 139,776	(3,645)
Exchange rate (RM per EUR)	⁽¹⁾ 4.7593	⁽¹⁾ 4.6352	⁽²⁾ 4.7593	(0.1241)

Notes:

- (1) Based on the average foreign exchange rates used in our combined financial statements to convert our sales denominated in EUR to RM.
- (2) Computed based on the average foreign exchange rate used for the FYE 2018.

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our total revenue decreased by RM17.2 million or approximately 10.1% to RM153.7 million (FYE 2019: RM170.9 million). This was mainly due to the decrease in revenue by RM30.9 million from construction of plants and facilities which was partly offset by the increase in revenue from supply of materials and equipment and other activities by RM12.6 million and RM1.8 million respectively.

By business segments**Construction of plants and facilities**

Revenue from our construction segment decreased by RM30.9 million or approximately 20.5% to RM119.5 million (FYE 2019: RM150.4 million) mainly attributed to the decrease in revenue from the Olam Group for the construction of facilities by RM84.3 million to RM13.6 million (FYE 2019: RM97.9 million) as most of the construction works for the workers' quarters, school and infrastructure facilities in Gabon were completed during the FYE 2019.

Such decrease was, however, partly offset by an increase in revenue from the construction of plants by RM53.1 million, which was mainly contributed by the progressive billings from the construction of a palm oil mill, kernel crushing plant and biogas plant for the Olam Group in Gabon, for which we recognised revenue of RM84.3 million during the FYE 2020 (FYE 2019: RM30.6 million).

12. FINANCIAL INFORMATION (CONT'D)Fabrication of equipment

For the FYE 2020, revenue from our fabrication segment decreased by RM0.9 million or approximately 4.8% to RM17.9 million (FYE 2019: RM18.8 million) mainly attributed to lower revenue contribution from Sime Darby Plantation Berhad by RM9.5 million for the fabrication of palm oil mill equipment which was near completion during the FYE 2019. Nevertheless, such a decrease was partly offset by a new contract secured from PT Putra Bongan Jaya, a subsidiary of Kuala Lumpur Kepong Berhad, for the fabrication of palm oil mill equipment in Indonesia which we recognised a revenue of RM8.1 million.

Supply of materials and equipment

We recorded an increase in revenue contribution from our supply of materials and equipment segment by RM12.6 million to RM13.1 million (FYE 2019: RM0.5 million) mainly attributed to the supply of piping materials to a paper pulp mill in Selangor amounting to RM11.8 million as well as the supply of heavy equipment to a contractor in Gabon for the Olam Group's project amounting to RM0.8 million.

Other activities

We recorded an increase in revenue contribution from our others segment by RM1.8 million to RM3.1 million (FYE 2019: RM1.3 million) mainly due to the supply of palm oil mill related spare parts to Olam Palm amounting to RM2.4 million for the FYE 2020 (FYE 2019: RM0.8 million).

By geographical locationsForeign markets

Foreign markets accounted for approximately 81.7% of our revenue for the FYE 2020, while local market contributed the remaining 18.3%, with Gabon, Africa remaining as the principal market for our foreign sales accounting for approximately 69.0% of our revenue for the FYE 2020. For the FYE 2020, sales derived from Gabon, Africa decreased by approximately RM30.1 million to RM106.0 million (FYE 2019: RM136.1 million) mainly due to lower revenue recognition following the completion of most contracts for the construction of workers' quarters in Gabon, Africa as explained above. Our foreign sales from Indonesia increased by RM10.9 million to RM18.7 million for the FYE 2020 (FYE 2019: RM7.8 million) mainly due to new orders secured from PT Putra Bongan Jaya as explained above.

Local markets

Revenue from the local market increased by approximately RM5.2 million to RM28.2 million (FYE 2019: RM23.0 million) mainly due to the revenue contribution from our supply of materials and equipment segment as explained above. However, this was partly offset with lower revenue contribution from our local customers such as Sime Darby Plantation Sdn Bhd.

12. FINANCIAL INFORMATION (CONT'D)

For the FYE 2020, RM106.0 million or approximately 69.0% of our total revenue was denominated in EUR (FYE 2019: RM136.1 million or approximately 79.6%). During the financial year, our revenue increased by RM3.8 million due to weakening of RM against EUR as follows:

	FYE 2019	FYE 2020	Variance due to movement in exchange rate	
			FYE 2020	Increase/(Decrease)
Revenue (EUR'000)	29,369	22,046	22,046	-
Revenue (RM'000)	136,131	106,020	⁽²⁾ 102,188	3,832
Exchange rate (RM per EUR)	⁽¹⁾ 4.6352	⁽¹⁾ 4.8090	⁽²⁾ 4.6352	0.1738

Notes:

- (1) Based on the average foreign exchange rates used in our combined financial statements to convert our sales denominated in EUR to RM.
- (2) Computed based on the average foreign exchange rate used for the FYE 2019.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our total revenue decreased marginally by RM0.5 million or approximately 0.3% to RM153.2 million (FYE 2020: RM153.7 million). This was mainly due to the decrease in revenue from the construction of plants and facilities and other activities by RM33.4 million and RM1.3 million respectively which was offset by the increase in revenue from the supply of materials and equipment and fabrication of equipment by RM19.1 million and RM15.2 million respectively.

By business segments**Construction of plants and facilities**

Revenue from our construction of plants segment decreased by RM75.8 million or approximately 73.0% to RM28.1 million (FYE 2020: RM103.9 million) primarily due to a RM69.0 million decrease in revenue from the Olam Group for the construction of plants following the completion of the construction works for a palm oil mill, kernel crushing plant and biogas plant in Gabon which were at the tail end of the project phases during the FYE 2021. In addition, there was no new project relating to construction of plants secured during the FYE 2021.

Such a decrease was, however, partly offset by an increase in revenue from the construction of facilities by RM42.4 million or approximately 271.8% to RM58.0 million (FYE 2020: RM15.6 million) which was mainly due to the following factors:

- (i) recognition of revenue from the irrigation project in Gabon awarded by Olam Palm in FYE 2021 amounting to RM38.3 million;
- (ii) increase in revenue from Customer A for the construction of facilities for glove manufacturing plants amounting to RM13.3 million; and
- (iii) the refurbishment and construction of buildings for an explosives manufacturing facility amounting to RM4.9 million during the FYE 2021.

This was, however, partly offset by the decrease in revenue from the Olam Group for the construction of facilities by RM13.6 million following the completion of the construction works for workers' quarters, school and other facilities in FYE 2020.

12. FINANCIAL INFORMATION (CONT'D)Fabrication of equipment

For the FYE 2021, revenue from our fabrication segment increased by RM15.2 million or approximately 84.9% to RM33.1 million (FYE 2020: RM17.9 million) which was mainly attributed to the following factors:

- (i) revenue contribution of RM7.4 million from GoodGloves Industries Sdn Bhd for the fabrication of stainless-steel tanks and piping works for a glove manufacturing plant in Malaysia;
- (ii) revenue contribution of RM4.0 million from Olam Palm for the fabrication of bulking tanks for a palm oil mill in Gabon which was completed in the FYE 2021; and
- (iii) a new contract secured from PT Palmas Project Engineering for the fabrication of palm oil mill equipment in Indonesia which we recognised a revenue of RM5.9 million during the FYE 2021.

Supply of materials and equipment

We recorded an increase in revenue from our supply of materials and equipment by RM19.1 million or 145.8% to RM32.2 million (FYE 2020: RM13.1 million) mainly attributed to the supply of spun piles to a palm oil mill in Indonesia amounting to RM18.5 million, increase in supply of heavy machinery and equipment to the contractors in Gabon by RM10.3 million, and the supply of piping materials to Olam Group amounting to RM1.1 million. However, this was partly offset by the decrease in supply of piping materials to a paper pulp mill by RM10.8 million upon full delivery of the remaining orders in FYE 2021.

Other activities

Revenue from our other activities decreased by RM1.3 million or 41.9% to RM1.8 million (FYE2020: RM3.1 million) mainly due to lower sales of palm oil related spare parts to Olam Palm amounting to RM1.1 million for the FYE 2021 (FYE 2020: RM2.4 million).

By geographical locationsForeign markets

Foreign markets accounted for approximately 72.7% of our revenue for the FYE 2021 (FYE 2020: 81.7%), while the local market contributed the remaining 27.3% (FYE 2020: 18.3%), with Gabon, Africa remaining as the principal market for our foreign sales accounting for approximately 45.4% of our revenue for the FYE 2021 (FYE 2020: 69.0%). For FYE 2021, sales derived from Gabon, Africa decreased by RM36.5 million or approximately 34.4% mainly due to lower revenue recognition following the completion of most contracts for the construction of plants, coupled with no new project relating to construction of plants was secured during the FYE 2021. This was, however, partly offset by the recognition of revenue from the irrigation project in Gabon awarded by Olam Palm in FYE 2021 as explained in this section. Our foreign sales from Indonesia increased by RM22.7 million to RM41.4 million for the FYE 2021 (FYE 2020: RM18.7 million) mainly due to the supply of spun piles to a palm oil mill in Indonesia and a new contract secured from PT Palmas Project Engineering as explained in this section.

Local markets

Revenue from the local market increased by approximately RM13.6 million to RM41.8 million (FYE 2020: RM28.2 million) mainly due to the construction of buildings and fabrication of stainless-steel tanks and piping works for a glove manufacturing plant.

12. FINANCIAL INFORMATION (CONT'D)

For the FYE 2021, RM31.2 million or approximately 20.4% of our total revenue was denominated in EUR (FYE 2020: RM106.0 million or approximately 69.0%). During the financial year, our revenue increased by RM0.5 million due to the weakening of RM against the EUR as follows:

	FYE 2020	FYE 2021	Variance due to movement in exchange rate	
			FYE 2021	Increase/(Decrease)
Revenue (EUR'000)	22,046	6,367	6,367	-
Revenue (RM'000)	106,020	31,163	30,619	544
Exchange rate (RM per EUR)	⁽¹⁾ 4.8090	⁽¹⁾ 4.8944	⁽²⁾ 4.8090	0.0854

Notes:

- (1) Based on the average foreign exchange rates used in our combined financial statements or consolidated financial statements to convert our sales denominated in EUR to RM.
- (2) Computed based on the average foreign exchange rate used for the FYE 2020.

(ii) Cost of sales

Our cost of sales comprises 3 main components, namely construction material costs, service costs (mainly subcontractors' and consultants' costs) as well as production overheads. Our cost of sales increased from RM86.1 million for the FYE 2018 to RM133.4 million for the FYE 2019 in tandem with our revenue growth during the FYE 2019. For the FYE 2020, our cost of sales decreased slightly by RM1.2 million to RM132.2 million notwithstanding a decrease in our revenue by 10.1% during the financial year mainly due to higher freight and logistic expenses and fixed overheads incurred amidst the MCO period. For the FYE 2021, our cost of sales decreased by RM6.3 million to RM125.9 million in line with the decrease in our revenue during the financial year.

(i) Construction material costs

Construction material costs represent the key component, accounting for approximately 56.1%, 56.8%, 48.2% and 39.4% of our cost of sales for the Financial Years Under Review respectively. As a turnkey contractor, we are responsible for the procurement of all required materials such as, among others:

- steel products and pipes which include plates, sheets, bars, rods and pipes used for the fabrication of palm oil milling plant and equipment and other equipment and structure;
- building materials which include cement, concrete, spun piles, gravel, bricks, sands, soil, wood, timber, plywood, cables and wires, electrical distribution, protection and control devices such as switchboards and switches, as well as plumbing systems;
- machinery and components of equipment which include, among others, pumps, motors, hydraulic components, control systems;
- heavy construction equipment;

12. FINANCIAL INFORMATION (CONT'D)

- hand tools and consumables; and
- fuel for the operation of construction equipment, generator sets and other equipment.

We source our raw materials from both local and foreign suppliers. For the Financial Years Under Review, 59.0%, 60.0%, 87.2% and 84.3% of our raw materials are sourced from local suppliers. We obtain quotations for raw materials from our suppliers before we submit our quotations and/or proposals to our customers. The prices of raw materials are mainly influenced by the overall market supply and demand conditions. Please refer to Section 9.1.7 of this Prospectus for further information on the risk relating to the fluctuations in the market price of steel based on the prevailing market conditions.

(ii) Service costs

Service costs comprise mainly the following:

- subcontractors' and consultants' costs

We engage subcontractors and contract workers for construction works such as earthworks, civil and structural works as well as mechanical and electrical works for our construction projects. We also subcontract some of our fabrication work to third parties.

We engage external consultants such as professional engineers, quantity surveyors and/or architects for the certification of work done at project sites. In addition, we also engage third party consultants to assist in technical design, specifications and engineering for our construction projects.

After securing a project, we would negotiate and agree upfront on the scope of work and cost of the subcontractors and consultants, including the workmanship and labour charges involved in delivering the outsourced work. We select subcontractors and consultants for our construction projects in closed tenders based on factors such as track record, financial strength, workmanship, efficiency, reliability, reputation, capacity and pricing;

- rental of machinery and equipment such as mobile cranes, forklifts and scaffolding used at our project sites; and
- freight and related charges for delivery of our raw materials/finished goods.

Service costs accounted for 35.5%, 36.4%, 46.0% and 54.9% of our cost of sales for the Financial Years Under Review respectively.

(iii) Production overheads

Production overheads comprise mainly the following:

- direct labour costs which consist of wages, salaries, bonuses, statutory contributions and other staff-related costs incurred in relation to our factory and project staff; and
- maintenance costs for our fabrication machinery and equipment such as cutting machines, bending machines and CNC machines used at our fabrication facility;

12. FINANCIAL INFORMATION (CONT'D)

Production overheads accounted for approximately 8.4%, 6.8%, 5.8% and 5.7% of our cost of sales for the Financial Years Under Review respectively.

Our cost of sales is mainly driven by the following factors:

- (i) fluctuation in prices of our raw materials (steel and building materials) which is influenced by overall market supply and demand conditions;
- (ii) our ability to source for subcontractors and consultants for our construction projects at competitive prices and to maintain long-term working relationship with them; and
- (iii) our ability to implement and manage our projects in a timely and cost-effective manner.

(a) Cost of sales by cost components

The table below sets out our cost of sales by cost components for the Financial Years Under Review:

	<-----Audited----->							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Material costs	48,275	56.1	75,802	56.8	63,656	48.2	49,613	39.4
Service costs	30,583	35.5	48,468	36.4	60,854	46.0	69,118	54.9
Production overheads	7,204	8.4	9,099	6.8	7,710	5.8	7,208	5.7
Total	86,062	100.0	133,369	100.0	132,220	100.0	125,939	100.0

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12. FINANCIAL INFORMATION (CONT'D)**(b) Cost of sales by business segments**

The table below sets out our cost of sales by business segments for the Financial Years Under Review:

	<-----Audited----->							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Construction of plants and facilities								
• Plants								
Material costs	8,440	9.8	27,121	20.4	39,163	29.6	2,894	2.3
Service costs	6,376	7.4	12,291	9.2	45,880	34.7	15,628	12.4
Production overheads	755	0.9	2,297	1.7	5,191	3.9	3,074	2.4
	15,571	18.1	41,709	31.3	90,234	68.2	21,596	17.1
• Facilities								
Material costs	31,583	36.7	37,672	28.3	2,986	2.3	11,494	9.1
Service costs	18,385	21.3	29,576	22.2	6,877	5.2	36,463	29.0
Production overheads	5,405	6.3	4,846	3.6	407	0.3	1,155	0.9
	55,373	64.3	72,094	54.1	10,270	7.8	49,112	39.0
	70,944	82.4	113,803	85.4	100,504	76.0	70,708	56.1
Fabrication of equipment								
Material costs	6,508	7.6	9,998	7.5	9,654	7.3	15,632	12.4
Service costs	2,333	2.7	5,742	4.3	6,937	5.2	10,599	8.4
Production overheads	857	1.0	1,750	1.3	1,679	1.3	2,713	2.2
	9,698	11.3	17,490	13.1	18,270	13.8	28,944	23.0
Supply of materials and equipment								
Material costs	145	0.2	280	0.2	10,547	8.0	18,613	14.8
Service costs	-	-	-	-	782	0.6	6,345	5.0
Production overheads	-	-	-	-	20	0.0	238	0.2
	145	0.2	280	0.2	11,349	8.6	25,196	20.0
Other activities								
Material costs	1,599	1.9	731	0.5	1,306	1.0	980	0.8
Service costs	3,489	4.0	859	0.6	378	0.3	83	0.1
Production overheads	187	0.2	206	0.2	413	0.3	28	-*
	5,275	6.1	1,796	1.3	2,097	1.6	1,091	0.9
Total	86,062	100.0	133,369	100.0	132,220	100.0	125,939	100.0

Note:

* Negligible

12. FINANCIAL INFORMATION (CONT'D)**(c) Cost of sales by geographical locations**

The table below sets out our cost of sales by geographical locations for the Financial Years Under Review:

	<-----Audited----->							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	8,035	9.3	24,049	18.0	31,365	23.7	36,022	28.6
<u>Foreign</u>								
Gabon	56,350	65.5	96,978	72.7	77,435	58.6	54,058	42.9
Liberia	9,679	11.3	1,145	0.9	74	0.1	34	-*
Indonesia	11,998	13.9	9,398	7.1	23,341	17.6	35,825	28.5
India	-	-	1,799	1.3	5	-*	-	-
	78,027	90.7	109,320	82.0	100,855	76.3	89,917	71.4
Total	86,062	100.0	133,369	100.0	132,220	100.0	125,939	100.0

Note:

* Negligible.

(d) Commentaries on cost of sales**Comparison between FYE 2018 and FYE 2019**

For the FYE 2019, our cost of sales increased by RM47.3 million or approximately 55.0% to RM133.4 million (FYE 2018: RM86.1 million) in line with our revenue growth. Cost of sales from the construction segment increased by approximately RM42.9 million or 60.5% to RM113.8 million (FYE 2018: RM70.9 million) mainly due to:

- (i) increase in material costs by approximately RM24.8 million or 62.0% to RM64.8 million (FYE 2018: RM40.0 million) mainly as a result of higher consumption of steel products and building materials as we secured new construction contracts from the Olam Group;
- (ii) increase in service costs by approximately RM17.1 million or 69.0% to RM41.9 million (FYE 2018: RM24.8 million) as a result of additional contract workers and/or subcontractors engaged to perform construction works at our project sites to cater for the new contracts secured and higher rental of machinery and equipment, freight and logistic costs for shipment and/or delivery of fabricated components to our project sites, as well as site expenses due to the increase in number of construction workers at our project sites; and
- (iii) increase in production overheads by approximately RM0.9 million or 14.5% to RM7.1 million (FYE 2018: RM6.2 million) mainly due to increase in factory wages as a result of higher overtime cost incurred to undertake the fabrication work, higher bonus for the project staff, as well as higher maintenance costs for our machineries during the FYE 2019.

Cost of sales from the fabrication segment increased by approximately RM7.8 million or 80.4% to RM17.5 million (FYE 2018: RM9.7 million) mainly due to:

12. FINANCIAL INFORMATION (CONT'D)

- (i) increase in material costs by approximately RM3.5 million or 53.8% to RM10.0 million (FYE 2018: RM6.5 million) as we secured new contracts for the fabrication of palm oil mill equipment and building tanks during the FYE 2019, as explained in Section 12.3.1(i)(c) of this Prospectus; and
- (ii) increase in production overheads by approximately RM0.9 million or 100.0% to RM1.8 million (FYE 2018: RM0.9 million) mainly due to an increase in factory wages as a result of higher overtime cost incurred to undertake the fabrication work and higher maintenance costs for our machineries during the FYE 2019.

Notwithstanding the lower revenue recorded in FYE 2019 from supply of materials and equipment segment, cost of sales from supply of materials and equipment segment increased by approximately RM0.2 million or 200.0% to RM0.3 million (FYE 2018: RM0.1 million) mainly due to higher cost of supply for the cement foundations.

Cost of sales from other activities segment decreased by approximately RM3.5 million or 66.0% to RM1.8 million (FYE 2018: RM5.3 million) in line with the suspension of site clearing and earthworks for a biomass power plant in Kluang. The higher cost of sales from other activities for the FYE 2018 was mainly in relation to the cost incurred such as the subcontractors' costs for the site clearing and earthworks for the biomass power plant in Kluang.

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, notwithstanding a decrease in our revenue by 10.1%, our cost of sales only decreased slightly by RM1.2 million or approximately 0.9% to RM132.2 million (FYE 2019: RM133.4 million) mainly due to the following reasons:

Cost of sales from the construction segment decreased by approximately RM13.3 million or 11.7% to RM100.5 million (FYE 2019: RM113.8 million) mainly due to:

- (i) decrease in material costs by approximately RM22.7 million or 35.0% to RM42.1 million (FYE 2019: RM64.8 million) mainly due to lower consumption of building materials by RM16.5 million, as well as hand tools and fuel by RM4.1 million as we completed most of the construction works for the workers' quarters and infrastructure facilities for the Olam Group during the FYE 2019. However, such decrease was partly offset by higher purchase of steel products and pipes by RM7.2 million for the fabrication of palm oil mill equipment and structures, as well as rising steel prices towards the end of FYE 2020; and
- (ii) decrease in production overheads by approximately RM1.5 million or 21.1% to RM5.6 million (FYE 2018: RM7.1 million) mainly due to the reclassification of the salary of our project director from direct labour under cost of sales to indirect labour under administrative expenses, coupled with the decrease in factory wages due to lower fabrication activities at our factory during the MCO period. For the FYE 2020, we recorded higher production overheads by RM2.9 million or 126.1% to RM5.2 million (FYE 2019: RM2.3 million) for the construction of plants segment mainly due to fulfilment of on-going palm oil mills projects. However, such higher production overheads for the construction of plants segment was partly offset by the decrease in the production overheads for the construction of facilities segment by RM4.4 million or 91.7% to RM0.4 million (FYE 2019: RM4.8 million) in line with the revenue for this segment.

12. FINANCIAL INFORMATION (CONT'D)

However, such decreases were partly offset by higher service costs such as higher freight and logistic expenses by RM7.3 million as a result of more shipments and/or delivery of fabricated components to our project sites in Gabon and Indonesia wherein due to the delay in the project progress for the Indonesia project arising from COVID-19 impact, we had to deliver our fabricated components in batches and hence resulted in additional shipments, coupled with the increase in freight rate during the COVID-19 pandemic period. The freight rates for Indonesia have increased from RM280 per m³ to RM450 per m³, which represent an increase of approximately 60.7% while the freight rates for Gabon have increased from RM11,386 per 40-foot high cube container to RM27,286 per 40-foot high cube container, which represent an increase of approximately 140%. In addition, subcontractors' cost also increased by RM1.2 million as we engaged more subcontractors for electrical and installation works in Gabon for the construction of palm oil mills during the FYE 2020.

Cost of sales from the fabrication segment increased by approximately RM0.8 million or 4.6% to RM18.3 million (FYE 2019: RM17.5 million) mainly due to increase in service costs by approximately RM1.2 million or 21.1% to RM6.9 million (FYE 2019: RM5.7 million) mainly due to higher freight and logistic expenses by RM1.7 million as a result of more shipments and/or delivery of fabricated components to our project sites in Gabon and Indonesia, coupled with the increase in freight rate during the COVID-19 pandemic period.

However, such increase was partly offset by the decrease in material cost by approximately RM0.3 million or 3.0% to RM9.7 million (FYE 2019: RM10.0 million) mainly due to lower procurement of machinery and components of equipment and hand tools. In addition, factory wages decreased due to lower fabrication activities at our factory during the MCO period.

Cost of sales from the supply of materials and equipment segment increased approximately by RM11.0 million or 3,666.7% to RM11.3 million (FYE 2019: RM0.3 million) mainly due to increase in supply of piping materials to the paper pulp mill and heavy equipment to a contractor in Gabon as explained in Section 12.3.1(i)(c) of this Prospectus.

Cost of sales from the other activities segment also increased by approximately RM0.3 million or 16.7% to RM2.1 million (FYE 2019: RM1.8 million) mainly attributable to the increase in the supply of palm oil mill related spare parts to the Olam Group.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our cost of sales decreased by RM6.3 million or approximately 4.8% to RM125.9 million (FYE 2020: RM132.2 million) mainly due to the following reasons:

Cost of sales from the construction segment decreased by approximately RM29.8 million or 29.7% to RM70.7 million (FYE 2020: RM100.5 million) mainly due to:

- (i) decrease in material costs by approximately RM27.7 million or 65.8% to RM14.4 million (FYE 2020: RM42.1 million) mainly due to lower consumption of steel materials and pipes as well as machinery and components for equipment which was partly offset by higher consumption of building materials. This was in line with the decrease in revenue recognised from the construction of plants segment which consumed mainly the steel materials and pipes in FYE 2021 and the increase in revenue recognised from the construction of facilities segment which consumed mainly the building materials in FYE 2021;

12. FINANCIAL INFORMATION (CONT'D)

- (ii) decrease in service costs by approximately RM0.7 million or 1.3% to RM52.1 million (FYE 2020: RM52.8 million) mainly due to the decrease in service cost by RM30.3 million for the construction of plants segment which was in line with the decrease in revenue recognised from this segment. Such decrease, however, was partly offset by the increase in service costs by RM29.6 million for the construction of facilities segment as we engaged more subcontractors and contract workers to perform construction works at our project sites to cater for the new contracts secured; and
- (iii) decrease in production overheads by approximately RM1.4 million or 25.0% to RM4.2 million (FYE 2020: RM5.6 million) mainly due to the decrease in production overhead by RM2.1 million for the construction of plants segment which was in line with the decrease in revenue for this segment. However, it was partly offset by the increase in production overhead by RM0.8 million for the construction of facilities which was attributed to higher wages incurred in line with higher revenue recorded for the construction of facilities for the FYE 2021.

Cost of sales from the fabrication segment increased by RM10.6 million or approximately 57.9% to RM28.9 million (FYE 2020: RM18.3 million) mainly due to:

- (i) increase in material costs by approximately RM5.9 million or 60.8% to RM15.6 million (FYE 2020: RM9.7 million) mainly due to higher procurement of materials for the fabrication works for a glove manufacturing plant in Malaysia and a new palm oil mill in Indonesia, as well as the fabrication of bulking tanks for Olam Palm which was completed in the FYE 2021; and
- (ii) increase in service costs by approximately RM3.7 million or 53.6% to RM10.6 million (FYE 2020: RM6.9 million) as we engaged subcontractors for the fabrication of tanks and piping works for a new glove manufacturing plant, ESP for a biomass power plant and tanks for an existing palm oil refinery in Malaysia. We also engaged contract workers for the installation and erection of tanks for a palm oil mill in Gabon.

Cost of sales from the supply of materials and equipment segment increased approximately by RM13.9 million or 123.0% to RM25.2 million (FYE 2020: RM11.3 million) mainly due to:

- (i) increase in material costs by approximately RM8.1 million or 77.1% to RM18.6 million (FYE 2020: RM10.5 million) mainly due to increase in supply of spun piles to a palm oil mill in Indonesia and the supply of heavy machinery and equipment to the contractors in Gabon as explained in Section 12.3.1(i)(c); and
- (ii) increase in service costs by approximately RM5.5 million or 687.5% to RM6.3 million (FYE 2020: RM0.8 million) mainly due to higher freight and logistics expenses for the delivery of heavy machinery and equipment and spun piles to Gabon and Indonesia, respectively.

Cost of sales from the other activities segment decreased by approximately RM1.0 million or 47.6% to RM1.1 million (FYE 2020: RM2.1 million) mainly attributed to lower supply of palm oil related spare parts to Olam Palm during the FYE 2021.

12. FINANCIAL INFORMATION (CONT'D)**(iii) GP and GP margin****(a) GP and GP margin by business segments**

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

GP

	<-----Audited----->							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Construction of plants and facilities								
• Plants	(5,202)	(18.9)	9,123	24.3	13,643	63.5	6,549	24.1
• Facilities	31,417	114.0	27,455	73.1	5,371	25.0	8,856	32.5
	26,215	95.1	36,578	97.4	19,014	88.5	15,405	56.6
Fabrication of equipment	215	0.8	1,354	3.5	(345)	(1.6)	4,116	15.1
Supply of materials and equipment	1,021	3.7	171	0.5	1,780	8.3	7,037	25.9
Other activities	114	0.4	(544)	(1.5)	1,024	4.8	666	2.4
Total	27,565	100.0	37,559	100.0	21,473	100.0	27,224	100.0

GP margin

	<-----Audited----->			
	FYE 2018	FYE 2019	FYE 2020	FYE 2021
	%	%	%	%
Construction of plants and facilities				
• Plants	-#	17.9	13.1	23.3
• Facilities	36.2	27.6	34.3	15.3
Fabrication of equipment	2.2	7.2	-#	12.5
Supply of materials and equipment	87.6	37.9	13.6	21.8
Other activities	2.1	-#	32.8	37.9
Overall GP margin	24.3	22.0	14.0	17.8

Note:

Not applicable due to gross loss recorded.

12. FINANCIAL INFORMATION (CONT'D)**(b) GP and GP margin by geographical locations**GP

	<-----Audited----->							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	833	3.0	(1,022)	(2.7)	(3,187)	(14.8)	5,827	21.4
Foreign								
Gabon	33,384	121.1	39,153	104.2	28,585	133.1	15,446	56.8
Liberia	(3,673)	(13.3)	910	2.4	691	3.2	417	1.5
Indonesia	(2,979)	(10.8)	(1,577)	(4.1)	(4,611)	(21.5)	5,534	20.3
India	-	-	93	0.2	(5)	*	-	-
Singapore	-*	-*	2	-*	-	-	-	-
	26,732	97.0	38,581	102.7	24,660	114.8	21,397	78.6
Total	27,565	100.0	37,559	100.0	21,473	100.0	27,224	100.0

Note:

* Negligible.

GP margin

	<-----Audited----->			
	FYE 2018	FYE 2019	FYE 2020	FYE 2021
	%	%	%	%
Malaysia	9.4	_#	_#	13.9
Foreign				
Gabon	37.2	28.8	27.0	22.2
Liberia	_#	44.3	90.3	92.5
Indonesia	_#	_#	_#	13.4
India	-	4.9	_#	-
Singapore	100.0	100.0	-	-
Overall GP margin	24.3	22.0	14.0	17.8

Note:

Not applicable due to gross loss recorded.

(c) Commentaries on GP**Comparison between FYE 2018 and FYE 2019**

Our GP for the FYE 2019 increased by RM10.0 million or approximately 36.2% to RM37.6 million (FYE 2018: RM27.6 million) mainly attributable to the following reasons:

- (i) we recorded GP of RM9.1 million from our construction of plants segment for the FYE 2019 as compared to gross loss of RM5.2 million for the FYE 2018 mainly due to profits from newly secured contracts for the construction of palm oil mill, kernel crushing and biogas plants from the Olam Group.

12. FINANCIAL INFORMATION (CONT'D)

The gross loss incurred for the FYE 2018 was mainly due to one-off partial reversal of revenue of RM3.1 million, which was caused by the termination of contract to fabricate mechanical works for the palm oil mill project in Indonesia by our customer. The contract was terminated as a result of termination of work for the entire palm oil mill project due to site possession issues faced by our customer during the FYE 2018, as disclosed in Section 9.1.4 of this Prospectus. The products were delivered to the site based on the instruction of our customer prior to the site possession being obtained by the customer. Our Group was not aware that the site possession had not been obtained by the customer.

Our Group had previously recognised the revenue of RM17.8 million based on the stage of completion and incurred cost of RM15.4 million prior to FYE 2018. Prior to the termination of the project, our Group had completed 100% of the works and was pending the delivery to the site. However, following the termination of work, both our Group and the customer had agreed on a final claim amounted to RM14.7 million which represents 94.8% of our cost incurred. This had caused the reversal of revenue of RM3.1 million in the FYE 2018. Our Group was only able to recover 94.8% of the cost incurred for the project and the amount had been fully collected. Such actual corresponding costs incurred was expensed off from FYE 2014 to FYE 2017 in compliance with the MFRS 15 and hence no reversal.

In addition, we also incurred additional costs of RM3.1 million due to some additional work carried out for the commissioning of the palm oil mill in Liberia, Africa during the FYE 2018, for which revenue had been fully recognised during the FYE 2017. The construction of palm oil was fully completed and commissioned in the FYE 2017 where all revenue and cost have been fully recognised in the same year. However, following the commissioning of the palm oil mills, the project owner requested our Group to assist to perform additional electrical and piping works to enhance the process flow which our Group agreed on the basis of goodwill taking into consideration the business relationship. No revenue was recognised for such additional work done and it was not part of warranty or defect liability works. The GP of this project after taking into account of the cost for the additional work done is RM9.4 million; and

- (ii) we recorded GP of RM1.4 million from our fabrication segment for the FYE 2019 (FYE 2018: RM0.2 million) mainly due to the higher revenue generated during the FYE 2019 as explained under Section 12.3.1(i)(c) of this Prospectus.

Nevertheless, the above increase in GP was partly offset by the following:

- (i) lower GP recorded for our construction of facilities segment of RM27.5 million (FYE 2018: RM31.4 million) despite a higher revenue contribution by RM12.7 million from the said segment mainly due to lower contract pricing negotiated for the construction of workers' quarters for the palm oil plantation community and rubber plantation community located in Gabon;
- (ii) lower GP recorded for our supply of materials and equipment segment of RM0.2 million (FYE 2018: RM1.0 million) mainly due to lower revenue generated during the FYE 2019 as explained under Section 12.3.1(i)(c) of this Prospectus; and

12. FINANCIAL INFORMATION (CONT'D)

- (iii) gross loss recorded for our other activities segment of RM0.5 million for the FYE 2019 as compared to GP of RM0.2 million for the FYE 2018 mainly due to the cost incurred for the FYE 2019 which was not claimable and the partial reversal of revenue of RM0.5 million which was previously recognised during the FYE 2018 for work performed but yet to be billed as a result of the suspension of site clearing and earthworks for a biomass power plant in Kluang at the request of our customer.

We recorded gross loss of RM1.0 million in Malaysia for the FYE 2019 mainly due to the suspension of site clearing and earthworks for a biomass power plant in Kluang as explained in this section and Section 9.1.4 of this Prospectus.

We recorded gross loss of RM3.0 million in Indonesia for the FYE 2018 mainly attributable to the termination of work for the palm oil mill project in Indonesia by our customer due to site possession issue as explained in this section and Section 9.1.4 of this Prospectus. For the FYE 2019, we recorded gross loss of RM1.6 million mainly due to the construction of palm oil mill in Indonesia as a result of the anticipated gross loss caused by additional custom clearance cost.

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our GP decreased by RM16.1 million or approximately 42.8% to RM21.5 million (FYE 2019: RM37.6 million) mainly attributable to the following reasons:

- (i) decrease in GP from our construction of facilities segment by RM22.1 million to RM5.4 million (FYE 2019: RM27.5 million) which was in line with the decrease in the revenue as most of the construction projects for the workers' quarters and infrastructure facilities were completed during the FYE 2019; and
- (ii) our fabrication segment recorded a gross loss of RM0.3 million for the FYE 2020 as compared to a GP of RM1.4 million for the FYE 2019 mainly due to:
- cost overrun attributed to the freight and logistic cost and fixed overhead amounting to RM0.4 million as explained in Section 12.3.1(ii)(d) above; and
 - a total LAD of RM1.0 million (including a provision for LAD of RM0.6 million and RM0.4 million which was set off against the progressive billing) for the fabrication of palm oil mill equipment for Sime Darby Plantation Berhad due to the delay in the supply of parts from the supplier appointed by the customer. For clarification, we were unable to claim any LAD from such supplier as our purchase order with the supplier did not have such provisions.

Notwithstanding the above, the decrease in GP was partly offset by the following:

- (i) increase in GP from our construction of plants segment by RM4.5 million to RM13.6 million (FYE 2019: RM9.1 million) which was in line with the higher revenue recorded for the construction of plants for the Olam Group;
- (ii) increase in GP from our supply of materials and equipment segment by RM1.6 million to RM1.8 million (FYE 2019: RM0.2 million) mainly due to new contracts secured for the supply of piping materials to a paper pulp mill in Selangor and heavy equipment to a contractor in Gabon in the FYE 2020; and
- (iii) GP recorded for our other activities segment of RM1.0 million for the FYE 2020 as compared to a gross loss of RM0.5 million for the FYE 2019 mainly due to higher sales of palm oil related spare parts to Olam Palm during the FYE 2020.

12. FINANCIAL INFORMATION (CONT'D)

For the FYE 2020, we recorded gross loss of RM3.2 million in Malaysia mainly due to the following:

- (i) gross loss incurred for the fabrication of palm oil mill equipment for Sime Darby Plantation Berhad as explained in this section and Section 7.3.5(b) of this Prospectus; and
- (ii) gross loss of RM2.2 million for the upgrading work for a palm oil mill in Malaysia.

We recorded gross loss of RM4.6 million in Indonesia for the FYE 2020 mainly due to the construction of palm oil mill in Indonesia as a result of COVID-19 and other external factors such as cost overrun from the delay in the progress of the project, additional custom clearance cost, rising shipment costs and steel prices which we were unable to pass on to the customer as explained in Section 12.3.1(ii)(d) above.

Comparison between FYE 2020 and FYE 2021

Our GP for the FYE 2021 increased by RM5.7 million or approximately 26.5% to RM27.2 million (FYE 2020: RM21.5 million) mainly attributed to the following:

- (i) increase in GP from our construction of facilities segment by RM3.5 million to RM8.9 million (FYE 2020: RM5.4 million) which was in line with the increase in revenue contribution from the irrigation project in Gabon and construction of buildings for a new glove manufacturing plant in Malaysia;
- (ii) we recorded GP from our fabrication segment of RM4.1 million as compared to gross loss of RM0.3 million for the FYE 2020 mainly due to newly secured contract for the fabrication of stainless-steel tanks and piping works for a glove manufacturing plant and the contract for the fabrication of bulking tanks for a palm oil mill from Olam Group; and
- (iii) increase in GP from our supply of materials and equipment segment by RM5.2 million to RM7.0 million (FYE 2020: RM1.8 million) which was mainly attributed to higher revenue recorded from the supply of spun piles to a palm oil mill in Indonesia and the supply of heavy machinery and equipment to the contractors in Gabon.

Notwithstanding the above, the increase in GP was partly offset by the following:

- (i) decrease in GP from our construction of plants segment by RM7.1 million to RM6.5 million (FYE 2020: RM13.6 million) which was in line with the decrease in revenue as most of the construction of plants projects which were at the tail end of the project phases were completed during the FYE 2021; and
- (ii) decrease in GP from other activities segment by RM0.3 million to RM0.7 million (FYE 2020: RM1.0 million) mainly due to lower sales of palm oil related spare parts to Olam Palm during the FYE 2021.

12. FINANCIAL INFORMATION (CONT'D)**(d) Commentaries on GP margin****Comparison between FYE 2018 and FYE 2019**

For the FYE 2019, our overall GP margin decreased to 22.0% (FYE 2018: 24.3%) mainly attributable to the following reasons:

- (i) lower GP margin of 27.6% recorded from our construction of facilities segment for the FYE 2019 (FYE 2018: 36.2%) mainly due to the contracts secured during the FYE 2018 in relation to the construction of workers' quarters in Gabon were of lower contract pricing as part of the contracts negotiation; and
- (ii) lower GP margin of 37.9% recorded from our supply of materials and equipment segment (FYE 2018: 87.6%) mainly due to lower revenue generated during the FYE 2019 as explained under Section 12.3.1(i)(c) of this Prospectus.

However, the decrease in the GP margin was partly offset by the following:

- (i) higher GP margin of 17.9% recorded from our construction of plants segment for the FYE 2019 as compared to a gross loss of RM5.2 million for the FYE 2018 mainly due to contribution from the construction projects for Olam Palm in Gabon during the FYE 2019; and
- (ii) the increase in GP margin for fabrication of equipment segment to 7.2% for the FYE 2019 (FYE 2018: 2.2%) mainly due to higher GP margin for the fabrication of bulking tanks for Olam Palm.

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our overall GP margin decreased to 14.0% (FYE 2019: 22.0%) mainly due to the following reasons:

- (i) lower GP margin of 13.1% from our construction of plants segment (FYE 2019: 17.9%) mainly due to a gross loss of RM4.6 million recorded for our construction of palm oil mill in Indonesia as a result of COVID-19 and other external factors such as cost overrun from the delay in the progress of the project, additional custom clearance cost, rising shipment costs and steel prices which we were unable to pass on to the customer, and gross loss of RM2.2 million for the upgrading work for a palm oil mill in Malaysia as a result of COVID-19 and other external factors such as cost overrun from the delay in the progress of the project, and steel prices which we were unable to pass on to the customer;
- (ii) lower GP contribution from the construction of facilities segment for the FYE 2020, which has a higher GP margin as compared to the construction of plant segment. The higher GP margin for the construction of facilities for the FYE 2020 of 34.3% (FYE 2019: 27.6%) was mainly due to higher GP margin contracts secured for the construction of workers' quarters in Gabon. Despite higher GP margin, the GP contribution from the construction of facilities decreased from RM27.5 million in FYE 2019 to RM5.4 million in FYE 2020 which contributed the overall decrease in GP margin of our Group; and
- (iii) lower GP margin of 13.6% from our supply of materials and equipment segment for FYE 2020 mainly due to low margin supply contract secured (FYE 2019: 37.9%).

12. FINANCIAL INFORMATION (CONT'D)

However, we recorded higher GP margin for our other activities segment of 32.8% for the FYE 2020 as compared to a gross loss of RM0.5 million for the FYE 2019 mainly due to higher sales of palm oil related spare parts to Olam Palm during the FYE 2020.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our overall GP margin increased to 17.8% (FYE 2020:14.0%) mainly due to the following:

- (i) higher GP margin of 23.3% recorded from our construction of plants segment (FYE 2020: 13.1%) due to recognition of revenue from variation orders of which the works have been completed in FYE 2020;
- (ii) GP margin of 12.5% from our fabrication of equipment segment during the FYE 2021 as compared to a gross loss recorded in the FYE 2020; and
- (iii) higher GP margin of 21.8% recorded from our supply of materials and equipment segment (FYE 2020: 13.6%) due to the higher margin supply contracts secured.

However, the increase in the GP margin was mitigated by the decrease in GP margin from construction of facilities to 15.3% for the FYE 2021 (FYE 2020: 34.3%) owing to the contracts revenue recognised during the FYE 2021 were mainly at competitive pricing compared to those in FYE 2020 and the contracts revenue recognised during the FYE 2020 in relation to the construction of workers' quarters in Gabon were of higher contract pricing.

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12. FINANCIAL INFORMATION (CONT'D)**(iv) Other income**

The table below sets out our other income for the Financial Years Under Review:

	<-----Audited----->							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest income	221	60.4	211	48.7	271	20.2	194	33.5
Gain on disposal of property, plant and equipment	85	23.2	47	10.9	47	3.5	60	10.4
Rental and lease income ⁽¹⁾	58	15.9	165	38.1	186	13.9	186	32.1
Fair value gain on other investment ⁽²⁾	-	-	-	-	278	20.7	117	20.2
Insurance claimed ⁽³⁾	-	-	-	-	179	13.3	-	-
Wage subsidy ⁽⁴⁾	-	-	-	-	134	10.0	22	3.8
Realised gain on foreign exchange	2	0.5	-	-	213	15.9	-	-
Others ⁽⁵⁾	-	-	10	2.3	33	2.5	-	-
Total	366	100.0	433	100.0	1,341	100.0	579	100.0

Notes:

- (1) Derived mainly from the rental of buildings to one of our Key Senior Management, Tia Tuan Sim as accommodation (amounting to RM0.1 million per year) and rental of office space to Buildwiser Sdn Bhd.
- (2) Being fair value gain on the insurance policy (key man insurance) required by a bank to insure one of our executive directors for a credit facility.
- (3) Being insurance compensation for damages caused by hailstorm to the workers' quarter constructed by our Group at the project site in Gabon.
- (4) Being subsidy received from Social Security Organisation under the Wage Subsidy Programme.
- (5) Comprised mainly income from sales of scrap metal.

Commentaries on other income**Comparison between FYE 2018 and FYE 2019**

Our other income remained relatively consistent for the FYE 2019 as compared to the FYE 2018. Our rental and lease income increased by approximately RM0.1 million to RM0.2 million (FYE 2018: RM0.1 million) mainly due to the partial recognition in FYE 2018 as the rental commenced in August 2018 for Buildwiser and September 2018 for Tia Tuan Sim respectively.

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our other income increased by RM0.9 million to RM1.3 million (FYE 2019: RM0.4 million) mainly due to the following:

- (i) receipt of wage subsidy of RM0.1 million;
- (ii) insurance claims of RM0.2 million;

12. FINANCIAL INFORMATION (CONT'D)

- (iii) recognition of fair value gain on insurance taken on an executive director of RM0.3 million; and
- (iv) realised gain on foreign exchange of RM0.2 million.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our other income decreased by RM0.7 million to RM0.6 million (FYE 2020: RM1.3 million) mainly due to the following:

- (i) decrease in interest income by RM0.1 million mainly due to lower interest rate in the FYE 2021;
- (ii) decrease in the recognition of fair value gain on the insurance policy taken on by an executive director by RM0.2 million in accordance with MFRS 9;
- (iii) decrease in insurance claims by RM0.2 million as no claim was made during the FYE 2021.
- (iv) decrease in wage subsidy by RM0.1 million; and
- (v) absence of realised gain on foreign exchange due to the fluctuation of the exchange rate during the FYE 2021 (FYE 2020: RM0.2 million).

12. FINANCIAL INFORMATION (CONT'D)**(v) Administrative expenses**

The table below sets out a breakdown of our administrative expenses for the Financial Years Under Review:

	<-----Audited----->							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Directors' remuneration	3,062	20.9	3,703	24.9	3,976	29.9	4,406	30.9
Travelling expenses	2,840	19.4	2,636	17.7	1,567	11.8	1,636	11.5
Depreciation of property plant and equipment and right-of-use assets	1,814	12.4	1,653	11.1	1,308	9.8	1,259	8.8
Staff costs	1,464	10.0	2,127	14.3	3,084	23.2	3,779	26.4
Rental expenses	227	1.5	487	3.3	121	0.9	144	1.0
Upkeep of property plant and equipment	736	5.0	880	5.9	370	2.8	302	2.1
Legal and professional fees	341	2.3	470	3.2	1,153	8.7	932	5.6
Insurance charges	406	2.8	255	1.7	277	2.1	585	4.1
Utility charges	228	1.6	498	3.3	314	2.4	253	1.8
Permit and licence fees	2,288	15.6	639	4.3	50	0.4	44	0.3
Bank charges	177	1.2	65	0.4	82	0.6	63	0.4
Entertainment expenses	149	1.0	290	2.0	70	0.5	38	0.3
Telephone, postage and stationery charges	232	1.6	227	1.5	118	0.9	149	1.0
Others ⁽¹⁾	693	4.7	955	6.4	791	6.0	695	5.8
Total	14,657	100.0	14,885	100.0	13,281	100.0	14,285	100.0

Note:

- (1) Included security fees, quite rent and assessment, processing and tender fee, office and sundry expenses and audit fees.

Commentaries on administrative expenses**Comparison between FYE 2018 and FYE 2019**

For the FYE 2019, our administrative expenses increased by RM0.2 million or approximately 1.4% to RM14.9 million (FYE 2018: RM14.7 million) mainly due to the following factors:

- (i) increase in directors' remuneration by RM0.7 million due to annual increment and higher bonus for our directors in line with our improved performance for the FYE 2019;
- (ii) increase in staff costs by RM0.7 million attributed to the overall annual increment and higher bonus as well as an increase in headcounts by 9 employees from 83 employees as at 31 December 2018 to 92 employees as at 31 December 2019 to cater for the continuous expansion of our operations;
- (iii) increase in rental expenses by RM0.3 million as a result of the rental of temporary premises as accommodation and rental of motor vehicles for our staff, contract workers and/or subcontractors in Gabon; and

12. FINANCIAL INFORMATION (CONT'D)

- (iv) increase in entertainment expenses by RM0.1 million and other expenses by RM0.3 million due to higher tender fees and interest charged by trade creditor for longer credit term granted.

The above increase in expenses were, however, partly offset by the decrease in permit and licence fees, which were the back charges to us by Olam Group as Olam Group, being the project owner had applied for the work permits for our employees, contract workers and subcontractors sent to Gabon to undertake the construction works at the project sites of RM1.7 million for the FYE 2019 due to lesser staff, contract workers and/or subcontractors was sent to Gabon as compared to the FYE 2018.

Comparison between FYE 2019 and FYE 2020

For the FYE 2019, our administrative expenses decreased by RM1.6 million or approximately 10.7% to RM13.3 million (FYE 2018: RM14.9 million) mainly due to the following factors:

- (i) decrease in the travelling expenses by RM1.0 million, entertainment expenses by RM0.2 million and telephone, postage and stationery charges by RM0.2 million due to lesser travelling and marketing activities amid the travel restriction during the COVID-19 pandemic;
- (ii) decrease in the upkeep of property, plant and equipment by RM0.5 million mainly due to lower upkeep of motor vehicles as less travelling and mobilisation during the COVID-19 pandemic;
- (iii) decrease in rental expenses as well as permit and licences fee, which were the back charges to us by Olam Group for our employees, contract workers and subcontractors sent to Gabon by RM0.9 million due to less staff, contract workers and/or subcontractors was sent to Gabon for our projects during the COVID-19 pandemic; and
- (iv) decrease in other expenses by RM0.2 million mainly in respect of the processing and tender fees and sundry expenses.

The above decrease in expenses were partly offset by the following:

- (i) increase in staff costs by RM1.0 million mainly due to reclassification of the salary of our project director from cost of sales to administrative expenses and an increase in headcounts by 9 employees from 81 employees as at 31 December 2019 to 90 employees as at 31 December 2020 to cater for the continuous expansion of our operations. Prior to the 1 October 2019, the salary of the project director was classified under the cost of sales. However, effective 1 October 2019, his salary has been reclassified to the administrative expenses as he has been promoted as a key senior management of our Group (transferred to AEPL) to oversee the Gabon operations; and
- (ii) increase in legal and professional fees by RM0.7 million mainly attributed to the listing exercise.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our administrative expenses increased by RM1.0 million or approximately 7.5% to RM14.3 million (FYE 2020: RM13.3 million) mainly due to the following factors:

- (i) an increase in directors' remuneration by RM0.4 million due to the annual increment;
- (ii) an increase in staff costs by RM0.7 million owing to the overall annual increment and higher staff related expenses; and

12. FINANCIAL INFORMATION (CONT'D)

- (iii) an increase in insurance charges by RM0.3 million in view of higher insurance coverage for the irrigation project in Gabon.

The above increase in expenses were, however, partly offset by the decrease in legal and professional fees by RM0.2 million.

(vi) Other operating expenses

The table below sets out a breakdown of our other operating expenses for the Financial Years Under Review:

	<-----Audited----->							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Impairment loss on investment in associate	200	39.1	-	-	-	-	-	-
Fair value loss on other investments ⁽¹⁾	-	-	507	47.1	-	-	-	-
Loss on foreign exchange	311	60.9	391	36.3	-	-	328	100.0
Property, plant and equipment written off	*	*	179	16.6	12	100.0	-	-
Total	511	100.0	1,077	100.0	12	100.0	328	100.0

Notes:

* Less than RM1,000.

- (1) Being fair value adjustment in accordance with MFRS 9 in relation to the key man insurance.

Commentaries on other operating expenses**Comparison between FYE 2018 and FYE 2019**

For the FYE 2019, our other operating expenses increased by RM0.6 million to RM1.1 million (FYE 2018: RM0.5 million) mainly due to the following reasons:

- (i) one-off impairment loss on investment in associate for the FYE 2018 as a result of an unsuccessful research and development project implemented by HESB for palm oil filtration system; and
- (ii) increase in fair value loss on other investments by RM0.5 million in relation to the key man insurance in accordance with MFRS 9.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between FYE 2019 and FYE 2020**

For the FYE 2020, our other operating expenses decreased by RM1.1 million or approximately 100.0% to RM12,000 (FYE 2019: RM1.1 million) mainly due to the following reasons:

- (i) decrease in fair value loss on other investments by RM0.5 million in relation to the key man insurance in the FYE 2019; and
- (ii) recognition of realised gain on foreign exchange as a result of weakening of RM against EUR.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our other operating expenses increased by RM0.3 million (FYE 2020: approximately RM12,000) mainly due to higher recognition of realised loss on foreign exchange in our subsidiary in Singapore, namely AEPL (which EUR is the functional currency), as a result of strengthening of EUR against USD.

(vii) Finance costs

The table below sets out our finance costs for the Financial Years Under Review:

	<-----Audited----->							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bank charges	224	11.3	494	19.6	327	12.9	692	25.0
Interest expenses on:								
- bankers' acceptances ⁽¹⁾	1,257	63.8	1,299	51.7	1,177	46.3	985	35.5
- bank overdraft	213	10.8	330	13.1	636	25.0	737	26.6
- term loans	246	12.5	361	14.4	345	13.6	298	10.8
- lease liabilities	31	1.6	31	1.2	57	2.2	58	2.1
Total	1,971	100.0	2,515	100.0	2,542	100.0	2,770	100.0

Note:

- (1) Including interest expenses on invoice financing.

Commentaries on finance costs**Comparison between FYE 2018 and FYE 2019**

For the FYE 2019, our finance costs increased by RM0.5 million or approximately 25.0% to RM2.5 million (FYE 2018: RM2.0 million) mainly due to the following reasons:

- (i) higher bank overdraft interest by RM0.1 million due to additional bank overdraft being utilised for our working capital purposes;
- (ii) higher bank charges by RM0.3 million due to additional bank guarantees for our tenders and projects; and
- (iii) higher interest on term loans by RM0.2 million, mainly due to finance costs incurred on term loans utilised to part-finance the acquisition of a semi-detached factory in Johor Bahru in 2018, which is occupied by our subsidiaries, ETSB and TWTSSB, as their principal place of business.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between FYE 2019 and FYE 2020**

Our finance costs remained relatively consistent for the FYE 2020 as compared to the FYE 2019. We recorded higher interest expenses on bank overdraft of RM0.6 million for the FYE 2020 (FYE 2019: RM0.3 million) mainly due to higher utilisation of bank overdraft facility for working capital purposes.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our finance costs increased by RM0.3 million to RM2.8 million (FYE 2020: RM2.5 million) mainly due to the following reasons:

- (i) higher bank charges by RM0.4 million due to additional fee charges in relation to bank guarantees for our tenders and projects; and
- (ii) higher interest expenses on bank overdraft by RM0.1 million mainly due to higher utilisation of bank overdraft facility for working capital purposes.

However, it was partly offset by the decrease in interest expenses on the bankers' acceptances by RM0.2 million which was attributed to lower interest rate in the FYE 2021.

(viii) Net impairment loss on financial assets

This relates to impairment losses on trade receivables.

Commentaries on net impairment losses on financial assets**Comparison between FYE 2018 and FYE 2019**

For the FYE 2019, we recorded net impairment loss on financial assets of RM2.4 million (FYE 2018: RM0.4 million) mainly due to general allowance for impairment loss of RM0.1 million and specific allowance made for a customer amounting to approximately RM2.3 million following the suspension of site clearing and earthworks for a biomass power plant in Kluang at the request of our customer. 90% of the site clearing and earthworks were completed at the point the project was suspended. The project was subsequently terminated by the customer in January 2022.

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, we recorded a reversal of impairment loss on financial assets of RM1.5 million. This was mainly due to the reversal of the specific allowance made for a customer in FYE 2019 as explained in this section following partial collection of the outstanding receivables during the FYE 2020.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, we recorded a reversal of impairment loss on financial assets of RM0.7 million (FYE 2020: RM1.5 million). This was mainly due to the reversal of a specific allowance made for a customer in FYE 2019 as explained in this section which the outstanding receivables was subsequently collected during the FYE 2021.

12. FINANCIAL INFORMATION (CONT'D)**(ix) Taxation**

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

	<-----Audited----->			
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000
Income tax				
- current year provision	2,977	4,157	1,918	2,234
- under/ provision in prior year	17	380	387	(45)
Deferred tax liabilities				
- origination and reversal of temporary differences	(536)	51	(273)	788
- under/(over) provision in prior year	229	28	(33)	28
Overall tax expenses	2,687	4,616	1,999	3,005
Effective tax rate (%)	25.8	27.0	23.5	27.1
Statutory tax rate (%)	24.0	24.0	24.0	24.0

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

Commentaries on taxation

Our subsidiary in Singapore, namely AEPL, was subject to statutory tax rate of 17.0% on its chargeable income throughout the Financial Years Under Review.

Our effective tax rate for FYE 2018 of 25.8% was higher than the statutory tax rate mainly due to the following factors:

- (i) certain expenditures were not tax deductible. These included, among others, depreciation of property, plant and equipment, entertainment fees, travelling expenses, legal and professional fees, bad debts written off, impairment loss on investment in an associate and interest restriction;
- (ii) deferred tax assets not recognised during the FYE 2018 due to uncertainty of their realisation; and
- (iii) under provision of deferred tax mainly due to under-estimation of capital allowances on our qualifying fixed assets in the previous financial years.

However, the above was partly offset by the effects of lower tax rate for chargeable income applicable to our subsidiary in Singapore, AEPL and reduction in tax rates for incremental taxable income for our subsidiaries in Malaysia.

Comparison between FYE 2018 and FYE 2019

Our effective tax rate for FYE 2019 of 27.0% was higher than the statutory tax rate mainly due to the following factors:

12. FINANCIAL INFORMATION (CONT'D)

- (i) certain expenditures were not tax deductible, including among others, depreciation of property, plant and equipment, entertainment fees, legal and professional fees, impairment on trade receivables, bank charges and imputed interest expense;
- (ii) deferred tax assets not recognised during the FYE 2019 due to uncertainty of their realisation; and
- (iii) under provision of income tax in the previous financial years.

However, the above was partly offset with the effects of lower tax rate for chargeable income applicable to AEPL.

Our effective tax rate for the FYE 2019 was higher as compared to the FYE 2018 which was mainly caused by the higher effective tax rate of AEPL due to under provision of tax expense in the prior year.

Comparison between FYE 2019 and FYE 2020

Our effective tax rate for the FYE 2020 of 23.5% was lower than the statutory tax rate mainly due to the following factors:

- (i) effects of lower tax rate for chargeable income applicable to AEPL; and
- (ii) non-taxable income arising from the reversal of impairment losses;

However, the above was partly offset by under provision of income tax in the previous financial years and deferred tax assets not recognised during the financial year due to uncertainty of their realisation.

Our effective tax rate for the FYE 2020 was lower as compared to the FYE 2019 mainly due to higher non-taxable income for the FYE 2020.

Comparison between FYE 2020 and FYE 2021

Our effective tax rate for the FYE 2021 of 27.1% was higher than the statutory tax rate mainly due to certain expenditures that were not tax deductible, including among others, depreciation of property, plant and equipment, entertainment fees, legal and professional fees, bank charges and interest restriction. However, this was partly offset by the effects of lower tax rate for chargeable income application to AEPL.

Our effective tax rate for the FYE 2021 was higher as compared to FYE 2020 which was mainly caused by higher non-deductible expenses incurred during the FYE 2021.

12. FINANCIAL INFORMATION (CONT'D)**(x) PBT, PBT margin, PAT and PAT margin**

Our PBT, PBT margin, PAT and PAT margin for the Financial Years Under Review are set out below:

	<-----Audited----->			
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000
PBT	10,423	17,098	8,519	11,075
PBT margin (%)	9.2	10.0	5.5	7.2
PAT	7,736	12,482	6,520	8,070
PAT margin (%)	6.8	7.3	4.2	5.3

Commentaries on PBT, PBT margin, PAT and PAT margin**Comparison between FYE 2018 and FYE 2019**

For the FYE 2019, our PBT increased by RM6.7 million to RM17.1 million (FYE 2018: RM10.4 million) mainly due to higher GP by RM10.0 million as explained in Section 12.3.1(iii). This was partly offset by an increase in the following:

- (i) higher impairment loss by RM2.0 million as explained in Section 12.3.1(viii); and
- (ii) higher finance costs by RM0.5 million as explained in Section 12.3.1(vii).

For the FYE 2019, our PBT margin increased to 10.0% (FYE 2018: 9.2%) despite a lower GP margin of 22.0% (FYE 2018: 24.3%) mainly due to the increase in our GP by RM10.0 million as compared to the marginal increase in the administrative expenses by RM0.2 million, other operating expenses by RM0.6 million and finance cost by RM0.5 million.

Correspondingly, we recorded higher PAT and PAT margin for the FYE 2019 as compared to the FYE 2018 mainly due to the reasons set out above in Section 12.3.1(ix) of this Prospectus.

Comparison between FYE 2019 and FYE 2020

For the FYE 2019, our PBT decreased by RM8.6 million to RM8.5 million (FYE 2019: RM17.1 million) mainly due to lower GP by RM16.1 million as explained in Section 12.3.1(iii). This was partly offset by the following:

- (i) higher other income by RM0.9 million as explained in Section 12.3.1(iv); and
- (ii) reversal of impairment losses on financial assets of RM1.5 million as compared to a net impairment loss on financial assets of RM2.4 million recorded in the FYE 2019 as explained in Section 12.3.1(viii).

For the FYE 2020, our PBT margin decreased to 5.5% (FYE 2019: 10.0%) for the FYE 2020 mainly due to lower GP margin of 14.0% (FYE 2019: 22.0%).

Correspondingly, we recorded lower PAT and PAT margin for the FYE 2020 as compared to the FYE 2019 mainly due to the reasons set out above and 12.3.1(ix) of this Prospectus.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between FYE 2020 and FYE 2021**

For the FYE 2021, our PBT increased by RM2.6 million to RM11.1 million (FYE 2020: RM8.5 million) mainly due to higher GP by RM5.7 million as explained in Section 12.3.1(iii). This was partly offset by the following:

- (i) lower other income by RM0.7 million as explained in Section 12.3.1(iv);
- (ii) higher administrative expenses by RM1.0 million as explained in Section 12.3.1(v);
- (iii) higher finance cost by RM0.3 million as explained in Section 12.3.1(vii); and
- (iv) lower reversal of impairment loss on financial assets by RM0.8 million as explained in Section 12.3.1(viii).

For the FYE 2021, our PBT margin increased to 7.2% (FYE 2020: 5.5%) mainly due to higher GP margin of 17.8% (FYE 2020: 14.0%).

Correspondingly, we recorded a higher PAT and PAT margin of RM8.1 million and 5.3% for the FYE 2021 as compared to a PAT of RM6.5 million and 4.2% for the FYE 2020.

12.3.2 Significant factors affecting our financial condition and results of operations

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

(i) Fluctuation in prices of materials

The materials which we use for construction of plants and facilities and fabrication of palm oil equipment for our customers mainly comprised:

- (a) steel products and pipes, which include plates, sheets, bars, rods and pipes used for fabrication of palm oil milling plant and equipment, other equipment and structure;
- (b) building materials, which include cement, concrete, gravel, bricks, sands, soil, wood, timber, plywood, cables and wires, electrical distribution, protection and control devices such as switchboards and switches, and plumbing systems; and
- (c) fuel, such as diesel and petrol.

For the FYE 2018, FYE 2019, FYE 2020 and FYE 2021, the purchases of cement, concrete, hardware and piping materials represented approximately 42.8%, 41.7%, 40.8% and 26.8% of our total cost of sales respectively. Hence, any fluctuation in the prices of steel products and pipes, building materials and fuel which are affected by global market demand and supply conditions would affect our cost of sales as well as our financial performance.

(ii) Performance of the palm oil industry

Our Group provides total solutions for the construction and fabrication of plants and facilities mainly for the palm oil industry such as palm oil mills, palm oil refineries, and biodiesel and biogas plants. For the FYE 2018, FYE 2019, FYE 2020 and FYE 2021, approximately 72.3%, 85.6%, 86.9% and 71.1% of our total revenue respectively was contributed by palm oil related business segments. Hence, our operations and financial results are driven by the performance and prospects of the palm oil industry in the countries where we operate, namely, Gabon, Indonesia and Malaysia.

12. FINANCIAL INFORMATION (CONT'D)

Increases in CPO prices would encourage investments in the upstream palm oil industry while sustained low prices would make the production of low yielding plantations commercially uneconomical. Any decline in the investment in upstream activities would affect supporting service providers including our Group (*Source: IMR report*).

The performance and prospects of the palm oil industry is driven by, among others, the demand and supply conditions which affect the global market prices of the CPO and PKO, trade barriers and restrictions, relevant regulatory policies of major palm oil producing countries, actions by the pressure groups on environmental issues, climatic change that would affect the oil palm cultivation and crop production. As such, any slowdown or adverse development in the palm oil industry will limit our business opportunities and growth, and thus adversely affecting our financial performance.

Given our experience and technical know-how in the purpose-built plants and machineries in different countries and various sectors such as rubber industry and paper milling industry, we will continue to look out for more business opportunities globally and not just limiting to palm oil industry. Nevertheless, there is no assurance that our business, performance and results of operations will not be materially and adversely affected if we are unable to do so. Please refer to Section 7 of this Prospectus for further details on the palm oil milling industry.

(iii) Dependency on major customers

We do not have any long-term contracts with our customers. We are dependent on the Olam Group, which contributed approximately 78.7%, 79.7%, 68.5% and 38.2% respectively to our revenue for the Financial Years Under Review. Any loss of business from the Olam Group may adversely affect our business and operating results.

Despite the lack of formal long-term contracts with our customers, we have established business relationship with the Olam Group for more than 8 years as at the LPD. With our proven capability and track record in the construction of plants and facilities as well as fabrication of equipment for the palm oil and rubber industries in Gabon, we have continued to secure projects from the Olam Group. However, in the event of any delay in securing new contracts from the Olam Group, or in the event we lose Olam Group as a customer, our financial performance and operating results could be materially and adversely affected.

Olam Group is undergoing a proposed reorganisation. Further details of the Proposed Olam Reorganisation are set out in Section 7.10.1 of this Prospectus. The on-going Proposed Olam Reorganisation may lead to a delay in the awarding of future projects which may negatively affect our financial performance.

Notwithstanding the above, we will continue to participate actively in tendering for new projects with both our existing customers (including the Olam Group) and prospective new customers.

(iv) Continuity of our order book

Due to the nature of our business which is project based, our customers typically do not enter into long-term contracts with us, but would instead engage us on a fixed lump-sum or fixed lump sum plus scheduled rates contract basis for a specific project. Generally, our engagement on a particular contract or project would come to an end between 12 and 24 months upon handing over of completed plants and facilities or fabricated equipment to our customers. There is no assurance of continuity of our order book from a financial year to the next financial year.

In the event we are unable to secure new projects and/or contracts to replenish our order book, our operations and operating results, long-term sustainability and business growth will be adversely affected. Please refer to Section 12.5 of this Prospectus for further details of our order book.

12. FINANCIAL INFORMATION (CONT'D)**(v) Unanticipated increase in project cost and delay in the completion**

Due to the nature of our business, we are subject to project management risks such as cost risk, schedule risk, performance and operational risk, which would give rise to unanticipated increase in project cost/ cost overrun and delay in completion of projects. Such risks can be due to poor project cost estimation and budgeting, change of scope of work and design, poor project administration in terms of procurement of materials and communication, delay in obtaining relevant permits and/or approvals, poor project site management in terms of logistics, construction and coordination works, as well as factors beyond our control such as weather, pandemic, fluctuation in price of materials and equipment, delay or disruption in the supply of materials and contracting services from third parties, disruption in power and water supply at project sites, availability of financing and accessibility to project sites.

Our revenue and operating results are subject to our ability to complete and deliver our projects in accordance with the project timeline as stated in the contracts and within our project budget. Any adverse development and management of our projects will result in delay in revenue recognition, project cost overrun and may also expose us to liquidated damages claim by our customers, which will adversely affect our financial performance.

(vi) Impact of foreign exchange fluctuation

We are exposed to foreign exchange fluctuation risk as between 45.7% and 85.1% of our revenue for the Financial Years Under Review are denominated in EUR and USD, while our purchases are mainly transacted in RM. As such, we are unable to naturally hedge all our exposure to foreign exchange fluctuation, and we may not pass on any cost increases arising from adverse fluctuations in foreign exchange to our customers once we are contracted for a project.

Any significant fluctuations in foreign exchange between USD, EUR and RM may have an impact on our reported income as they are required to be stated in RM in our financial statements. Any unfavourable movement in the USD, EUR and SGD against the RM may adversely affect our profitability.

The impact of foreign exchange fluctuations on our financial performance during the Financial Years Under Review, which arose due to timing differences between our billings and actual receipts of payments from our customers, are as follow:

	<-----Audited----->			
	FYE 2018	FYE 2019	FYE 2020	FYE 2021
Net gain/(loss) on foreign exchange (RM'000)	(241)	(316)	213	(328)
As a percentage of PBT (%)	(2.3)	(1.8)	2.5	3.0

We closely monitor the movement of the EUR and USD against RM to manage our foreign exchange currency risks and if the need arises depending on the prevailing market conditions and size of foreign contracts secured, we may enter into hedging arrangement such as forward contracts to minimise the impact of such risk. Our exposure to foreign exchange currency movement is reduced to a certain extent as foreign currency proceeds from our construction operations in Gabon are used to pay for local suppliers and/or contractors in the same foreign currency. We maintain a foreign currency accounts, namely EUR, USD and SGD for payments of our foreign purchases.

We have not incurred any material losses arising from foreign currency translation for the Financial Years Under Review.

12. FINANCIAL INFORMATION (CONT'D)**(vii) Impact of interest rate fluctuations**

As at 31 December 2021, our total borrowings of RM39.1 million consist of term loans, lease liabilities, bank overdrafts, bankers' acceptances, revolving credit and invoice financing, with interest rates ranging from 1.58% to 9.40% per annum.

Save for the lease liabilities, which are charged on a fixed rate, the interest rates for our term loans, bank overdrafts, bankers' acceptances, revolving credit and invoice financing are based on the prevailing bank's base lending rate or base financing rate plus or minus a margin agreed with the financial institutions when the respective loans and financings were granted.

In this respect, any increase in interest rates would raise the cost of borrowings which may have an adverse effect on our financial performance. The sensitivity analysis for interest rate risk is set out in the Accountants' Report under Section 13 of this Prospectus.

(viii) Impact of inflation

The business, financial condition or results of our operations for the Financial Years Under Review were not materially affected by the impact of inflation. Nevertheless, there can be no assurance that future inflation would not have an impact on our business operations and financial performance.

(ix) Government/Economic/Fiscal/Monetary policies

We are subject to the risks of government, economic, fiscal or monetary policies. Any unfavourable change in these policies may materially affect our business operations and financial performance. Our business is also subject to Bank Negara Malaysia's Foreign Exchange Notices that govern, among others, investment abroad and export of goods. For the Financial Years Under Review, our results were not adversely affected by any unfavourable changes relating to government, economic, fiscal or monetary policies. There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies.

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

Please refer to Section 7.23 of this Prospectus for further details of the effects of the COVID-19 pandemic on our business operations. As at the LPD, we do not foresee any material adverse effect on our financial position or business arising from the MCO and the COVID-19 pandemic in view of our overall healthy financial position. Further, our Directors consider that the disruption caused by and the impact of the COVID-19 pandemic is temporary and is not expected to be long-lasting. Therefore, it is expected that the overall impact caused by the COVID-19 pandemic on our business, results of operations and/or financial performance will not be material, and that we will be able to discharge our obligations under all on-going projects.

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

12.3.3 Significant changes on the financial position

There are no significant changes that have occurred, which may have a material effect on our financial position and results since the FYE 2021, being our most recent annual financial statements.

12. FINANCIAL INFORMATION (CONT'D)**12.4 LIQUIDITY AND CAPITAL RESOURCES****12.4.1 Working capital**

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

As at 31 December 2021, we have:

- (i) cash and bank balances and fixed deposits with licensed banks of RM20.0 million;
- (ii) working capital of RM43.8 million, being the difference between current assets of RM101.5 million and current liabilities of RM57.7 million; and
- (iii) banking facilities, which consist of term loans, bank overdraft, revolving credit and trade lines (comprising letter of credit, trust receipt, bankers' acceptance, invoice financing and bank guarantee), with a total limit of RM96.6 million, of which RM46.0 million (including RM13.8 million set aside as bank guarantees) has yet to be utilised.

After taking into consideration the funding requirements for our committed capital expenditures, our existing level of cash and bank balances, expected cash flows to be generated from our operations, banking facilities available and the estimated net proceeds from the Public Issue, our Board is of the view that we will have sufficient working capital for a period of 12 months from the date of this Prospectus.

12.4.2 Cash flow summary

The table below sets out the summary of our combined statements of cash flows for the FYE 2018, FYE 2019 and FYE 2020, as well as our consolidated statements of cash flow for the FYE 2021 and should be read in conjunction with the Accountants' Report as set out in Section 13 of this Prospectus.

	<-----Audited----->			
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000
Net cash from operating activities	4,434	12,717	1,420	1,853
Net cash (for)/from investing activities	(7,352)	(187)	(681)	42
Net cash from/(for) financing activities	2,081	(6,978)	(5,656)	(6,706)
Net (decrease)/increase in cash and cash equivalents	(837)	5,552	(4,917)	(4,811)
Cash and cash equivalents at beginning of the financial year	6	(952)	4,337	320
Effect of translation reserve	(121)	(263)	900	(760)
Cash and cash equivalents at end of the financial year	(952)	4,337	320	(5,251)

There are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans or advances, subject to availability of distributable reserves and compliance with financial covenants.

For the purpose of this cash flow analysis, bankers' acceptance comprises both bankers' acceptance and invoice financing.

12. FINANCIAL INFORMATION (CONT'D)**Commentaries on cash flow****FYE 2018****Net cash from operating activities**

For the FYE 2018, our operating cash flows before working capital changes were RM14.3 million. After adjusting for the following key items, our net cash from our operating activities was RM4.4 million:

- (i) decrease in contract assets by RM6.3 million which was mainly due to subsequent progress billings for our work performed in accordance with the contract billing milestones achieved;
- (ii) increase in trade and other payables by RM0.4 million which was mainly due to higher purchases of materials towards the end of the year for our projects;
- (iii) decrease in contract liabilities by RM0.8 million mainly arising from the progressive work performed after the collection of project advances;
- (iv) increase in inventories by RM2.1 million which was in line with the increase in purchases of materials towards the end of the year;
- (v) increase in trade and other receivables by RM13.2 million which was mainly due to higher progress billings to our customers in line with the decrease in contract assets coupled with slower collection from one of our major customers; and
- (vi) net payment of income taxes of RM2.2 million.

Net cash for investing activities

For the FYE 2018, we recorded net cash used in investing activities of RM7.4 million, which was mainly attributed to:

- (i) payment of RM3.7 million for the acquisition of 1 unit of motor vehicle, 1 unit of backhoe loader, machineries and equipment such as the concrete mixer, block making machine, welding and drilling machine, and a semi-detached factory in Johor Bahru which is occupied by our subsidiary, ETSB, as its principal place of business; and
- (ii) advances of RM5.3 million to EECG to support our operations in Gabon;

However, the above cash outflows were partly offset by proceeds from the withdrawal of fixed deposits from licensed financial institutions amounting to RM1.1 million.

Net cash from financing activities

For the FYE 2018, we recorded net cash from financing activities of RM2.0 million. During the financial year, we drew down credit facilities comprising bankers' acceptance amounting to RM58.8 million for our working capital purposes and term loans amounting to RM3.9 million for the acquisition of a semi-detached factory from Eco Business Park 1 Development Sdn Bhd (details of which are set out in item 3 of Section 7.19.1) and office lot in Singapore (details of which are set out in item 4 of Section 7.19.1).

However, the above cash inflows were partly offset by the following payments during the financial year:

- (i) repayment of credit facilities comprising bankers' acceptance, term loans, lease liabilities amounting to RM57.8 million;
- (ii) payment of interests amounting to RM1.7 million; and
- (iii) payment of dividend amounting to RM0.9 million.

12. FINANCIAL INFORMATION (CONT'D)FYE 2019**Net cash from operating activities**

For the FYE 2019, our operating cash flows before working capital changes were RM23.7 million. After adjusting for the following key items, our net cash from our operating activities was RM12.7 million:

- (i) decrease in inventories by approximately RM39,000;
- (ii) increase in contract liabilities by RM1.9 million due to collection in advance for the construction of workers' quarters and fabrication of bulking tanks projects in Gabon;
- (iii) increase in trade and other receivables by RM1.3 million which was in line with higher revenue recorded during the financial year;
- (iv) increase in contract assets by RM5.9 million which was mainly due to work done which has yet to be billed as the progress billings were based on the billing milestones stated in the contracts;
- (v) decrease in trade and other payables by RM1.3 million which was mainly due to repayment to our suppliers and subcontractors; and
- (vi) net payment of income taxes of RM4.3 million.

Net cash for investing activities

For the FYE 2019, we recorded net cash for investing activities of RM0.2 million. Our cash inflows comprised mainly repayment of advances from EECG amounting to RM7.5 million. The advance was extended for project expenses in Gabon.

The above cash inflow was partly offset by the following payments during the financial year:

- (i) payment for purchase of life insurance and key man insurance amounting to RM2.2 million, which was a condition by one of the financial institutions in granting banking facilities to our Group. EMESB, as the beneficiary, will be receiving the payout of the investment upon the maturity of the insurance. The investments have maturity periods ranging from 1 to 5 years; and
- (ii) placement of RM5.2 million in fixed deposits with licensed financial institutions for additional returns on surplus cash.

Net cash for financing activities

For the FYE 2019, we recorded net cash used in financing activities of RM7.0 million. During the financial year, we drew down credit facilities comprising bankers' acceptance and term loans amounting to RM74.9 million for our working capital purposes and to pay for the property asset which we acquired during the FYE 2018.

However, the above cash inflows were partly offset by the following payments during the financial year:

- (i) repayment of credit facilities comprising bankers' acceptance, term loans, lease liabilities amounting to RM80.1 million; and
- (ii) payment of interest amounting to RM2.0 million.

12. FINANCIAL INFORMATION (CONT'D)FYE 2020**Net cash from operating activities**

For the FYE 2020, our operating cash flows before working capital changes were RM11.1 million. After adjusting for the following key items, our net cash from our operating activities was RM1.4 million:

- (i) increase in trade and other payables by RM19.3 million which was mainly due to higher purchases of materials towards the end of the year for our existing and newly secured projects;
- (ii) increase in inventories by RM4.1 million which was in line with the increase in purchases of materials towards the end of the year;
- (iii) increase in contract costs assets by RM2.7 million due to the costs incurred for the construction of kernel crushing plant and fabrication of bulking tanks projects awarded to our Group for the construction of the Mouila Lot 3 palm oil mill in Gabon commenced in FYE 2019. The progress billings for the projects were not due and revenue have not been recognised as the construction of the palm oil mill has not been completed. Our Group did not recognise the revenue as it did not satisfy the condition in accordance with MFRS 15 to recognise the revenue over time in FYE 2020;
- (iv) increase in trade and other receivables by RM8.1 million which was mainly due to higher progress billings towards the end of the year;
- (v) increase in contract assets by RM9.1 million which was mainly due to work done which has yet to be billed as the progress billings were based on the billing milestones stated in the contracts;
- (vi) decrease in contract liabilities by RM0.8 million mainly due to progressive work performed subsequent to the collection in advance for project in Gabon; and
- (vii) net payment of income taxes of RM4.2 million.

Net cash for investing activities

For the FYE 2020, we recorded net cash used in investing activities of RM0.7 million, which was mainly attributed to placement of RM0.9 million in fixed deposits with licensed financial institutions for additional returns on surplus cash.

Net cash for financing activities

For the FYE 2020, we recorded net cash used in financing activities of RM5.7 million. During the financial year we drew down credit facilities comprising bankers' acceptance and term loans amounting to RM53.6 million for our working capital purposes.

However, the above cash inflows were partly offset by the following payments during the financial year:

- (i) repayment of credit facilities comprising bankers' acceptance, term loans, lease liabilities amounting to RM50.1 million;
- (ii) payment of interest amounting to RM2.2 million; and
- (iii) payment of dividend amounting to RM7.1 million.

12. FINANCIAL INFORMATION (CONT'D)FYE 2021**Net cash from operating activities**

For the FYE 2021, our operating cash flows before working capital changes were RM13.2 million. After adjusting the following items, our net cash from our operating activities was RM1.9 million:

- (i) decrease in contract assets by RM0.6 million which was mainly due to subsequent progress billings for our work performed in accordance with the contract billing milestones achieved;
- (ii) decrease in trade and other receivables by RM14.4 million which was mainly due to better collection from our customers;
- (iii) decrease in contract cost asset by RM2.7 million which were charged out to cost of sales due to subsequent issuance of progress billings for our work performed;
- (iv) decrease in contract liabilities by RM1.9 million due to progressive work performed after the collection of project advances;
- (v) increase in inventories by RM6.6 million which was in line with the increase in purchase of materials for our fabrication of equipment;
- (vi) decrease in trade and other payables by RM16.3 million which was mainly due to repayment to our suppliers for the purchases of raw materials in FYE 2020; and
- (vii) net payment of the income taxes of RM4.3 million.

Net cash for investing activities

For the FYE 2021, we recorded net cash from investing activities of approximately RM42,000, which was mainly attributed to:

- (i) withdrawal of approximately RM256,000 of fixed deposits pledged for bank guarantees following the completion of the projects in Gabon;
- (ii) interest received amounting to approximately RM194,000; and
- (iii) proceeds from disposal of ring rolling machine amounting to approximately RM60,000.

However, the above cash inflows were partly offset by the payment of approximately RM468,000 for the acquisition of machineries and equipment such as lathe machine, slotting machine, welding machine, cutting machine and drilling machine as well as the purchase of non-chemical water treatment equipment.

Net cash for financing activities

For the FYE 2021, we recorded net cash used in financing activities of RM6.7 million. During the financial year, we drew down credit facilities comprising bankers' acceptance amounting to RM73.1 million for our working capital purposes.

However, the above cash inflows were partly offset by the following payments during the financial year:

- (i) repayment of credit facilities comprising bankers' acceptance, term loans and lease liabilities amounting to RM77.5 million; and
- (ii) payment of interests amounting to RM2.1 million.

12. FINANCIAL INFORMATION (CONT'D)**12.4.3 Borrowings**

Our total outstanding bank borrowings as at 31 December 2021 stood at RM39.1 million as follows:

Type of borrowings	Purpose	Tenure	Interest rate per annum	As at 31 December 2021		
				Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000
Term loans	Purchases of properties ⁽¹⁾⁽²⁾	5 to 20 years	1.58% to 3.73%	1,033	8,688	9,721
Lease liabilities	Finance purchase of motor vehicles, and plant and machinery	1 to 5 years	3.78% to 6.65%	443	485	928
Bankers' acceptances	Working capital	Up to 150 days	2.58% to 4.03%	6,646	-	6,646
Invoice financing	Working capital	Up to 150 days	3.95% to 5.41%	9,528	-	9,528
Revolving credits	Working capital	Up to 120 days	4.95%	500	-	500
Bank overdrafts	Working capital	Payable on demand	6.45% to 9.40%	11,758	-	11,758
Total				29,908	9,173	39,081

Note:

(1) Include borrowing by AEPL denominated in SGD amounting to RM2.6 million, translated based on the exchange rate of SGD1.00 to RM3.0822.

(2) The purchase of properties comprised:

- (a) an office lot in Singapore as the office for AEPL;
- (b) a freehold land and building in Johor for the office of ETSB and TWTSSB;
- (c) a double-storey house in Johor rented out to a key management personnel;
- (d) a shop lot in Batu Pahat rented out to a third party; and
- (e) a service apartment in Selangor for the staff accommodation.

12. FINANCIAL INFORMATION (CONT'D)

As at 31 December 2021, our floating and fixed rate borrowings are as set out below:

	Floating rate RM'000	Fixed rate RM'000	Total RM'000
Term loans	9,721	-	9,721
Lease liabilities	-	928	928
Bankers' acceptances	6,646	-	6,646
Invoice financing	9,528	-	9,528
Revolving credits	500	-	500
Bank overdrafts	11,758	-	11,758
Total	38,153	928	39,081

Our borrowings are predominantly denominated in RM, secured and interest-bearing. Our credit facilities are secured by charge over our leasehold lands and buildings and joint and several guarantee by Wong Choi Ong and Pan Kum Wan. We have applied to the financiers to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the financiers. As at the LPD, we have received approvals (subject to the Listing) for the substitution of the said personal guarantees, with a corporate guarantee from our Company.

We have not defaulted on payments of either interest or principal sums in respect of any borrowings throughout the Financial Years Under Review and up to the LPD. We also do not encounter any seasonality in our borrowings trend and there is no restriction on our committed borrowing facilities.

As at the LPD, we are not in breach of any terms and conditions or covenants associated with the credit arrangements or bank borrowings, which can materially affect our financial results, financial position or business operations, or the investment by holders of securities in our Group.

12.4.4 Financial instruments, treasury policies and objectives

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

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

We have been funding our operations through internally generated funds as well as external sources of funds, such as shareholders' funds, credit extended by our suppliers and various credit facilities extended by licensed financial institutions. The primary objective of our capital management is to ensure sustainable shareholders' equity to ensure our ability to support and grow our business in order to maximise shareholders' value. We review and manage our capital structure to maintain our debt-to-equity ratio at an optimal level based on the business requirements and prevailing economic conditions. In our ordinary course of business, we deal with customers and suppliers from both the domestic market and foreign market, where transactions are denominated in both local currency as well as foreign currencies. We maintain bank accounts mainly in RM, EUR and USD, such that collections can be used to settle payments of the same currency where possible. This, to a certain extent, provides a natural hedge against fluctuations in the foreign exchange and mitigates our exposure to foreign exchange risks. We may consider other hedging instruments such as derivative contracts available in the financial markets to hedge against foreign exchange risks should the need arise.

Our operations were not subject to any material impact arising from interest rate fluctuations throughout the Financial Years Under Review. Accordingly, we have not entered into any financial instrument to hedge against the fluctuations in the interest rate. We manage our exposure to interest rate fluctuations by maintaining a combination of fixed-rate and floating-rate borrowings.

12. FINANCIAL INFORMATION (CONT'D)**12.4.5 Material capital commitment**

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

12.4.6 Material litigation or claims

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

12.4.7 Contingent liabilities

As at the LPD, save for the performance guarantees extended to third parties amounting to RM4.3 million in respect of contract works carried out by our Group, we do not have any other material contingent liabilities which, upon becoming enforceable, may have a material adverse impact on our results of operations or financial position.

12.4.8 Key financial ratios

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

	<-----Audited----->			
	FYE 2018	FYE 2019	FYE 2020	FYE 2021
Trade receivables turnover period ⁽¹⁾ (days)	40	45	63	51
Trade payables turnover period ⁽²⁾ (days)	60	45	72	74
Inventories turnover period ⁽³⁾ (days)	15	13	18	35
Current ratio ⁽⁴⁾ (times)	1.4	1.6	1.5	1.8
Gearing ratio ⁽⁵⁾ (times)	0.9	0.8	0.7	0.7

Notes:

- (1) Computed based on the average trade receivables over our revenue for the respective financial year multiplied by 365 days for the FYE 2018, FYE 2019 and FYE 2021, and 366 days for the FYE 2020.
- (2) Computed based on the average trade payables over our cost of sales for the respective financial year multiplied by 365 days for the FYE 2018, FYE 2019 and FYE 2021, and 366 days for the FYE 2020.
- (3) Computed based on the average inventories over our cost of sales for the respective financial year multiplied by 365 days for the FYE 2018, FYE 2019 and FYE 2021, and 366 days for the FYE 2020.
- (4) Computed as current assets divided by current liabilities.
- (5) Computed as total borrowings divided by shareholders' equity.

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12. FINANCIAL INFORMATION (CONT'D)**(i) Trade receivables turnover period**

A summary of our average trade receivables for the Financial Years Under Review is set out below:

	<-----Audited----->			
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000
Average trade receivables ⁽¹⁾	12,547	21,014	26,260	21,597
Revenue	113,627	170,928	153,693	153,163
Trade receivables turnover period ⁽²⁾ (days)	40	45	63	51

Notes:

- (1) Computed as follows:

	<-----Audited----->			
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000
Opening trade receivables	4,993	20,101	21,926	30,593
Closing trade receivables	20,101	21,926	30,593	12,600
Average trade receivables	12,547	21,014	26,260	21,597

The average trade receivables do not include the retention sums.

- (2) Computed based on the average trade receivables over our revenue for the respective financial years multiplied by 365 days for the FYE 2018, FYE 2019 and FYE 2021, and 366 days for the FYE 2020.

The normal credit term granted to our customers ranges from 30 to 60 days. Our credit terms to customers are determined on a case-by-case basis, taking into consideration factors such as our business relationship with our customer, customer creditworthiness, historical payment trend as well as transaction volume and value. For the FYE 2018, FYE 2019, FYE 2020 and FYE 2021, 65.9%, 35.5%, 35.4% and 36.2% of our trade receivables exceeded the credit terms granted to them respectively. Save for the sum of RM105,900 which has been provided for in year 2021, all outstanding receivables have subsequently been collected.

Our trade receivables turnover period for the FYE 2018 and FYE 2019 stood at 40 days and 45 days respectively, and were within the normal credit period granted. For the FYE 2020, our trade receivables turnover period increased to 63 days mainly due to higher progress billings towards the end of the year and slower collection from 2 of our new customers amid the COVID-19 pandemic. For the FYE 2021, our trade receivables turnover period decreased to 51 days, which was within the normal credit period granted, as we have collected the outstanding trade receivables from these 2 customers. Our total outstanding progress billings for the month of December 2018, December 2019, December 2020 and December 2021 were RM10.7 million, RM14.1 million, RM21.3 million and RM5.9 million respectively.

We have not experienced any significant bad debts for the Financial Years Under Review. We assess the collectability of trade receivables on an individual customer basis and provide for impairment loss on receivables as follows:

- (i) allowance for impairment loss based on lifetime expected credit loss in accordance with MFRS 9; and

12. FINANCIAL INFORMATION (CONT'D)

- (ii) specific allowance for impairment on balances overdue for more than 180 days or where recoverability is uncertain based on our dealings with the customer.

Ageing analysis of trade receivables as at 31 December 2021

	Within credit period	Exceeding credit period				Total
		Less than 3 months	3 to 6 months	6 to 12 months	More than 12 months	
Trade receivables (RM'000)	8,038	3,783	699	115	121	12,756
Less: impairment ⁽¹⁾	-	-	(35)	-	(121)	(156)
	8,038	3,783	664	115	-	12,600
% of trade receivables	63.8	30.0	5.3	0.9	-	100.0
Subsequent collections as at the LPD (RM'000)	7,967	3,371	63	68	-	11,469
Outstanding trade receivables as at the LPD (RM'000)	71	412	601	47	-	1,131
% of trade receivables net of subsequent collections	6.3	36.4	53.1	4.2	-	100.0

Our total trade receivables stood at RM12.6 million as at 31 December 2021, out of which RM4.6 million or approximately 36.5% exceeded the normal credit term mainly due to slower collection amid the COVID-19 pandemic.

As at the LPD, we have collected RM11.5 million or approximately 91.3% of our total trade receivables which were outstanding as at 31 December 2021. Our Board is of the opinion that the remaining outstanding trade receivables are recoverable, after taking into consideration their historical payment trend, customers' credentials and the fact that these customers have never defaulted on payment throughout the Financial Years Under Review and up to the LPD.

Note:

- (1) Impairment was provided due to the uncertainty on the collectability of the amount following the suspension of site clearing and earthworks for a biomass power plant in Kluang. The project was subsequently terminated by the customer in January 2022.

(ii) Trade payables turnover period

A summary of our average trade payables for the Financial Years Under Review is set out below:

	<-----Audited----->			
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000
Average trade payables ⁽¹⁾	14,123	16,351	26,116	25,662
Cost of sales	86,062	133,369	132,220	125,939
Trade payables turnover period ⁽²⁾ (days)	60	45	72	74

12. FINANCIAL INFORMATION (CONT'D)**Notes:**

(1) Computed as follows:

	<-----Audited----->			
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000
Opening trade payables	12,557	15,689	17,012	35,220
Closing trade payables	15,689	17,012	35,220	16,103
Average trade payables	14,123	16,351	26,116	25,662

(2) Computed based on the average trade payables over our cost of sales for the respective financial year multiplied by 365 days for the FYE 2018, FYE 2019 and FYE 2021, and 366 days for the FYE 2020.

The normal credit period extended by our suppliers to us ranges from 30 to 60 days.

Our average trade payables turnover period for the FYE 2018 and FYE 2019 stood at 60 days and 45 days respectively, which were within the normal credit period granted. For the FYE 2020, the trade payables turnover period increased to 72 days mainly due to higher purchases towards the end of the year as well as more prudent cash management and planning during the COVID-19 pandemic period. For the FYE 2021, our average trade payables turnover period increased to 74 days mainly due to longer credit period granted by certain suppliers during the COVID-19 pandemic period as well as higher opening trade payables for the financial year.

Ageing analysis of trade payables as at 31 December 2021

	Within credit period	Exceeding credit period				Total
		Less than 3 months	3 to 6 months	6 to 12 months	More than 12 months	
Trade payables (RM'000)	10,287	5,471	173	172	-	16,103
% of trade payables	63.9	34.0	1.1	1.0	-	100.0
Subsequent payments as at the LPD (RM'000)	8,039	5,033	147	1	-	13,220
Outstanding trade payables as at the LPD (RM'000)	2,248	438	26	171	-	2,883
% of trade payables net of subsequent payments	78.0	15.2	0.9	5.9	-	100.0

Our total trade payables stood at RM16.1 million as at 31 December 2021, of which RM5.8 million or approximately 36.1% exceeded the normal credit period as we adopted a prudent cash management approach in view of the COVID-19 impact. As at the LPD, we have made payment of RM13.2 million or approximately 82.0% of our total trade payables which were outstanding as at 31 December 2021.

As at the LPD, there has been no dispute in respect of our trade payables and no legal action has been initiated by our suppliers and/or subcontractors to demand for payment from us during the Financial Years Under Review.

12. FINANCIAL INFORMATION (CONT'D)**(iii) Inventories turnover period**

A summary of our average inventories for the Financial Years Under Review is set out below:

	<-----Audited----->			
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000
Average inventories ⁽¹⁾	3,581	4,591	6,610	11,931
Cost of sales	86,062	133,369	132,220	125,939
Inventories turnover period ⁽²⁾ (days)	15	13	18	35

Notes:

(1) Computed as follows:

	<-----Audited----->			
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000
Opening inventories	2,552	4,610	4,571	8,648
Closing inventories	4,610	4,571	8,648	15,213
Average inventories	3,581	4,591	6,610	11,931

(2) Computed based on the average inventories over our cost of sales for the respective financial year multiplied by 365 days for the FYE 2018, FYE 2019 and FYE 2021, and 366 days for the FYE 2020.

Due to the nature of our business, where we commence our production upon securing confirmed contracts and orders from our customers and we fabricate in accordance with our customer's specifications and requirements, we do not maintain a high level of raw materials as we have reliable access to ready supply of raw materials.

Our average inventories turnover period stood at 15 days, 13 days, 18 days and 35 days respectively for the Financial Years Under Review. The higher inventories turnover period for the FYE 2021 is owing to higher input materials as well as fabricated materials which has yet to be delivered and installed at the customers' project sites due to the delay in the progress of the customers' project and unexpected delay in the custom clearance.

We are of the opinion that there are no material slow-moving/obsolete inventories as at the LPD.

12. FINANCIAL INFORMATION (CONT'D)**(iv) Current ratio**

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

	<-----Audited----->			
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000
Current assets	75,774	88,903	111,271	101,480
Current liabilities	52,370	56,450	74,016	57,654
Current ratio ⁽¹⁾ (times)	1.4	1.6	1.5	1.8

Note:

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

Our current ratio as at 31 December 2018 stood at 1.4 times. It increased to 1.6 times as at 31 December 2019 mainly due to improvement in our current assets position comprising mainly trade receivables, contract assets and cash and bank balances due to business and profit growth in the FYE 2019.

Our current ratio decreased slightly from 1.6 times as at 31 December 2019 to 1.5 times as at 31 December 2020 mainly due to dividend payout and increase in borrowings which were used for our working capital purposes during the FYE 2020.

Our current ratio increased from 1.5 times as at 31 December 2020 to 1.8 times as at 31 December 2021 mainly due to improvement in current liabilities position as lower trade payables and contract liabilities were recorded in the FYE 2021.

(v) Gearing ratio

Our Group does not have any board policy for gearing ratio. A summary of our gearing ratio for the Financial Years Under Review is set out below:

	<-----Audited----->			
	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000
Total borrowings	35,321	36,006	38,493	39,081
Shareholders' equity	39,010	47,474	52,012	59,165
Gearing ratio ⁽¹⁾ (times)	0.9	0.8	0.7	0.7

Note:

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

Our gearing ratio decreased from 0.9 times as at 31 December 2018 to 0.8 times as at 31 December 2019 mainly due to the increase in our shareholders' equity arising from increase in retained profits for the FYE 2019. Our gearing ratio decreased from 0.8 times as at 31 December 2019 to 0.7 times as at 31 December 2020 mainly due to the increase in retained profits for the FYE 2020 and foreign exchange translation reserve as a result of the weakened RM. Our gearing ratio is constant at 0.7 times as at 31 December 2021.

12. FINANCIAL INFORMATION (CONT'D)**12.5 ORDER BOOK**

Our business is principally in the construction of plants and facilities. We do not have any long-term contracts with our customers as our sales are recognised based on the stage of completion method. As at the LPD, our order book stood at approximately RM107.0 million as set out below:

	Unrecognised contract value as at the LPD		Contract value expected to be recognised		
	(RM'000)	%	FYE 2022 (RM'000)	FYE 2023 (RM'000)	FYE 2024 (RM'000)
<u>Construction segment</u>					
- plants	10,700	10.0	10,700	-	-
- facilities	77,393	72.3	40,574	29,452	7,367
Fabrication segment	2,748	2.6	2,748	-	-
Supply of materials and equipment	14,560	13.6	14,560	-	-
Other activities	1,557	1.5	1,557	-	-
Total	106,958	100.0	70,139	29,452	7,367

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

As at the LPD, we have tendered for 17 projects from Malaysia and Gabon. Out of which, 6 with an estimated aggregate value of RM543.1 million are in advanced stage of negotiation which outcome we expect to know between third and fourth quarter of 2022, and the remaining 11 with an estimated aggregate value of RM237.9 million are currently pending interview or negotiation and we expect to know the outcome by the fourth quarter of 2022.

4 of the 17 projects tendered were overseas projects and based on our past records, our gross profit margins from foreign countries were ranging from 19.2% to 26.1% for the Financial Year Under Review. We are confident of being awarded the contracts where the negotiation is already in the advance stage but are unable to determine whether and when we will be awarded with the projects which are still pending outcome. There can be no assurance that our tenders will be successful or that we will be able to continue securing new projects. In the event of any delay in securing new contracts from these tenders or any decline in our future GP margin, our financial performance and operating results could be materially and adversely affected.

Our financial performance depends on our ability to secure new projects to sustain our order book. There can be no assurance that we will continue to be invited to tender and that such tenders will be successful resulting in securing new contracts. If we are unable to do so, our order book may decline and this would adversely affect our revenue moving forward, sustainability and future business performance.

There can be no assurance that any new contracts that we may secure in the future:

- will not be suspended or terminated before completion;
- will not be late in completion resulting in LAD or other penalties for late delivery;
- will not be subjected to increases in costs that we are unable to pass on to our customers; and/or
- will not be subjected to late or non-payment by the customer.

The occurrence of one or more of the above may adversely affect our revenue and/or profitability moving forward, sustainability and future business performance.

12. FINANCIAL INFORMATION (CONT'D)

12.6 TREND INFORMATION

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

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations, save as set out in Sections 8 and 9 of this Prospectus;
- (ii) material commitment for capital expenditure, as set out in Section 12.4.5 of this Prospectus;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group;
- (iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits, save for the interruption to business and operations due to COVID-19 pandemic as set out in Section 7.23 of this Prospectus, and our business strategies and plans as set out in Section 7.16 of this Prospectus;
- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position; and
- (vi) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources.

12.7 DIVIDEND POLICY

Our ability to pay dividends is dependent upon various factors including but not limited to our financial performance, cash flow requirements and capital expenditure plans. Our Board intends to recommend and distribute a dividend of at least 20% of our annual audited consolidated PAT attributable to our shareholders. Any dividend declared will be at the discretion of our Board and any final dividends declared will be subject to the approval of our shareholders at our annual general meeting.

You should take note that this dividend policy merely describes our current intention and shall not constitute legally binding statements in respect of our future dividends that are subject to our Board's discretion.

When recommending the final dividends for approval by shareholders or when declaring any interim dividends, our Board will consider, among others:

- (i) our anticipated future operating conditions as well as future expansion, capital expenditure and investment plan;
- (ii) our operating cash flow requirements and financing commitments;
- (iii) our expected financial performance including return on equity and retained earnings;
- (iv) any restrictive covenants contained in our current and future financing arrangements;
- (v) the availability of adequate reserves and cash flows; and
- (vi) any material impact of tax laws and regulatory requirements.

Actual dividends proposed and declared may vary depending on our financial performance and cash flows, and may be waived if the payment of the dividends would adversely affect our cash flows and operations. There is no dividend restriction being imposed on our Group currently.

12. FINANCIAL INFORMATION (CONT'D)

Dividend payments, capital gains and profits from dealing in our Shares will not be subject to Malaysian taxation (not applicable to entities including companies with trading of shares as their principal business activity). No withholding tax is imposed on the above transactions. Potential investors are advised to consult their professional tax advisors if they are in any doubt as to the taxation implication of subscribing, holding or disposing of and dealing in our Shares.

In respect of the Financial Years Under Review, dividends declared and paid by our subsidiaries were as follows:

	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000
Dividends declared	901	4,061	3,049	-
Dividends paid	901	-	7,110	-

Subsequent to the FYE 2021 and up to the LPD, there is no dividend declared, made or paid by us or our subsidiaries to shareholders.

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12. FINANCIAL INFORMATION (CONT'D)**12.8 REPORTING ACCOUNTANTS' REPORT ON COMPILATION OF THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021**

Date: 3 June 2022

The Board of Directors
Ecoscience International Berhad
 PLO. 555, Jalan Keluli 8
 Pasir Gudang Industrial Estate
 81700 Pasir Gudang
 Johor

Crowe Malaysia PLT
 201906000005 (LLP0018817-LCA) & AF 1018
 Chartered Accountants
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 Persiaran Southkey 1
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 Malaysia
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Dear Sirs

**ECOSCIENCE INTERNATIONAL BERHAD ("ECOSCIENCE" OR "THE COMPANY")
 REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL
 POSITION AS AT 31 DECEMBER 2021**

We have completed our assurance engagement to report on the compilation of pro forma statements of financial position of Ecoscience and its subsidiaries (collectively known as "the Group") as at 31 December 2021 and related notes ("Pro Forma Statements of Financial Position") as set out in Appendix A, for which we have stamped for the purpose of identification. The Pro Forma Statements of Financial Position have been prepared by the Board of Directors of the Company for inclusion in the prospectus of the Company ("Prospectus"), in connection with its listing of and quotation for the entire issued share capital on the ACE Market of Bursa Malaysia Securities Berhad ("Proposed Listing").

The applicable criteria on the basis of which the Board of Directors of the Company have compiled the Pro Forma Statements of Financial Position are set out in notes thereon to the Pro Forma Statements of Financial Position, and in accordance with the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The Pro Forma Statements of Financial Position have been compiled by the Board of Directors of the Company to illustrate the impact of the events or transactions as set out in notes thereon to the Pro Forma Statements of Financial Position as if the events have occurred or the transactions have been undertaken on 31 December 2021.

As part of this process, information about the Group's financial position has been extracted by the Board of Directors of the Company from the Group's audited statements of financial position as at 31 December 2021 set out in the Accountants' Report of the Company.

THE BOARD OF DIRECTORS' RESPONSIBILITIES

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

12. FINANCIAL INFORMATION (CONT'D)**REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL**

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

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

REPORTING ACCOUNTANTS' RESPONSIBILITIES

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

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

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

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

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

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

12. FINANCIAL INFORMATION (CONT'D)**REPORTING ACCOUNTANTS' RESPONSIBILITIES (CONT'D)**

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

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

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

OPINION

In our opinion, the Pro Forma Statements of Financial Position have been compiled, in all material respects, on the basis set out in the notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

OTHER MATTER

We understand that this letter will be used solely for the purpose of inclusion in the Prospectus in connection with the Proposed Listing. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

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

Johor Bahru

Piong Yew Peng
03070/06/2023 J
Chartered Accountant

ECOSCIENCE INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

		As at 31 December 2021 # RM'000	Public Issue RM'000	Pro Forma I After Public Issue RM'000	Utilisation of Proceeds RM'000	Pro Forma II After Pro Forma I and Utilisation of Proceeds RM'000
	Note					
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment		24,864		24,864		24,864
Other investments		2,069		2,069		2,069
		<u>26,933</u>		<u>26,933</u>		<u>26,933</u>
CURRENT ASSETS						
Inventories		15,213		15,213		15,213
Trade receivables		12,600		12,600		12,600
Other receivables, deposits and prepayments	6.1	7,284		7,284	(495)	6,789
Contract assets		42,866		42,866		42,866
Current tax assets		3,491		3,491		3,491
Fixed deposits with licensed banks		13,519		13,519		13,519
Cash and bank balances	6.2	6,507	24,651	31,158	(9,005)	22,153
		<u>101,480</u>		<u>126,131</u>		<u>116,631</u>
TOTAL ASSETS		<u>128,413</u>		<u>153,064</u>		<u>143,564</u>
EQUITY AND LIABILITIES						
EQUITY						
Share capital	6.3	51,566	24,651	76,217	(1,146)	75,071
Merger deficit		(45,209)		(45,209)		(45,209)
Foreign exchange translation reserve		(249)		(249)		(249)
Retained profits	6.4	53,057		53,057	(1,354)	51,703
TOTAL EQUITY		<u>59,165</u>		<u>83,816</u>		<u>81,316</u>

- Extracted from the Group's audited financial statements for the financial year ended 31 December 2021.



12. FINANCIAL INFORMATION (CONT'D)

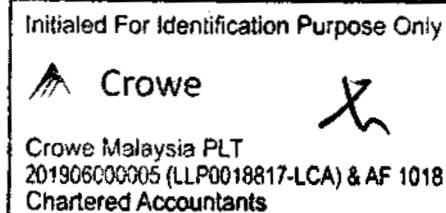
APPENDIX A

ECOSCIENCE INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021
(CONT'D)

			Pro Forma I	Pro Forma II
	As at 31	Public	After	After Pro
	December	Issue	Public	Utilisation of
	2021 #		Issue	Proceeds
Note	RM'000	RM'000	RM'000	RM'000
NON-CURRENT LIABILITIES				
Lease liabilities	485		485	485
Term loans	8,688		8,688	8,688
Deferred tax liabilities	2,421		2,421	2,421
	<u>11,594</u>		<u>11,594</u>	<u>11,594</u>
CURRENT LIABILITIES				
Trade payables	16,103		16,103	16,103
Other payables and accruals	9,943		9,943	9,943
Provisions	810		810	810
Lease liabilities	443		443	443
Term loans	1,033		1,033	1,033
Short term borrowings	16,674		16,674	16,674
Bank overdrafts	6.5 11,758		11,758	(7,000) 4,758
Current tax liabilities	890		890	890
	<u>57,654</u>		<u>57,654</u>	<u>50,654</u>
TOTAL LIABILITIES	<u>69,248</u>		<u>69,248</u>	<u>62,248</u>
TOTAL LIABILITIES AND EQUITIES	<u>128,413</u>		<u>153,064</u>	<u>143,564</u>
No of ordinary shares in issue ("000)	257,831		340,000	340,000
NA (RM'000)	59,165		83,816	81,316
NA per ordinary share (RM)	0.23		0.25	0.24
Gearing ratio (times)	0.66		0.47	0.39

Notes:

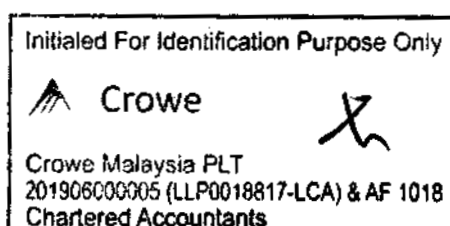
- Extracted from the Group's audited financial statements for the financial year ended 31 December 2021.



12. FINANCIAL INFORMATION (CONT'D)**APPENDIX A****ECOSCIENCE INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31
DECEMBER 2021****1. ABBREVIATION**

Unless the context otherwise requires, the following words and abbreviation shall apply throughout this report:

Ecoscience or Company	Ecoscience International Berhad
EMESB	Ecoscience Manufacturing & Engineering Sdn. Bhd.
AEPL	Asia Ecoscience Pte Ltd
ETSB	Ecoscience Technology Sdn. Bhd.
TWSB	Top Well Trading & Services Sdn. Bhd.
Group	Ecoscience, EMESB, ETSB, TWSB and AEPL collectively
Bursa Securities	Bursa Malaysia Securities Berhad
NA	Net assets
Proposed Listing	: Listing of and quotation for the entire enlarged issued share capital of Ecoscience on the ACE Market of Bursa Securities
RM and sen	Ringgit Malaysia and sen, respectively
Shares	Ordinary shares of Ecoscience



12. FINANCIAL INFORMATION (CONT'D)

APPENDIX A

**ECOSCIENCE INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31
DECEMBER 2021**

2. INTRODUCTION

The pro forma statements of financial position of the Group as at 31 December 2021 together with the notes thereon, for which the Board of Directors of the Company are solely responsible, have been prepared for illustrative purposes only for the purpose of inclusion in the prospectus to be issued by the Company in connection with the listing of and quotation for the entire issued share capital of Ecoscience on the ACE Market of Bursa Securities.

3. BASIS OF PREPARATION

The pro forma statements of financial position have been prepared based on the Accountants' Report of the Group as at 31 December 2021, which was prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with the format of the Accountants' Report and accounting policies of the Group. The Accountants' Report used in the preparation of the pro forma statements of financial position are not subject to any qualification, modification or disclaimer.

The pro forma statements of financial position of the Group together with the related notes thereon, have been prepared solely to illustrate the impact of the events and transactions set out in Note 4 to the pro forma statements of financial position had the events occurred or transactions been undertaken on 31 December 2021. The pro forma statements of financial position are not necessary indicative of the financial position that would have been attained had the Listing actually occurred at the respective dates.

4. LISTING SCHEME

As part of the Proposed Listing, Ecoscience undertook the followings:

(i) Initial public offering

In conjunction with, and as an integral part of, the Proposed Listing, Ecoscience will undertake an initial public offering of 112,169,500 Shares, comprising public issue of 82,169,500 new Shares and offer for sale of 30,000,000 existing Shares, at RM0.30, to be allocated in the following manner :

a) Malaysian public

17,000,000 Shares, representing 5.0% of the enlarged total number of Shares, will be made available for application by the Malaysian public via balloting, of which 50.0% will be set aside for Bumiputera investors.

b) Eligible persons

6,800,000 Shares, representing 2.0% of the enlarged total number of Shares, will be made available for application by the eligible directors, employees and persons who have contributed to the success of the Group.

Initialed For Identification Purpose Only



Crowe

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

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12. FINANCIAL INFORMATION (CONT'D)**APPENDIX A****ECOSCIENCE INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31
DECEMBER 2021****4. LISTING SCHEME (CONT'D)**

As part of the Proposed Listing, Ecoscience undertook the followings (Cont'd):

(i) Initial public offering (Cont'd)**c) Private placement**

88,369,500 Shares, representing approximately 26.0% of the enlarged number of issued Shares, will be made available by way of private placement, of which 45,869,500 Shares are allocated to the selected investors and 42,500,000 Shares are allocated to identified Bumiputera investors approved by the Ministry of International Trade and Industry.

The offer for sale does not have any impact on the pro forma statements of financial position as at 31 December 2021.

(ii) Listing

Upon completion of the initial public offering, the Company shall be admitted to the official list and the entire enlarged share capital of RM76,216,952 comprising 340,000,000 Shares shall be listed and quoted on the ACE Market of Bursa Securities.

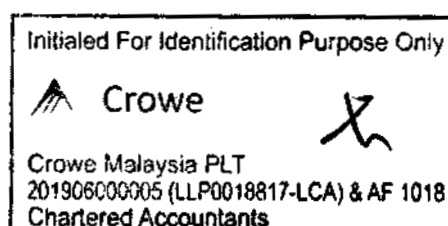
**5. PRO FORMA ADJUSTMENTS TO THE PRO FORMA STATEMENTS OF
FINANCIAL POSITION AS AT 31 DECEMBER 2021**

The pro forma statements of financial position of the Group as 31 December 2021 has been prepared solely for illustrative purposes only to show the effects of the following transactions based on the assumptions that they had been effected on 31 December 2021:

5.1 Pro Forma I

Pro Forma I incorporates the effects of the public issue as set out in Note 4 (i) above.

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12. FINANCIAL INFORMATION (CONT'D)

APPENDIX A

ECOSCIENCE INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31
DECEMBER 2021

5. PRO FORMA ADJUSTMENTS TO THE PRO FORMA STATEMENTS OF
FINANCIAL POSITION AS AT 31 DECEMBER 2021 (CONT'D)

5.2 Pro Forma II

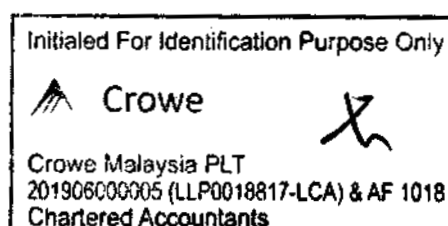
Pro Forma II incorporates the effect of the Pro Forma I and utilisation of the proceeds from the public issue as set out in Note 4 (ii) above. The proceeds from the public issue will be utilised as follows:-

Details of the utilisation of proceeds	Amount of proceeds		Estimated timeframe for utilisation from the date of Listing
	RM'000	%	
Not reflected in pro forma statements of financial position			
Business expansion ⁽¹⁾	6,000	24.34	Within 24 months
General working capital	7,851	31.85	Within 12 months
Reflected in pro forma statements of financial position			
Repayment of bank borrowings	7,000	28.40	Within 12 months
Estimated listing expenses ⁽²⁾	3,800	15.41	Within 1 month
Total	24,651	100.00	

Note:

(1) As at 27 May 2022, being the latest practicable date prior to the registration of the prospectus with the Securities Commission Malaysia ("LPD"), the Group has yet to enter into any contractual binding agreements or issue any purchase order in relation to the business expansion. Accordingly, the use of proceeds earmarked for the business expansion are not reflected in the pro forma statements of financial position.

(2) The estimated listing expenses of RM1,146,000 directly attributable to the Public Issue will be offset against share capital and the remaining estimated listing expenses of RM2,654,000 that attributable to Listing will be expensed off to the profit or loss. The Group has recognised RM1,300,000 of listing expenses to the profit or loss in previous financial years. During the financial year ended 31 December 2021, RM495,000 of listing expenses have been recognised as prepayment which will be offset against share capital upon listing.



12. FINANCIAL INFORMATION (CONT'D)

APPENDIX A

ECOSCIENCE INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31
DECEMBER 2021

6. NOTES TO PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

6.1 Other receivables, deposits, and prepayments

	RM'000
As at 31 December 2021 / As per Pro Forma I	7,284
Less: Prepayment for listing expenses ^	(495)
As per Pro Forma II	<u>6,789</u>

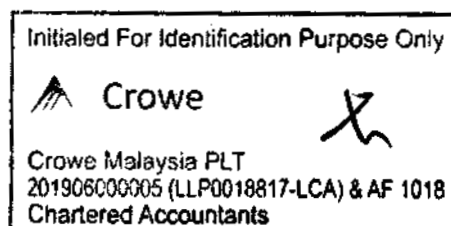
Note:

^ - During financial year ended 31 December 2021, RM495,000 of listing expenses have been recognised as prepayment which will be offset against share capital upon listing.

6.2 Cash and Bank Balances

	RM'000
As at 31 December 2021	6,507
Add: Proceeds from public issue	24,651
As per Pro Forma I	<u>31,158</u>
Less: Utilisation of proceeds	
- repayment of borrowings	(7,000)
- estimated listing expenses	(2,005)
As per Pro Forma II	<u>22,153</u>

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12. FINANCIAL INFORMATION (CONT'D)**APPENDIX A****ECOSCIENCE INTERNATIONAL BERHAD AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31
DECEMBER 2021****6. NOTES TO PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)****6.3 Share Capital**

The movements in the issued and paid-up share capital of Ecoscience are as follow:-

	Number of Ordinary Shares ('000)	Amount of Share Capital RM'000
Ordinary shares		
As at 31 December 2021	257,831	51,566
Public Issue	82,169	24,651
As per Pro Forma I	340,000	76,217
Estimated listing expenses #	-	(1,146)
As per Pro Forma II	340,000	75,071

Note:

- The estimated listing expenses of RM1,146,000 directly attributable to the public issue will be offset against share capital and the remaining estimated listing expenses of RM2,654,000 that attributable to Listing will be expensed off to profit or loss.

6.4 Retained Profits

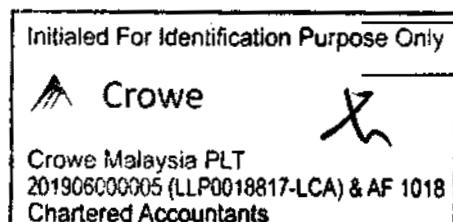
	RM'000
As at 31 December 2021 / As per Pro Forma I	53,057
Less: Estimated listing expenses *	(1,354)
As per Pro Forma II	51,703

Note:

* - The estimated listing expenses of RM1,146,000 directly attributable to the Public Issue will be offset against share capital and the remaining estimated listing expenses of RM2,654,000 that attributable to Listing will be expensed off the profit or loss. The Group has recognised RM1,300,000 of listing expenses to the profit or loss in previous financial years.

6.5 Bank Overdrafts

	RM'000
As at 31 December 2021 / As per Pro Forma I	11,758
Utilisation of proceeds	(7,000)
As per Pro Forma II	4,758



12. FINANCIAL INFORMATION (CONT'D)**APPENDIX A****ECOSCIENCE INTERNATIONAL BERHAD AND ITS SUBSIDIARIES****APPROVAL BY THE BOARD OF DIRECTORS**

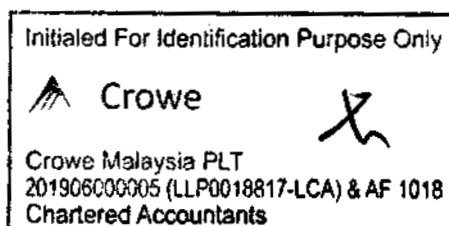
Approved and adopted by the Board of Directors of the Company in accordance with a resolution dated

03 JUN 2022

On behalf of the Board,


Wong Choi Ong


Pan Kum Wan



13. ACCOUNTANTS' REPORT**03 JUN 2022**

The Board of Directors
Ecoscience International Berhad
PLO 555, Jalan Keluli 8
Pasir Gudang Industrial Estate
81700 Pasir Gudang
Johor Darul Takzim

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants
E-2-3 Pusat Komersial Bayu Tasek
Persiaran Southkey 1
Kota Southkey
80150 Johor Bahru, Johor
Malaysia
Main +6 07 288 6627
Fax +6 07 338 4627
www.crowe.my

REPORTING ACCOUNTANT'S OPINION ON THE FINANCIAL INFORMATION CONTAINED IN THE ACCOUNTANT'S REPORT OF ECOSCIENCE INTERNATIONAL BERHAD

OPINION

We have audited the financial information of Ecoscience International Berhad ("Ecoscience" or "the Company") which comprise the following:

- (a) The combined statements of financial position as at 31 December 2018, 2019 and 2020 and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of Ecoscience and its subsidiaries ("the Group") for the financial years ended 31 December 2018, 2019, and 2020;
- (b) The consolidated statement of financial position as at 31 December 2021 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year ended 31 December 2021; and
- (c) The notes to the financial information, including a summary of significant accounting policies as set out on pages 14 to 111.

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

In our opinion, the financial information gives a true and fair view of the financial position of the Group as at 31 December 2018, 2019, 2020 and 2021 and of their financial performance and their cash flows for the financial years then ended 31 December 2018, 2019, 2020 and 2021 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

BASIS FOR OPINION

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Reporting Accountant's Responsibilities for the Audit of the financial information 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 in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

13. ACCOUNTANTS' REPORT (CONT'D)**DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION**

The Directors of the Group are responsible for the preparation of financial information of the Group that gives a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial information that are free from material misstatement, whether due to fraud or error.

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

REPORTING ACCOUNTANT'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL INFORMATION

Our objectives are to obtain reasonable assurance about whether the financial information of the Group 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 information.

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 information of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial information of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.

13. ACCOUNTANTS' REPORT (CONT'D)**REPORTING ACCOUNTANT'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL INFORMATION (CONT'D)**

- Evaluate the overall presentation, structure and content of the financial information of the Group, including the disclosures, and whether the financial information of the Group represents 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.

RESTRICTION ON DISTRIBUTION AND USE

This report is made solely to the Group for inclusion in the prospectus of the Group in relation to the listing of and quotation for the entire issued share capital of the Group on the Ace Market of Bursa Malaysia Securities Berhad and for no other purpose without our prior written consent. We do not assume responsibility to any other person for the content of this report contrary to the aforesaid purpose.

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

Piong Yew Peng
03070/06/2023 J
Chartered Accountant

Johor Bahru

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
STATEMENTS OF FINANCIAL POSITION**

		As at 31 December			
	Note	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	5	26,235	25,314	25,124	24,864
Other investments	6	-	1,674	1,952	2,069
		<u>26,235</u>	<u>26,988</u>	<u>27,076</u>	<u>26,933</u>
CURRENT ASSETS					
Inventories	7	4,610	4,571	8,648	15,213
Contract cost assets	8	-	-	2,676	-
Trade receivables	9	20,101	21,926	30,593	12,600
Other receivables, deposits and prepayments	10	12,235	2,232	3,020	7,284
Contract assets	11	28,491	34,390	43,496	42,866
Amount owing by an associate	12	98	69	-	-
Current tax assets		115	23	1,944	3,491
Fixed deposits with licensed banks	13	7,713	12,895	13,775	13,519
Cash and bank balances		2,411	12,797	7,119	6,507
		<u>75,774</u>	<u>88,903</u>	<u>111,271</u>	<u>101,480</u>
TOTAL ASSETS		<u>102,009</u>	<u>115,891</u>	<u>138,347</u>	<u>128,413</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
STATEMENTS OF FINANCIAL POSITION (CONT'D)**

		As at 31 December			
	Note	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	14(a)	-	-	*	51,566
Invested equity	14(b)	6,357	6,357	6,357	-
Merger deficit	15	-	-	-	(45,209)
Foreign exchange translation reserve	16	(133)	(399)	668	(249)
Retained profits		32,786	41,516	44,987	53,057
TOTAL EQUITY		39,010	47,474	52,012	59,165
NON-CURRENT LIABILITIES					
Lease liabilities	17	397	772	928	485
Term loans	18	8,400	9,284	9,786	8,688
Deferred tax liabilities	19	1,832	1,911	1,605	2,421
		10,629	11,967	12,319	11,594
CURRENT LIABILITIES					
Trade payables	20	15,689	17,012	35,220	16,103
Other payables and accruals	21	8,045	9,395	6,616	9,943
Provisions	22	-	-	967	810
Contract liabilities	11	828	2,704	1,906	[^]
Lease liabilities	17	226	312	486	443
Term loans	18	347	713	902	1,033
Short-term borrowings	23	22,588	16,465	19,592	16,674
Bank overdrafts	24	3,363	8,460	6,799	11,758
Current tax liabilities		1,284	1,389	1,528	890
		52,370	56,450	74,016	57,654
TOTAL LIABILITIES		62,999	68,417	86,335	69,248
TOTAL EQUITY AND LIABILITIES		102,009	115,891	138,347	128,413
Number of ordinary shares ('000) #		257,831	257,831	257,831	257,831
Net assets ("NA") (RM'000)		39,010	47,474	52,012	59,165
NA per ordinary share (RM)		0.15	0.18	0.20	0.23

Note :

- It is assumed to be the number of ordinary shares before public issue

* - Denote RM2

[^] - Amount is less than RM500

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	FYE 31 December			
		2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
REVENUE	26	113,627	170,928	153,693	153,163
COST OF SALES		(86,062)	(133,369)	(132,220)	(125,939)
GROSS PROFIT		27,565	37,559	21,473	27,224
OTHER INCOME		366	433	1,341	579
ADMINISTRATIVE EXPENSES		(14,657)	(14,885)	(13,281)	(14,285)
OTHER OPERATING EXPENSES		(511)	(1,077)	(12)	(328)
FINANCE COSTS		(1,971)	(2,515)	(2,542)	(2,770)
(NET IMPAIRMENT LOSS)/NET REVERSAL OF IMPAIRMENT LOSS ON FINANCIAL ASSETS	27	(369)	(2,417)	1,540	655
PROFIT BEFORE TAX	28	10,423	17,098	8,519	11,075
INCOME TAX EXPENSE	29	(2,687)	(4,616)	(1,999)	(3,005)
PROFIT AFTER TAX		7,736	12,482	6,520	8,070
OTHER COMPREHENSIVE (EXPENSE)/INCOME	30				
<u>Item that Will be Reclassified</u>					
<u>Subsequently to Profit or Loss</u>					
Foreign currency translation differences		(199)	(266)	1,067	(917)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		7,537	12,216	7,587	7,153
GP margin (%)		24.26	21.97	13.97	17.77
PBT margin (%)		9.17	10.00	5.54	7.23
PAT margin (%)		6.81	7.30	4.24	5.27
Effective tax rate (%)		25.78	27.00	23.47	27.13
Earnings before interest, tax, depreciation and amortisation ("EBITDA") (RM'000)		13,763	20,561	11,771	14,218
Number of ordinary shares ('000) #		257,831	257,831	257,831	257,831
Basic earnings per share ("EPS") (Sen)	31	3.00	4.84	2.53	3.13

Note :

- It is assumed to be the number of ordinary shares before public issue

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
STATEMENTS OF CHANGES IN EQUITY

	Note	NON-DISTRIBUTABLE					Total Equity RM'000
		Share Capital RM'000	Invested Equity RM'000	DISTRIBUTABLE		Retained Profits RM'000	
				Foreign Exchange Translation Reserve RM'000			
Balance at 1.1.2018		-	6,357	66		25,951	32,374
Profit after tax for the financial year		-	-	-		7,736	7,736
Other comprehensive expense for the financial year:							
- Foreign currency translation differences		-	-	(199)		-	(199)
Total comprehensive income for the financial year		-	-	(199)		7,736	7,537
Distributions to owners of the Company:							
- Dividend	32	-	-	-		(901)	(901)
Balance at 31.12.2018		-	6,357	(133)		32,786	39,010

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	NON-DISTRIBUTABLE					Total Equity RM'000
		Share Capital RM'000	Invested Equity RM'000	Foreign Exchange Translation Reserve		Retained Profits RM'000	
				RM'000	RM'000		
Balance at 1.1.2019		-	6,357	(133)		32,786	39,010
Profit after tax for the financial year		-	-	-		12,482	12,482
Other comprehensive expense for the financial year:		-	-	(266)		-	(266)
- Foreign currency translation differences		-	-	(266)		-	(266)
Total comprehensive income for the financial year		-	-	(266)		12,482	12,216
Contributions by and distribution to owners of the Company:							
- Difference arising from the assumed acquisition of equity interest of non-controlling interest		-	-	-		309	309
- Dividends	32	-	-	-		(4,061)	(4,061)
Total transactions with owners		-	-	-		(3,752)	(3,752)
Balance at 31.12.2019		-	6,357	(399)		41,516	47,474

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	NON-DISTRIBUTABLE					Total Equity RM'000
		Share Capital RM'000	Invested Equity RM'000	DISTRIBUTABLE		Retained Profits RM'000	
				Foreign Exchange Translation Reserve RM'000			
Balance at 1.1.2020		-	6,357	(399)		41,516	47,474
Profit after tax for the financial year		-	-	-		6,520	6,520
Other comprehensive income for the financial year:							
- Foreign currency translation differences		-	-	1,067		-	1,067
Total comprehensive income for the financial year		-	-	1,067		6,520	7,587
Distribution to owners of the Company:							
- Issuance of ordinary shares	32	*	-	-		-	*
- Dividend		-	-	-		(3,049)	(3,049)
Total transactions with owners		*	-	-		(3,049)	(3,049)
Balance at 31.12.2020		*	6,357	668		44,987	52,012

* - Represents RM2

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Share Capital RM'000	Invested Equity RM'000	Merger Deficit RM'000	NON-DISTRIBUTABLE		DISTRIBUTABLE		Total Equity RM'000
						Foreign Exchange Translation Reserve RM'000	Retained Profits RM'000		
Balance at 1.1.2021		*	6,357	-		668	44,987		52,012
Profit after tax for the financial year		-	-	-		-	8,070		8,070
Other comprehensive expense for the financial year:									
- Foreign currency translation differences		-	-	-		(917)	-		(917)
Total comprehensive income for the financial year		-	-	-		(917)	8,070		7,153
Contributions by and distribution to owners of the Company:									
- Issuance of ordinary shares pursuant to acquisition of subsidiaries		51,566	(6,357)	(45,209)		-	-		-
Balance at 31.12.2021		51,566	-	(45,209)		(249)	53,057		59,165

* - Represents RM2

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
STATEMENTS OF CASH FLOWS**

		FYE 31 December			
	Note	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit before tax		10,423	17,098	8,519	11,075
Adjustments for:-					
Impairment losses:					
- investment in an associate		200	-	-	-
- trade receivables		-	2,367	-	106
Bad debts written off		369	50	-	16
Depreciation of property, plant and equipment		1,814	1,653	1,308	1,259
Loss on foreign exchange:					
- unrealised		70	75	-	-
Property, plant and equipment written off		*	179	12	-
Provision/(Realisation of provision) for onerous contract		-	-	372	(372)
Provision for liquidated ascertained damages		-	-	595	215
Fair value loss/(gain) on other investments		-	507	(278)	(117)
Interest expenses		1,747	2,021	2,215	2,078
Deposit forfeited		-	-	207	-
Gain on disposal of property, plant and equipment		(85)	(47)	(47)	(60)
Interest income		(221)	(211)	(271)	(194)
Reversal of impairment losses on trade receivables		-	-	(1,540)	(777)
Waiver of other payables		-	-	(10)	-
Operating profit before working capital changes		14,317	23,692	11,082	13,229
(Increase)/Decrease in inventories		(2,058)	39	(4,077)	(6,565)
(Increase)/Decrease in contract cost assets		-	-	(2,676)	2,676
(Increase)/Decrease in contract assets		6,286	(5,899)	(9,106)	630
(Increase)/Decrease in trade and other receivables		(13,166)	(1,328)	(8,122)	14,384
Increase/(Decrease) in contract liabilities		828	1,876	(798)	(1,906)
Increase/(Decrease) in trade and other payables		392	(1,344)	19,305	(16,270)
CASH FLOWS FROM OPERATIONS/ BALANCE CARRIED FORWARD		6,599	17,036	5,608	6,178

Note :

* - Amount is less than RM500

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
STATEMENTS OF CASH FLOWS (CONT'D)**

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATIONS/ BALANCE BROUGHT FORWARD	6,599	17,036	5,608	6,178
Tax paid	(2,225)	(6,440)	(4,241)	(4,332)
Tax refunded	60	2,121	53	7
NET CASH FROM OPERATING ACTIVITIES	4,434	12,717	1,420	1,853
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES				
Repayment from associate	189	29	69	-
(Advances to)/Repayment from related parties	(5,328)	7,502	-	-
Interest received	221	211	271	194
Proceeds from disposal of property, plant and equipment	85	514	47	60
Withdrawal/(Placement) of fixed deposits pledged with licensed banks	1,140	(5,182)	(880)	256
Purchase of other investment	-	(2,181)	-	-
Purchase of property, plant and equipment	33(a) (3,659)	(667)	(188)	(468)
Deposit paid for purchase of intangible asset	-	(413)	-	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES	(7,352)	(187)	(681)	42

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
STATEMENTS OF CASH FLOWS (CONT'D)**

		FYE 31 December			
		2018	2019	2020	2021
		RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
(Repayment to)/Advances from directors	33(b)	(62)	(108)	100	(100)
Advances from/(Repayment to) shareholder	33(b)	108	(108)	120	(120)
Repayment to related parties	33(b)	(162)	-	-	-
Proceeds from issuance of shares		-	400	*	-
Dividend paid		(901)	-	(7,110)	-
Drawdown of short-term borrowings	33(b)	58,826	73,288	52,595	73,091
Drawdown of term loans	33(b)	3,902	1,642	1,000	-
Interest paid	33(b)	(1,747)	(2,021)	(2,215)	(2,078)
Repayment of short-term borrowings	33(b)	(57,106)	(79,411)	(49,468)	(76,009)
Repayment of lease liabilities	33(b)	(263)	(258)	(370)	(486)
Repayment of term loans	33(b)	(474)	(402)	(308)	(1,004)
Repayment to associate	33(b)	(40)	-	-	-
NET CASH FROM/(FOR) FINANCING ACTIVITIES		2,081	(6,978)	(5,656)	(6,706)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(837)	5,552	(4,917)	(4,811)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		6	(952)	4,337	320
EFFECT OF TRANSLATION RESERVE		(121)	(263)	900	(760)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	33(d)	(952)	4,337	320	(5,251)

Note :

* - Amount is less than RM500

13. ACCOUNTANTS' REPORT (CONT'D)

**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS****1. ABBREVIATIONS**

Unless the context otherwise requires, the following abbreviations shall apply throughout this report:

Abbreviations

Acquisitions	Acquisition by Ecoscience of the entire equity interests in EMESB and AEPL which was completed on 10 August 2021
AEPL	Asia Ecoscience Pte Ltd (201601045G)
Bursa Securities	Bursa Malaysia Securities Berhad
Ecoscience or Company	Ecoscience International Berhad (202001024633)
EMESB	Ecoscience Manufacturing & Engineering Sdn. Bhd. (200301032285)
ETSB	Ecoscience Technologies Sdn. Bhd. (200801008771)
EUR	Euro
FRS	Financial Reporting Standards in Singapore
FYE	Financial Year Ended
Group	Collectively, Ecoscience and its subsidiaries
MASB	Malaysian Accounting Standards Board
MFRS	Malaysian Financial Reporting Standards
MPERS	Malaysian Private Entities Reporting Standards
RM and sen	Ringgit Malaysia and sen, respectively
SGD	Singapore Dollar
Shares	Ordinary shares in Ecoscience
TWSB	Top Well Trading & Services Sdn. Bhd. (201701028723)
USD	United States Dollar

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****2. GENERAL INFORMATION****2.1 INCORPORATION AND PRINCIPAL ACTIVITIES**

Ecoscience was incorporated in Malaysia under the Companies Act 2016, on 21 August 2020 as a private limited company under the name of Ecoscience International Sdn. Bhd.. It was subsequently converted into a public limited company on 15 July 2021.

For the purpose of listing the Company on the ACE Market of Bursa Malaysia Securities Berhad, the Company undertook the Acquisitions as disclosed in Note 2.2 of this report.

Details of the Company's subsidiaries upon listing are as follows:-

Name of subsidiaries	Date and place of incorporation	Effective equity interest %	Issued share capital	Principal activities
<i>Direct subsidiaries</i>				
EMESB	18 November 2003 Malaysia	100	RM5,750,000	Construction of plants and facilities, fabrication of equipment, and supply of materials and equipment
AEPL	15 January 2016 Singapore	100	SGD200,000	Construction of plants and facilities, and fabrication of equipment
<i>Indirect subsidiary held through EMESB</i>				
ETSB	17 March 2008 Malaysia	100	RM2,000,000	Fabrication and supply of energy and environment related equipment
TWSB	14 August 2017 Malaysia	100	RM2	Supply of spare parts and construction materials, and provision of maintenance services

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****2. GENERAL INFORMATION (CONT'D)****2.2 ACQUISITIONS**

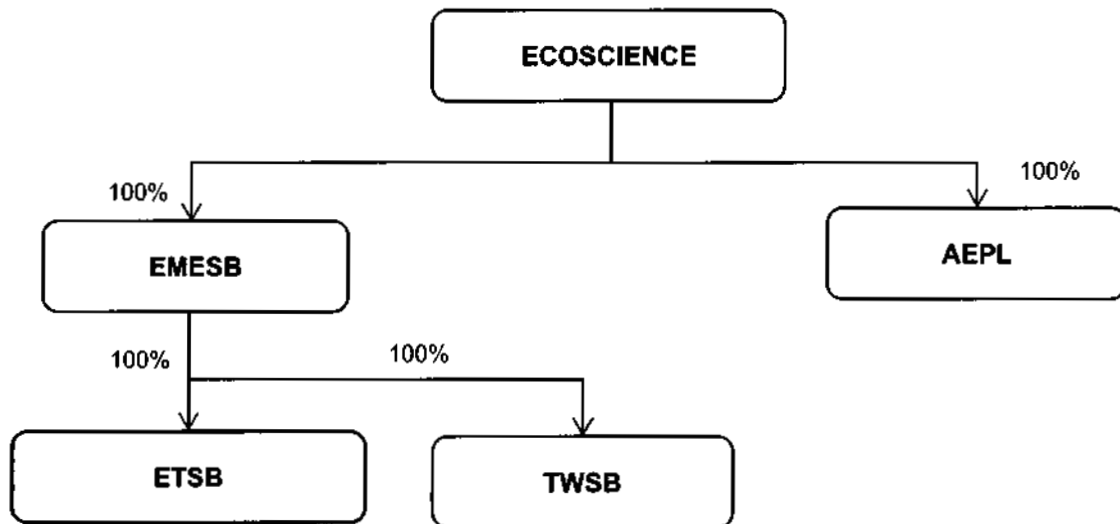
On 1 July 2020, EMESB subscribed additional 500,000 ordinary shares of ETSB for a cash consideration amounting to RM500,000 and subsequently on 3 August 2020, EMESB acquired 600,000 ordinary shares from the non-controlling interests of ETSB for a cash consideration amounting to RM136,200. Following the completion of the subscription and acquisition, ETSB became wholly-owned subsidiary of the EMESB.

On 19 February 2021, EMESB acquired 100% equity interest in TWSB for a total cash consideration of RM2.

The Company had on 7 July 2021 entered into conditional share sale agreements to acquire the entire equity interests in the following companies:-

- (a) Acquisition of entire equity interest in EMESB for a purchase consideration of RM35,825,000 to be satisfied by the issuance of 179,125,000 shares at an issue price of RM0.20 per Share. The acquisition of EMESB was completed on 10 August 2021.
- (b) Acquisition of the entire equity interest in AEPL for a purchase consideration of RM15,741,099.60 to be satisfied by the issuance of 78,705,498 shares in the Company at an issue price of RM0.20 per Share. The acquisition of AEPL was completed on 10 August 2021.

The corporate structure of the Group after the Acquisitions is as follows:



13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****2. GENERAL INFORMATION (CONT'D)****2.3 LISTING SCHEME**

In conjunction with, and as an integral part of, the listing of and quotation for the entire issued share capital of Ecoscience on the ACE Market of Bursa Malaysia Securities Berhad, Ecoscience will undertake an initial public offering of 112,169,500 Shares, comprising public issue of 82,169,500 new Shares and offer for sale of 30,000,000 existing Shares, at RM0.30, to be allocated in the following manner:

(i) Malaysian public

17,000,000 Shares, representing 5.0% of the enlarged total number of Shares, will be made available for application by the Malaysian public via balloting, of which 50.0% will be set aside for Bumiputera investors.

(ii) Eligible persons

6,800,000 Shares, representing 2.0% of the enlarged total number of Shares, will be made available for application by the eligible directors, employees and persons who have contributed to the success of the Group.

(iii) Private placement

88,369,500 Shares, representing approximately 26.0% of the enlarged number of issued Shares, will be made available by way of private placement, of which 45,869,500 Shares are allocated to the selected investors and 42,500,000 Shares are allocated to identified Bumiputera investors approved by the Ministry of International Trade and Industry.

Listing

Upon completion of the initial public offering, the Company shall be admitted to the official list and the entire enlarged share capital of approximately RM76,216,952 comprising 340,000,000 Shares shall be listed and quoted on the ACE Market of Bursa Securities.

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****2. GENERAL INFORMATION (CONT'D)****2.4 SHARE CAPITAL**

As at the date of this report, the share capital of Ecoscience is RM51,566,101.60 comprising 257,830,500 Shares.

The details of the changes in the issued share capital of Ecoscience since its incorporation are as follows:-

Date of allotment	No. of shares allotted	Cumulative no. of shares allotted	Consideration RM	Cumulative issued share capital RM
21 August 2020	2	2	2.00	2.00
10 August 2021	257,830,498	257,830,500	51,566,099.60	51,566,101.60
Upon listing	82,169,500	340,000,000	24,650,850.00	76,216,951.60

3. DIVIDENDS

No dividend has been declared by Ecoscience since the date of its incorporation.

Details of dividends paid by the Company's subsidiaries during the financial years under review are as follows:-

Company	Related to	Paid on	Type of dividend	Dividend rate	Net Amount ('000)
AEPL	FYE 31 December 2018	16 July 2018 27 August 2018 1 November 2018	Interim exempt (one-tier)	RM4.52 (EUR0.95) (SGD1.50)	RM901 (EUR189) (SGD300)
AEPL	FYE 31 December 2019	14 January 2020	Interim exempt (one-tier)	RM15.29 (EUR3.33) (SGD5.00)	RM3,061 (EUR667) (SGD1,000)
EMESB	FYE 31 December 2019	23 January 2020	Single tier interim dividend	RM0.17	RM1,000
AEPL	FYE 31 December 2020	8 October 2020	Interim exempt (one-tier)	RM15.38 (EUR3.09) (SGD5.00)	RM3,049 (EUR618) (SGD1,000)

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES****4.1 BASIS OF PREPARATION**

For the purposes of the inclusion of the financial statements in the Prospectus of Ecoscience International Berhad in connection with the Listing, the financial statements comprise:-

- (i) the combined statements of financial position of the Group as at 31 December 2018, 2019, 2020, combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the FYE 31 December 2018, 2019, 2020.
- (ii) the consolidated statement of financial position of the Group as at 31 December 2021, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial years ended 31 December 2021.

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

The financial statements of the Group for the relevant period were prepared in a manner similar to the merger method, as if the entities within the Group were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of entities within the Group, if later. Such manner of presentation reflects the economic substance of the combining entities, which were under common control throughout the relevant period.

The identifiable assets and liabilities of all commonly controlled entities are accounted for at their historical costs. The accounting policies of common controlled entities have been changed where necessary to align them with the accounting policies adopted by the Group.

The combined financial statements of the Group were prepared in the manner that no non-controlling interest in the Group. The acquisition of equity interest of non-controlling interest of ETSB by EMESB on 3 August 2020 is assumed to have taken place from the beginning of the earliest comparative period covered by the relevant period and when ETSB issued additional shares to non-controlling interest in the FYE 31 December 2019. The difference between the amount of share capital of ETSB and the purchase price for the non-controlling interest are accounted in retained earnings.

In addition, the combined financial statements of the Group were prepared on the assumption that Ecoscience was incorporated and exist from the beginning of the earliest comparative period covered by the relevant period.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.1 BASIS OF PREPARATION (CONT'D)**

These combined financial statements of the Group are the combination or aggregation of all of the financial statements of the entities of the Group and have been prepared based on the separate financial statements for the relevant financial years as follows:

Company	Relevant financial years/periods	Accounting standards applied	Auditors
Ecoscience	FPE from 21 August 2020 (date of incorporation) to 31 December 2020	MFRS	Crowe Malaysia PLT
EMESB	FYE 31 December 2018	MFRS	Crowe Malaysia
	FYE 31 December 2019	MFRS	Crowe Malaysia PLT
	FYE 31 December 2020	MFRS	Crowe Malaysia PLT
ETSB	FYE 31 December 2018	MFRS	Crowe Malaysia
	FYE 31 December 2019	MFRS	Crowe Malaysia PLT
	FYE 31 December 2020	MFRS	Crowe Malaysia PLT
AEPL	FYE 31 December 2018	FRSs	Crowe Horwath First Trust LLP
	FYE 31 December 2019	FRSs	Crowe Horwath First Trust LLP
	FYE 31 December 2020	FRSs	Crowe Horwath First Trust LLP
TWSB	FPE from 14 August 2017 (date of incorporation) to 31 December 2018	MPERS	Chen Kheng Wu & Co
	FYE 31 December 2019	MPERS	Chen Kheng Wu & Co
	FYE 31 December 2020	MFRS	Crowe Malaysia PLT

The consolidated financial statements of the Group for the FYE 31 December 2021 were prepared based on the audited consolidated financial statements of Ecoscience and its subsidiaries for the FYE 31 December 2021.

The separate statutory audited financial statements of Ecoscience, EMESB, ETSB, AEPL and TWSB were not subject to any modified audit opinions.

The combined financial statements for the FYE 31 December 2018 and 2019 do not include Ecoscience as it was only incorporated on 21 August 2020.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.1 BASIS OF PREPARATION (CONT'D)**

The separate statutory audited financial statements of AEPL for the FYE 31 December 2018, 2019, 2020 and 2021 have been prepared in accordance with FRSs. There is no significant difference between MFRS and FRSs in the context of AEPL's financial statements for the abovementioned financial years and neither adjustment is required or reconciliation is presented for the financial statements under these accounting standards.

The separate statutory audited financial statements at TWSB from 14 August 2017 (date of incorporation) to 31 December 2018 are included in the combined financial statements for the FYE 31 December 2018 due to the financial statements of TWSB for the financial period from 14 August 2017 (date of incorporation) to 31 December 2017 do not have material financial impact to the combined financial statements for the FYE 31 December 2018.

All intra-group transactions and balances have been eliminated on combination and consolidation.

In preparing this report, the financial information of AEPL was translated into RM for combination and consolidation purposes.

The exchange rates used for the purpose of this report are as follows:-

Average Rate

FYE 31 December 2018	EUR 1 = RM4.7593
FYE 31 December 2019	EUR 1 = RM4.6352
FYE 31 December 2020	EUR 1 = RM4.8090
FYE 31 December 2021	EUR 1 = RM4.8944

Closing Rate

FYE 31 December 2018	EUR 1 = RM4.7279
FYE 31 December 2019	EUR 1 = RM4.5907
FYE 31 December 2020	EUR 1 = RM4.9413
FYE 31 December 2021	EUR 1 = RM4.7142

(Source: Bank Negara Malaysia)

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.2 NEW MFRSs, AMENDMENT TO MFRSs AND IC INTERPRETATIONS THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE**

The Group has not applied in advance the following applicable accounting standards (including the consequential amendments, if any) that have been issued by the MASB but are not yet effective for the financial year ended 31 December 2021:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendment to MFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022

The adoption of the above applicable accounting standards (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 SIGNIFICANT ACCOUNTING POLICIES****(i) Critical Accounting Estimates and Judgements**

The outbreak of the COVID-19 has brought unprecedented challenges and added economic uncertainties in Malaysia and markets in which the Group operates. While the Group has considered the potential financial impact of the COVID-19 pandemic in the preparation of these financial statements, the full financial impact to the Group remains uncertain.

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Impairment of Property, Plant and Equipment

The Group determines whether an item of its property, plant and equipment is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates.

(c) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(i) Critical Accounting Estimates and Judgements (Cont'd)***Key Sources of Estimation Uncertainty (Cont'd)***(d) Impairment of Trade Receivables and Contract Assets**

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables and contract assets.

(e) Revenue Recognition for Construction Contracts

The Group recognises construction revenue by reference to the construction progress using the input method, determined based on the proportion of construction costs incurred for work performed to-date over the estimated total construction costs. The total estimated costs are based on approved budgets, which require assessment and judgement to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, management relies on past experience and the work of specialists.

(f) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made.

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(i) Critical Accounting Estimates and Judgements (Cont'd)***Critical Judgements Made in Applying Accounting Policies*

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Lease Terms

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

(b) Contingent Liabilities

The recognition and measurement for contingent liabilities are based on management's view of the expected outcome on contingencies after consulting experts, for matters in the ordinary course of business.

(ii) Basis of Combination and Consolidation

The Group resulting from the Acquisitions, as disclosed in Note 2.2 above, comprises entities under common control. Accordingly, the financial statements have been accounted for using principles of merger accounting.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on combination. Where necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency of accounting policies with those of the Group.

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(ii) Basis of Combination and Consolidation (Cont'd)****(a) Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

However, an acquisition that resulted in a business combination involving common control entities is outside the scope of MFRS 3 Business Combinations. For such common control combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the audited financial statements.

In applying merger accounting, financial statements items of the combining entities or businesses for the reporting period in which common control combination occurs are included in the audited financial statements of the Group as if the combination had occurred from the date when the combining entities or businesses first come under the control of the controlling party or parties. Under merger accounting, the Group recognises the assets, liabilities and equity of the combining entities or businesses at the carrying amount as if such audited financial statements had been prepared by the controlling party including adjustments required for conforming to the Groups' accounting policies and applying those policies to all period presented. There is no recognition of any goodwill or gain from bargain purchase at the time of the common control combination. The effect of all transactions and balances between combining entities, whether occurring before or after the combination, are eliminated in preparing the audited financial statements of the Group.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(ii) Basis of Combination and Consolidation (Cont'd)****(b) Non-controlling Interests**

Non-controlling interests are presented within equity in the statements of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(iii) Functional and Foreign Currencies****(a) Functional and Presentation Currency**

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(c) Foreign Operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at average exchange rates. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

(iv) Financial Instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(iv) Financial Instruments (Cont'd)**

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as an asset or a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 – Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

*Debt Instruments***(i) Amortised Cost**

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(iv) Financial Instruments (Cont'd)****(a) Financial Assets (Cont'd)***Debt Instruments (Cont'd)***(i) Amortised Cost (Cont'd)**

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that 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 financial asset or a shorter period (where appropriate).

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(iv) Financial Instruments (Cont'd)****(a) Financial Assets (Cont'd)***Equity Instruments*

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial Liabilities**(i) Financial Liabilities at Fair Value through Profit or Loss**

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured 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 a shorter period (where appropriate).

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently. Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs. Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(iv) Financial Instruments (Cont'd)****(d) Derivative Financial Instruments**

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the reporting period, other than those accounted for under hedge accounting, are recognised directly in profit or loss.

Any derivative embedded in a financial asset is not accounted for separately. Instead, the entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

An embedded derivative is recognised separately from the host contract which is a financial liability as a derivative if, and only if, its risks and characteristics are not closely related to those of the host contract and the host contract is not measured at fair value through profit or loss.

(e) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

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

(f) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(iv) Financial Instruments (Cont'd)****(f) Financial Guarantee Contracts (Cont'd)**

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

(v) Investment in Associate

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

Investments in associates are stated at cost in the statement of financial position of the Group, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investment includes transaction costs.

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

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

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

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(v) Investment in Associate (Cont'd)**

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

(vi) Property, Plant and Equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset become idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Leasehold land	Over the remaining lease period
Buildings	2%
Plant and machinery	20%
Furniture, fittings and office equipment	20%
Motor vehicles	20%
Renovations	20%
Electrical installation	20%

Asset work-in progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(vi) Property, Plant and Equipment (Cont'd)**

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

(vii) Leases

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjustment for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment.

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

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(vii) Leases (Cont'd)**Accounting Policies Applied Until 31 December 2018

- Finance leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statements of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

- Operating leases

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statements of financial position of the Group and of the Company.

Payments made under operating leases are recognised as an expense in profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(viii) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out method and comprises the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition. The cost of conversion includes cost directly related to the units of production, and a proportion of fixed production overheads based on normal capacity of the production facilities.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(ix) Contract Cost Assets****Costs to Fulfil A Contract**

The Group recognises costs that relate directly to a contract (or an anticipated contract) with customer as an asset when the costs generate or enhance resources of the Group, will be used in satisfying performance obligation in the future and are recovered.

The contract cost assets are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates.

An impairment loss is recognised in the profit or loss when the carrying amount of the contract cost assets exceeds the expected revenue less expected cost that will be incurred. Any impairment loss recovered shall be reversed to the extent of the carrying amount of the contract cost assets does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

(x) Contract Asset and Contract Liability

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment requirements of MFRS 9 – Financial Instruments.

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

(xi) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(xii) Impairment****(a) Impairment of Financial Assets**

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income, as well as on trade receivables and contract assets.

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

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses 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 measures the loss allowance for that financial instrument at an amount equal to 12 month expected credit losses.

The Group recognises 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, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statements of financial position.

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(xii) Impairment (Cont'd)****(b) Impairment of Non-Financial Assets**

The carrying values of assets, other than those to which MFRS 136 – Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

(xiii) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(xiv) **Employee Benefits**(a) *Short-term Benefits*

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) *Defined Contribution Plans*

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(xv) **Income Taxes**(a) **Current Tax**

Current tax assets and liabilities are the expected amount of income tax recoverable from or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) **Deferred Tax**

Deferred tax is recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(xv) Income Taxes (Cont'd)**

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

(xvi) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(xvii) Operating Segments

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

(xviii) Earnings per Ordinary Share

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

Diluted earnings per ordinary share is calculated by adjusting the profit or loss attributable to ordinary shareholders of the Group and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(xix) Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

(xx) Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(xxi) Revenue from Contract with Customers**

Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

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

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(a) Construction of Plants and Facilities

Revenue from construction services is recognised over time in the period in which the services are rendered using the input method, determined based the proportion of construction costs incurred for work performed to date over the estimated total construction costs. Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and penalties. Past experience is used to estimate and provide for the variable consideration, using most likely method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognised when the construction services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the construction services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised.

(b) Fabrication of Equipment

Revenue is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****4. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(xxi) Revenue from Contract with Customers (Cont'd)****(b) Fabrication of Equipment (Cont'd)**

Revenue from fabrication of equipment which either creates or enhances an asset that the customer controls as the asset is created or enhanced or the customer simultaneously receives and consumes the benefits provided as the Group performs is recognised over time according to the accounting policy as described in Note 4.3(xxii)(a).

(c) Others

Revenue from others include the sales of material, equipment and spare parts, repair and maintenance services and other services.

Sales of material, equipment and spare parts is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

Revenue from repair and maintenance and other services is recognised at a point in time when the services have been rendered to the customers and coincides with the delivery of services and acceptance by customers.

A receivable is recognised when the goods are delivered or service are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Revenue from other services which the customer simultaneously receives and consumes the benefits provided as the Group performs is recognised over time according to the accounting policy as described in Note 4.3(xxii)(a).

(xxii) Revenue from Other Sources and Other Operating Income**(a) Interest Income**

Interest income is recognised on an accrual basis using the effective interest method.

(b) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Electrical installation RM'000	Total RM'000
Carrying Amount									
At 1 January 2018	-	4,960	16,532	758	541	724	652	30	24,197
Additions (Note 33(a))	1,814	-	1,113	505	94	314	103	-	3,943
Disposal	-	-	-	-	-	(*)	-	-	(*)
Written off (Note 28)	-	-	-	-	(*)	-	-	-	(*)
Translation differences	-	-	(90)	-	(*)	-	(1)	-	(91)
Depreciation charges (Note 28)	-	(166)	(536)	(413)	(209)	(340)	(144)	(6)	(1,814)
At 31 December 2018	1,814	4,794	17,019	850	426	698	610	24	26,235

Note :

* - Amount is less than RM500

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Owned assets										Right-of-use assets	
	Freehold land	Leasehold land	Buildings	Plant and machinery	Furniture, fittings and office equipment	Motor vehicles	Renovations	Electrical installation	Leasehold land	Motor vehicles	Plant and machinery	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Carrying Amount												
At 1 January 2019, as previously reported	1,814	4,794	17,019	850	426	698	610	24	-	-	-	26,235
Initial Application of MFRS 16	-	(4,794)	-	-	-	(509)	-	-	4,794	509	-	-
At 1 January 2019, as restated	1,814	-	17,019	850	426	189	610	24	4,794	509	-	26,235
Additions (Note 33(a))	-	-	42	82	195	217	109	-	-	635	206	1,486
Disposal	-	-	-	(340)	-	(127)	-	-	-	-	-	(467)
Written off (Note 28)	-	-	-	(179)	(*)	-	-	-	-	-	-	(179)
Translation differences	-	-	(105)	-	(*)	-	(3)	-	-	-	-	(108)
Depreciation charges (Note 28)	-	-	(321)	(301)	(227)	(106)	(238)	(12)	(85)	(322)	(41)	(1,653)
At 31 December 2019	1,814	-	16,635	112	394	173	478	12	4,709	822	165	25,314

Note :

* - Amount is less than RM500

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	<----- Owned assets ----->					<----- Right-of-use assets ----->						
	Furniture, fittings and											
	Freehold land	Buildings	Plant and machinery	office equipment	Motor vehicles	Renovations	Electrical installation	Asset under construction	Leasehold land	Motor vehicles	Plant and machinery	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Carrying Amount												
At 1 January 2020	1,814	16,635	112	394	173	478	12	-	4,709	822	165	25,314
Additions	-	-	103	92	-	-	-	23	-	325	319	862
(Note 33(a))	-	-	-	-	(95)	-	-	-	-	95	-	-
Reclassification	-	-	-	-	-	-	-	-	-	-	-	-
Written off	-	-	-	(12)	-	-	-	-	-	-	-	(12)
(Note 28)	-	-	-	-	-	-	-	-	-	-	-	-
Translation differences	-	263	-	-	-	5	-	-	-	-	-	268
Depreciation charges	-	(322)	(50)	(214)	(19)	(239)	(12)	-	(84)	(293)	(75)	(1,308)
(Note 28)	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2020	1,814	16,576	165	260	59	244	-	23	4,625	949	409	25,124

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Electrical installation RM'000	Total RM'000
At 31 December 2018									
Cost	1,814	5,000	17,799	5,236	1,630	2,170	1,089	57	34,795
Accumulated depreciation	-	(206)	(780)	(4,386)	(1,204)	(1,472)	(479)	(33)	(8,560)
Carrying amount	1,814	4,794	17,019	850	426	698	610	24	26,235

<----- Owned assets -----> <----- Right-of-use assets ----->

	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Electrical installation RM'000	Plant and machinery RM'000	Total RM'000
At 31 December 2019									
Cost	1,814	17,732	4,267	1,822	543	1,194	57	1,946	34,581
Accumulated depreciation	-	(1,097)	(4,155)	(1,428)	(370)	(716)	(45)	(1,124)	(9,267)
Carrying amount	1,814	16,635	112	394	173	478	12	822	25,314

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Owned assets					Right-of-use assets						
	Furniture, fittings and office equipment					Asset under construction						
	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Renovations RM'000	Electrical installation RM'000	Leasehold land RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Total RM'000		
At 31 December 2020												
Cost	1,814	18,006	3,616	1,336	757	1,206	57	23	5,000	1,707	525	34,047
Accumulated depreciation	-	(1,430)	(3,451)	(1,076)	(698)	(962)	(57)	-	(375)	(758)	(116)	(8,923)
Carrying amount	1,814	16,576	165	260	59	244	-	23	4,625	949	409	25,124
At 31 December 2021												
Cost	1,814	17,829	3,794	1,413	912	1,198	57	784	5,000	1,552	525	34,878
Accumulated depreciation	-	(1,745)	(3,404)	(1,179)	(873)	(1,131)	(57)	-	(460)	(944)	(221)	(10,014)
Carrying amount	1,814	16,084	390	234	39	67	-	784	4,540	608	304	24,864

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

- (a) Included in property, plant and equipment of the Group are the following assets acquired under hire purchase terms:-

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Motor vehicles	509	822	949	608
Plant and machinery	-	165	409	304
	<u>509</u>	<u>987</u>	<u>1,358</u>	<u>912</u>

The Group has lease contracts for leasehold land, motor vehicles and plant and machinery used in its operations. Their lease terms are as follows:-

- (i) **Leasehold land** The Group has entered into 1 non-cancellable operating lease agreement for the use of land. The leases are for a period of 60 years with no renewal or purchase option included in the agreement. The leases do not allow the Group to assign, transfer or sublease or create any charge, lien or trust in respect of or dispose of the whole or any part of the land without the prior approval from lessor.
- (ii) **Motor vehicles and plant and machinery** The Group has leased certain motor vehicles and plant and machinery under hire purchase arrangements with lease terms ranging from 1 to 5 (2020 – 1 to 5, 2019 – 1 to 5 and 2018 – 1 to 5) years. At the end of the lease term, the Group has the option to purchase the asset at an insignificant amount. The leases bear effective interest rates ranging from 3.78% to 6.65% (2020 – 1.95% to 5.47%, 2019 – 3.78% to 6.65% and 2018 – 3.78% to 6.31%) per annum.

The leased assets had been pledged as security for the lease liabilities of the Group as disclosed in Note 17 to the financial statements.

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

- (b) Included in the carrying amount of property, plant and equipment at the reporting period are the following assets pledged to financial institutions as security for banking facilities granted to the Group as disclosed in Notes 18, 23 and 24:-

	As at 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Freehold land	1,814	1,814	1,814	1,814
Leasehold land	4,794	4,709	4,625	4,540
Buildings	16,469	16,097	16,051	15,571
	<u>23,077</u>	<u>22,620</u>	<u>22,490</u>	<u>21,925</u>

6. OTHER INVESTMENTS

	As at 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
At 1 January	-	-	1,674	1,952
Additions	-	2,181	-	-
(Loss)/Gain on changes in fair value (Note 28)	-	(507)	278	117
At 31 December	<u>-</u>	<u>1,674</u>	<u>1,952</u>	<u>2,069</u>

Other investments represent life insurance policies (the "Policy") taken to insure managing director of EMESB (the "Insured Person"). Under the Policy, the beneficiary is a bank (the "Bank") and the total insured sum is RM2,650,000. At the inception of the Policy, EMESB paid an upfront payment of RM2,180,963. For any insured events happened to the Insured Person, the insured sum will be used to settle the outstanding bank loan of EMESB from the Bank and thereafter any exceed amount will be payable to EMESB. The Policy can be withdrawn at any time with surrender charges if such withdrawal occurs before the maturity date of the Policy and a cash refund will be based on the cash surrender value of the Policy at the date of withdrawal.

As at 31 December 2021, the directors of EMESB expected that the Policy will be terminated at the maturity date and there will be no specific surrender charges in accordance with the terms of the Policy. The directors of EMESB consider that the expected life of the Policy will remain unchanged from initial recognition.

In the event of death of the Insured Person, the other investments will be derecognised and any resulting gains or losses will be recognised in profit or loss.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****7. INVENTORIES**

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Raw materials	4,493	4,230	4,855	4,732
Trading goods	117	341	343	57
Work-in-progress	-	-	3,450	10,424
	<u>4,610</u>	<u>4,571</u>	<u>8,648</u>	<u>15,213</u>
Recognised in profit or loss:- Inventories recognised as cost of sales	51,562	71,996	56,153	46,905

8. CONTRACT COST ASSETS

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Costs to fulfil contracts	-	-	2,676	-

The costs to fulfil contracts represent costs incurred to fulfil contracts in future. The costs are to be amortised consistent with the pattern of recognition of the associated revenue.

9. TRADE RECEIVABLES

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Third parties	20,060	24,293	31,420	12,756
Related party	41	-	-	-
	<u>20,101</u>	<u>24,293</u>	<u>31,420</u>	<u>12,756</u>
Allowance for impairment losses	-	(2,367)	(827)	(156)
	<u>20,101</u>	<u>21,926</u>	<u>30,593</u>	<u>12,600</u>
Allowance for impairment losses:- At 1 January	-	-	2,367	827
Addition during the financial year (Note 27)	-	2,367	-	106
Reversal of allowance for impairment losses (Note 27)	-	-	(1,540)	(777)
At 31 December	-	2,367	827	156

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****9. TRADE RECEIVABLES (CONT'D)**

- (a) The Group's normal trade credit terms range from 30 to 60 days.
- (b) The amount owing by related party relates to a company in which certain directors of the Group have substantial financial interests with a credit term of 60 days

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Other receivables:-				
Third parties	2,631	1,129	990	179
Related parties	7,502	13	-	-
Goods and services tax recoverable	1,233	204	1	1
	11,366	1,346	991	180
Advance payments to suppliers	-	46	1,298	5,927
Deposits	491	633	502	528
Prepayments	378	207	229	649
	12,235	2,232	3,020	7,284

- (a) The advance payments to suppliers are unsecured and interest-free. The amount owing will be offset against future purchases from the suppliers.
- (b) The amount owing by related parties represents rental receivables and advances to a company in which certain directors of the Group have significant financial interests. The amounts owing are unsecured, interest-free and repayable on demand and are to be settled in cash.

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****11. CONTRACT ASSETS/(LIABILITIES)**

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Contract Assets				
Contract assets relating to:				
- construction contracts	21,587	33,107	43,496	41,686
- fabrication of goods	6,904	1,283	-	1,180
	<u>28,491</u>	<u>34,390</u>	<u>43,496</u>	<u>42,866</u>
Contract Liabilities				
Contract liabilities relating to:				
- construction contracts	(828)	(2,704)	-	(*)
- fabrication of goods	-	-	(1,906)	(*)
	<u>(828)</u>	<u>(2,704)</u>	<u>(1,906)</u>	<u>(*)</u>
	<u>27,663</u>	<u>31,686</u>	<u>41,590</u>	<u>42,866</u>

Note :

* - Amount is less than RM500

- (a) The contract assets primarily relate to the Group's right to consideration for works completed on construction contracts and fabrication works but not yet billed as at the reporting date. The amount will be invoiced within 180 days.

Included in contract assets are retention sum receivables approximately RM15,557,000 (2020 – RM8,289,000, 2019 – RM4,971,000 and 2018 – RM9,261,000). These retention sum are expected to be collected within the periods ranging from 360 to 720 (2020 – 360 to 720, 2019 – 360 to 720, and 2018 – 360) days.

- (b) The contract liabilities primarily relate to advance considerations received from few customers for construction contracts, fabrication works and trading of goods of which the revenue will be recognised over the remaining contract term of the specific contract it relates to within 30 (2020 – 30, 2019 – 30, and 2018 - 30) days.

- (c) The changes to contract assets balances during the financial year are summarised below:-

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
At 1 January	34,777	27,663	31,686	41,590
Revenue recognised in profit or loss during the financial year	113,627	170,928	153,693	153,163
Billings to customers during the financial year	(120,766)	(167,025)	(143,910)	(150,871)
Translation difference	25	120	121	(1,016)
At 31 December	<u>27,663</u>	<u>31,686</u>	<u>41,590</u>	<u>42,866</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****11. CONTRACT ASSETS/(LIABILITIES) (CONT'D)**

- (d) Revenue expected to be recognised in the future relating to performance obligations that are partially or unsatisfied as at the reporting date is summarised below:-

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Within 1 year	94,416	115,293	37,120	55,636
Between 1 and 2 years	1,572	9,367	774	19,016
More than 2 years	-	672	-	4,242
	95,988	125,332	37,894	78,894

The amount disclosed above does not include variable consideration which is constrained.

12. AMOUNT OWING BY AN ASSOCIATE

The amount owing represented unsecured interest-free advances and payments made on behalf which was repayable on demand. The amount owing was settled in cash.

13. FIXED DEPOSITS WITH LICENSED BANKS

- (a) The fixed deposits with licensed banks of the Group at the end of the reporting period bore interest rates and have maturity periods as follows:-

	As at 31 December			
	2018	2019	2020	2021
	%	%	%	%
Interest rates	2.80 to 3.15	2.80 to 3.30	1.30 to 2.75	1.40 to 2.20
Maturity periods (days)	30 to 365	30 to 365	30 to 365	30 to 365

- (b) All the fixed deposits of the Group have been pledged to licensed banks as security for banking facilities granted to Group as disclosed in Notes 18, 23 and 24 to the financial statements.

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. SHARE CAPITAL AND INVESTED EQUITY (CONT'D)

(b) Invested Equity

	As at 31 December					
	2018	2019	2020	2021	2018	2021
	'000	Number of shares '000	'000	'000	RM'000	RM'000
Issued and Fully Paid-Up						
Ordinary Shares						
At 1 January	5,950	5,950	5,950	5,950	6,357	6,357
Adjustment pursuant to the acquisition of subsidiaries	-	-	-	(5,950)	-	(6,357)
At 31 December	5,950	5,950	5,950	-	6,357	-

For the purpose of this report, the total number of ordinary shares as at 31 December 2018, 2019, and 2020 represent the aggregate number of issued and fully paid-up ordinary shares of all combining entities within the Group. During the financial year, the amount has been reversed pursuant to the completion of the acquisitions of subsidiaries.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****15. MERGER DEFICIT**

The merger deficit arises from the difference between the carrying value of the investment in subsidiaries and the nominal value of shares of the Group's subsidiaries upon consolidation under the merger accounting principle.

16. FOREIGN EXCHANGE TRANSLATION RESERVE

The foreign exchange translation reserve arose from the translation of the financial statements of a foreign subsidiary whose functional currency is different from the Group's presentation currency.

17. LEASE LIABILITIES

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
At 1 January	602	623	1,084	1,414
Acquisition of new leases:				
- current year purchase of property, plant and equipment (Note 33(a))	284	719	600	-
- prior year purchase of property, plant and equipment	-	-	100	-
Interest expense recognised in profit or loss (Note 28)	31	31	57	58
Repayment of principal	(263)	(258)	(370)	(486)
Repayment of interest expense	(31)	(31)	(57)	(58)
At 31 December	<u>623</u>	<u>1,084</u>	<u>1,414</u>	<u>928</u>
Analysed by:-				
Current liabilities	226	312	486	443
Non-current liabilities	397	772	928	485
	<u>623</u>	<u>1,084</u>	<u>1,414</u>	<u>928</u>

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****18. TERM LOANS**

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Analysed to:-				
Current liabilities	347	713	902	1,033
Non-current liabilities	8,400	9,284	9,786	8,688
	<u>8,747</u>	<u>9,997</u>	<u>10,688</u>	<u>9,721</u>

(a) The term loans at the end of the reporting period are secured by:-

- (i) legal charges over the landed properties as disclosed in Note 5(b) and fixed deposits with licensed banks of the Group as disclosed in Note 13(b);
- (ii) jointly and severally guaranteed by certain directors of the Group;
- (iii) corporate guarantee provided by EMESB.

(b) The interest rate profile of the term loans are summarised below:-

	As at 31 December			
	2018	2019	2020	2021
Effective Interest Rates (%)	2.79 to 5.20	2.95 to 4.65	1.56 to 3.70	1.58 to 3.73
Floating rate term loans (RM'000)	<u>8,747</u>	<u>9,997</u>	<u>10,688</u>	<u>9,721</u>

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****19. DEFERRED TAX LIABILITIES**

	At 1.1.2018 RM'000	Recognised in Profit or Loss (Note 29) RM'000	At 31.12.2018 RM'000
2018			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	2,150	208	2,358
<i>Deferred Tax Assets</i>			
Contract assets/liabilities	(11)	(515)	(526)
	2,139	(307)	1,832

	At 1.1.2019 RM'000	Recognised in Profit or Loss (Note 29) RM'000	At 31.12.2019 RM'000
2019			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	2,358	40	2,398
Contract assets/liabilities	-	105	105
	2,358	145	2,503
<i>Deferred Tax Assets</i>			
Contract assets/liabilities	(526)	526	-
Allowance for impairment losses on trade receivables	-	(592)	(592)
	(526)	(66)	(592)
	1,832	79	1,911

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****19. DEFERRED TAX LIABILITIES (CONT'D)**

	At 1.1.2020 RM'000	Recognised in Profit or Loss (Note 29) RM'000	At 31.12.2020 RM'000
2020			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	2,398	(141)	2,257
Contract assets/liabilities	105	(105)	-
	2,503	(246)	2,257
<i>Deferred Tax Assets</i>			
Provisions	-	(232)	(232)
Contract assets/liabilities	-	(233)	(233)
Allowance for impairment losses on trade receivables	(592)	405	(187)
	(592)	(60)	(652)
	1,911	(306)	1,605

	At 1.1.2021 RM'000	Recognised in Profit or Loss (Note 29) RM'000	At 31.12.2021 RM'000
2021			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	2,257	45	2,302
Contract assets/liabilities	-	313	313
	2,257	358	2,615
<i>Deferred Tax Assets</i>			
Provisions	(232)	38	(194)
Contract assets/liabilities	(233)	233	-
Allowance for impairment losses on trade receivables	(187)	187	-
	(652)	458	(194)
	1,605	816	2,421

20. TRADE PAYABLES

The normal trade credit term granted to the Group is 30 to 60 days.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****21. OTHER PAYABLES AND ACCRUALS**

	As at 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Other payables				
- Third parties	4,087	2,054	2,321	4,893
- A director	108	-	100	-
- A shareholder	108	-	120	-
- Goods and services tax payable	13	-	-	-
	4,316	2,054	2,541	4,893
Deposit received	16	19	307	391
Accruals	618	1,057	1,564	1,774
Dividend payables	-	4,061	-	-
Payroll liabilities	3,095	2,204	2,204	2,885
	8,045	9,395	6,616	9,943

The dividend payables for FYE 31 December 2019 were subsequently paid on 14 January 2020 and 23 January 2020.

The amount owing to a director and a shareholder represent unsecured interest-free advances. The amount owing is repayable on demand and is to be settled in cash.

22. PROVISIONS

	As at 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
PROVISIONS FOR ONEROUS CONTRACT				
At 1 January	-	-	-	372
Provision made during the financial year	-	-	372	-
Realisation of provision made in previous financial year	-	-	-	(372)
At 31 December	-	-	372	-
PROVISIONS FOR LIQUIDATED ASCERTAINED DAMAGES				
At 1 January	-	-	-	595
Provision made during the financial year	-	-	595	215
At 31 December	-	-	595	810
	-	-	967	810

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****23. SHORT-TERM BORROWINGS**

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Bankers' acceptances	7,446	7,655	5,457	6,646
Invoice financing	14,642	8,310	13,635	9,528
Revolving credit	500	500	500	500
	<u>22,588</u>	<u>16,465</u>	<u>19,592</u>	<u>16,674</u>

- (a) The short-term borrowings of the Group at the end of the reporting period are drawn for a period and bore interest rates as follows:-

	As at 31 December			
	2018	2019	2020	2021
Periods (days)	43 to 150	115 to 150	115 to 180	114 to 150
Interest rates (%)	<u>4.08 - 7.39</u>	<u>3.77 - 8.57</u>	<u>3.07 - 7.07</u>	<u>2.58 - 5.41</u>

- (b) The short-term borrowings of the Group are secured in the same manner as the term loans disclosed in Note 18 to the financial statements.

24. BANK OVERDRAFTS

- (a) The bank overdrafts of the Group are secured in the same manner as the term loans disclosed in Note 18 to the financial statements.
- (b) The bank overdrafts of the Group at the end of the reporting period bear floating interest rates as follows:-

	As at 31 December			
	2018	2019	2020	2021
Interest rates (%)	7.95 to <u>10.65</u>	7.45 to <u>10.40</u>	6.45 to <u>9.40</u>	6.45 to <u>9.40</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****25. DERIVATIVE LIABILITIES**

	As at 31 December			
	2018	2019	2020	2021
	RM'000	Contract/Notional Amount RM'000	RM'000	RM'000
<u>Derivative Liabilities</u>				
Forward currency contracts	3,316	16,813	13,952	1,245

The fair value of the derivative liabilities were not material and not recognised by the Group.

26. REVENUE

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
<u>Revenue from Contract with Customers</u>				
<u>At a point in time:</u>				
Fabrication of equipment	7,068	4,113	3,959	8,770
Supply of material and equipment	1,166	451	13,129	32,233
Others	1,520	1,252	2,961	1,748
	<u>9,754</u>	<u>5,816</u>	<u>20,049</u>	<u>42,751</u>
<u>Over time:</u>				
Construction of plants and facilities	97,159	150,381	119,518	86,113
Fabrication of equipment	2,845	14,731	13,966	24,290
Others	3,869	-	160	-
	<u>103,873</u>	<u>165,112</u>	<u>133,644</u>	<u>110,403</u>
	<u>113,627</u>	<u>170,928</u>	<u>153,693</u>	<u>153,154</u>
<u>Revenue from Other Sources</u>				
Rental income from equipment	-	-	-	9
	<u>113,627</u>	<u>170,928</u>	<u>153,693</u>	<u>153,163</u>

- (a) The information on the disaggregation of revenue by geographical market is disclosed in Note 37.2 to the financial statements.
- (b) The information on the unsatisfied performance obligations is disclosed in Note 11 to the financial statements.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****27. NET IMPAIRMENT LOSS/(NET REVERSAL OF IMPAIRMENT LOSS) ON FINANCIAL ASSETS**

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Bad debt written off	369	50	-	16
Impairment losses:				
- trade receivables (Note 9)	-	2,367	-	106
Reversal of impairment losses:				
- trade receivables (Note 9)	-	-	(1,540)	(777)
	369	2,417	(1,540)	(655)

28. PROFIT BEFORE TAX

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived				
<i>After Charging</i>				
Audit fee:				
- current year	62	103	103	124
- (over)/underprovision in prior year	(3)	-	-	2
Deposit forfeited	-	-	207	-
Depreciation of property, plant and equipment (Note 5)	1,814	1,653	1,308	1,259
Impairment loss on investment in associate	200	-	-	-
Interest expense on financial liabilities not at fair value through profit or loss:				
- bank overdraft	213	330	636	737
- bankers' acceptances	1,257	1,299	1,177	985
- lease liabilities (Note 17)	31	31	57	58
- term loans	246	361	345	298
Lease expenses:				
- short-term leases	261	869	196	417
- low-value assets	4	20	9	9
Fair value loss on other investment (Note 6)	-	507	-	-
Listing expenses	-	-	646	654
Loss on foreign exchange:				
- realised	241	316	-	328
- unrealised	70	75	-	-
Property, plant and equipment written off (Note 5)	*	179	12	-
Provisions:				
- onerous contract	-	-	372	-
- liquidated ascertained damages	-	-	595	215

Note :

* - Amount is less than RM500

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****28. PROFIT BEFORE TAX (CONT'D)**

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived (Cont'd):-				
<i>After Charging (Cont'd)</i>				
Realisation of provision of onerous contract	-	-	-	(372)
Staff costs:				
- short-term employee benefits	7,730	9,386	9,084	9,286
- defined contribution benefits	430	561	679	785
<i>After Crediting</i>				
Fair value gain on other investment (Note 6)	-	-	278	117
Gain on disposal of property, plant and equipment	85	47	47	60
Gain on foreign exchange - realised	2	-	213	-
Interest income on financial assets measured at amortised cost:				
- fixed deposits with licensed banks	221	211	271	194
- others	(*)	(*)	(*)	(*)
Rental income	58	165	186	186
Waiver of other payables	-	-	10	-

Note :

*- Amount is less than RM500

29. INCOME TAX EXPENSE

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Current tax expense:				
- for the financial year	2,977	4,157	1,918	2,234
- under/(over)provision in the previous financial year	17	380	387	(45)
	<u>2,994</u>	<u>4,537</u>	<u>2,305</u>	<u>2,189</u>
Deferred tax (Note 19):				
- origination and reversal of temporary differences	(536)	51	(273)	788
- under/(over)provision in the previous financial year	229	28	(33)	28
	<u>(307)</u>	<u>79</u>	<u>(306)</u>	<u>816</u>
Total income tax expense	<u>2,687</u>	<u>4,616</u>	<u>1,999</u>	<u>3,005</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****29. INCOME TAX EXPENSE (CONT'D)**

A reconciliation of income tax expense applicable to profit before taxation at the statutory tax rates to income tax expense at the effective tax rate of the Group is as follows:-

	FYE 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Profit before taxation	10,423	17,098	8,519	11,075
Tax at the statutory rate of 24%	2,502	4,104	2,045	2,658
Tax effects of :-				
Non-deductible expenses	442	591	314	941
Reduction in tax rates arising from incremental taxable income	(123)	-	-	-
Reduction in tax rates on small scale company up to RM600,000 at 17% (2020 - RM600,000 at 17%, 2019 - RM500,000 at 17%, 2018 - RM500,000 at 18%)	(3)	-	(2)	(2)
Non-taxable income	(19)	(9)	(304)	(56)
Effects of differential in tax rate of a foreign subsidiary	(266)	(577)	(491)	(438)
Utilisation of deferred tax assets not recognised in the previous financial years	-	-	(27)	(27)
Deferred tax assets not recognised during the years	66	198	163	-
Tax incentive, rebates and exemptions	(158)	(99)	(53)	(54)
Under/(Over)provision of income tax in the previous financial years	17	380	387	(45)
Under/(Over)provision of deferred tax in the previous financial years	229	28	(33)	28
	<u>2,687</u>	<u>4,616</u>	<u>1,999</u>	<u>3,005</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2020 – 24%, 2019 – 24%, and 2018 – 24%) of the estimated assessable profit for the financial years. The taxation of other jurisdiction is calculated at the rate prevailing in the jurisdiction.

For year of assessment 2018, the Malaysian statutory tax rate was reduced by 1% to 4%, based on the prescribed incremental percentage of chargeable income from business, compared to that of the immediate preceding year of assessment. The Group has accounted for the reduction in the tax rate in that financial year, based on the percentage of increase in chargeable income of its subsidiaries.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****29. INCOME TAX EXPENSE (CONT'D)**

At the end of the reporting period, the amounts of deferred tax assets not recognised (stated at gross) due to uncertainty of their realisation are as follows:-

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Unused tax losses				
- expires in 31 December 2025	212	961	146	-
- expires in 31 December 2026	-	-	490	-
- expires in 31 December 2027	-	-	659	-
- expires in 31 December 2028	-	-	-	36
- expires in 31 December 2029	-	-	-	490
- expires in 31 December 2030	-	-	-	454
Unabsorbed capital allowances	3	133	128	-
Other deductible temporary differences	215	1,094	1,423	980

The unused tax losses are allowed to be utilised for 10 (2020 – 7, 2019 – 7, 2018 – 7) consecutive years of assessment while unabsorbed capital allowances are allowed to be carried forward indefinitely.

30. OTHER COMPREHENSIVE (EXPENSE)/INCOME

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Item that Will be Reclassified Subsequently to Profit or Loss				
Foreign currency translation:				
- changes during the financial year	(199)	(266)	1,067	(917)

31. EARNINGS PER SHARE

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Profit attributable to the owners of the Company	7,736	12,482	6,520	8,070
Number of ordinary shares ('000) #	257,831	257,831	257,831	257,831
Basic earnings per shares (Sen)	3.00	4.84	2.53	3.13

- It is assumed to be the number of ordinary shares before public issue.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****32. DIVIDENDS**

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
In respect of financial year ended 31 December 2018				
Interim exempt (one-tier) dividend of RM4.52 per AEPL ordinary share	901	-	-	-
In respect of financial year ended 31 December 2019				
Single tier interim dividend of RM0.17 per EMESB ordinary share	-	1,000	-	-
Interim exempt (one-tier) dividend of RM15.29 per AEPL ordinary share	-	3,061	-	-
In respect of financial year ended 31 December 2020				
Interim exempt (one-tier) dividend of RM15.38 per AEPL ordinary shares	-	-	3,049	-
	<u>901</u>	<u>4,061</u>	<u>3,049</u>	<u>-</u>

33. CASH FLOWS INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment is as follows:-

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Cost of property, plant and equipment purchased (Note 5)	3,943	1,486	862	1,168
Less: Amount financed through new lease (Note 33(b))	(284)	(719)	(600)	-
Less: Amount owing to other payables	-	(100)	(74)	(700)
Cash disbursed for purchase of property, plant and equipment	<u>3,659</u>	<u>667</u>	<u>188</u>	<u>468</u>

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. CASH FLOWS INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows:-

	Bank Overdrafts RM'000	Term Loans RM'000	Lease Liabilities RM'000	Short-term Borrowings RM'000	Amount Owing To Director RM'000	Amount Owing To Shareholder RM'000	Amount Owing To Associate RM'000	Amount Owing To Related Parties RM'000	Total RM'000
2018									
At 1 January	*	5,251	602	20,868	170	-	40	162	27,093
<u>Changes in Financing Cash Flows</u>									
Proceeds from drawdown	*	3,902	-	58,826	-	-	-	-	62,728
Advances from	-	-	-	-	-	108	-	-	108
Repayment of principal	*	(474)	(263)	(57,106)	(62)	-	(40)	(162)	(58,107)
Repayment of interests	(213)	(246)	(31)	(1,257)	-	-	-	-	(1,747)
	(213)	3,182	(294)	463	(62)	108	(40)	(162)	2,982
<u>Non-cash Changes</u>									
Foreign exchange adjustments	-	68	-	-	-	-	-	-	68
Acquisition of new leases (Notes 17 and 33(a))	-	-	284	-	-	-	-	-	284
Interest expenses recognised in profit or loss (Note 28)	213	246	31	1,257	-	-	-	-	1,747
	213	314	315	1,257	-	-	-	-	2,099
At 31 December	*	8,747	623	22,588	108	108	-	-	32,174

* Bank overdrafts have formed part of the cash and cash equivalents, therefore, no movement for principal amount is presented.

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. CASH FLOWS INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

2019

At 1 January

Bank Overdrafts RM'000	Term Loans RM'000	Lease Liabilities RM'000	Short-term Borrowings RM'000	Amount Owing To Director RM'000	Amount Owing To Shareholder RM'000	Total RM'000
*	8,747	623	22,588	108	108	32,174

Changes in Financing Cash Flows

Proceeds from drawdown	*	1,642	-	73,288	-	-	74,930
Repayment of principal	*	(402)	(258)	(79,411)	(108)	(108)	(80,287)
Repayment of interests	(330)	(361)	(31)	(1,299)	-	-	(2,021)
	(330)	879	(289)	(7,422)	(108)	(108)	(7,378)

Non-cash Changes

Foreign exchange adjustments	-	10	-	-	-	-	10
Acquisition of new leases (Notes 17 and 33(a))	-	-	719	-	-	-	719
Interest expenses recognised in profit or loss (Note 28)	330	361	31	1,299	-	-	2,021
	330	371	750	1,299	-	-	2,750

At 31 December

*	9,997	1,084	16,465	-	-	-	27,546

* Bank overdrafts have formed part of the cash and cash equivalents, therefore, no movement for principal amount is presented.

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. CASH FLOWS INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

2020

At 1 January

Changes in Financing Cash Flows

Proceeds from drawdown

Advances from

Repayment of principal

Repayment of interests

Non-cash Changes

Foreign exchange adjustments

Acquisition of new leases (Note 17):

- current year purchase of property, plant and
equipment (Note 33(a))

- prior year purchase of property, plant and
equipment

Interest expenses recognised in profit or
loss (Note 28)

At 31 December

* Bank overdrafts have formed part of the cash and cash equivalents, therefore, no movement for principal amount is presented.

Bank Overdrafts RM'000	Term Loans RM'000	Lease Liabilities RM'000	Short-term Borrowings RM'000	Amount Owing To Director RM'000	Amount Owing To Shareholder RM'000	Total RM'000
*	9,997	1,084	16,465	-	-	27,546

*	1,000	-	52,595	-	-	53,595
-	-	-	-	100	120	220
*	(308)	(370)	(49,468)	-	-	(50,146)
(636)	(345)	(57)	(1,177)	-	-	(2,215)
(636)	347	(427)	1,950	100	120	1,454

-	(1)	-	-	-	-	(1)
-	-	600	-	-	-	600
-	-	100	-	-	-	100
636	345	57	1,177	-	-	2,215
636	344	757	1,177	-	-	2,914
*	10,688	1,414	19,592	100	120	31,914

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. CASH FLOWS INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

2021

At 1 January

Changes in Financing Cash Flows

Proceeds from drawdown

Repayment of principal

Repayment of interests

Non-cash Changes

Foreign exchange adjustments

Interest expenses recognised in profit or
loss (Note 28)

At 31 December

* Bank overdrafts have formed part of the cash and cash equivalents, therefore, no movement for principal amount is presented.

	Bank Overdrafts RM'000	Term Loans RM'000	Lease Liabilities RM'000	Short-term Borrowings RM'000	Amount Owing To Director RM'000	Amount Owing To Shareholder RM'000	Total RM'000
	*	10,688	1,414	19,592	100	120	31,914
	*	-	-	73,091	-	-	73,091
	*	(1,004)	(486)	(76,009)	(100)	(120)	(77,719)
	(737)	(298)	(58)	(985)	-	-	(2,078)
	(737)	(1,302)	(544)	(3,903)	(100)	(120)	(6,706)
	-	37	-	-	-	-	37
	737	298	58	985	-	-	2,078
	737	335	58	985	-	-	2,115
	*	9,721	928	16,674	-	-	27,323

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****33. CASH FLOWS INFORMATION (CONT'D)**

(c) The total cash outflows for leases as a lessee are as follows:-

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Payment of short-term leases	261	869	196	417
Payment of low-value assets	4	20	9	9
Interest paid on lease liabilities	31	31	57	58
Payment on lease liabilities	263	258	370	486
	<u>559</u>	<u>1,178</u>	<u>632</u>	<u>970</u>

(d) The cash and cash equivalents comprise the following:-

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks	7,713	12,895	13,775	13,519
Cash and bank balances	2,411	12,797	7,119	6,507
Bank overdrafts	(3,363)	(8,460)	(6,799)	(11,758)
	<u>6,761</u>	<u>17,232</u>	<u>14,095</u>	<u>8,268</u>
Less: Fixed deposits pledged to licensed banks (Note 13)	(7,713)	(12,895)	(13,775)	(13,519)
	<u>(952)</u>	<u>4,337</u>	<u>320</u>	<u>(5,251)</u>

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****34. KEY MANAGEMENT PERSONNEL COMPENSATION**

The key management personnel of the Group include executive directors and certain members of senior management of the Group.

The key management personnel compensation during the financial years are as follows:-

	FYE 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
(a) Directors				
<u>Directors of the Group</u>				
Short-term employee benefits:				
- fees	426	539	531	542
- salaries, bonuses and other benefits	2,176	2,693	3,094	3,599
	2,602	3,232	3,625	4,141
Defined contribution benefits	188	205	243	265
	2,790	3,437	3,868	4,406
<u>Directors of the Subsidiaries</u>				
Short-term employee benefits:				
- salaries, bonuses and other benefits	246	237	97	-
Defined contribution benefits	26	29	11	-
	272	266	108	-
Total directors' remuneration	3,062	3,703	3,976	4,406

The estimated monetary value of benefits-in-kind provided by the Group to the directors of the Group is as follows:-

	FYE 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Benefits-in-kind	35	48	49	45

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****34. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)**

		FYE 31 December			
		2018	2019	2020	2021
		RM'000	RM'000	RM'000	RM'000
(b) Other Key Management Personnel					
Short-term employee benefits		1,494	1,619	1,732	2,046
Defined contribution benefits		102	103	133	161
		<u>1,596</u>	<u>1,722</u>	<u>1,865</u>	<u>2,207</u>

35. SIGNIFICANT RELATED PARTY DISCLOSURES**(a) Identities of related parties**

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel, and other entities in which the directors have substantial financial interests.

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group carried out the following significant transactions with the related parties during the financial year:-

		FYE 31 December			
		2018	2019	2020	2021
		RM'000	RM'000	RM'000	RM'000
Associate					
Advances to		467	-	-	-
Rental income		16	-	-	-
A director					
Disposal of motor vehicles		-	-	47	-
A company in which certain Directors of EMESB and ETSB have substantial financial interest					
Advances to		3,146	-	-	-
Rental income		10	28	30	-
Sales		240	43	-	-
Sub-contractor charges		<u>1,186</u>	<u>1,776</u>	<u>2,364</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****35. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)****(b) Significant Related Party Transactions and Balances (Cont'd)**

Other than those disclosed elsewhere in the financial statements, the Group carried out the following significant transactions with the related parties during the financial year (Cont'd):-

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
A shareholder of ETSB				
Sales	191	-	-	-
A company in which a shareholder of the EMESB and EIB have significant financial interest				
Sales	5,696	66	150	6,211
A company in which a key senior management of EMESB have significant financial interest				
Rental income	-	11	18	-
Sales	-	-	35	-
Sub-contractor charges	-	869	1,570	-

36. CAPITAL COMMITMENTS

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Purchase of property, plant and equipment	-	-	998	225

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****37. OPERATING SEGMENTS**

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

The Group is organised into the 3 main reportable segments as follows:-

- Construction of Plants and Facilities Segment – involved in the construction of palm oil mill, and its facilities, rubber plantation facilities and other industry facilities.
 - Fabrication of Equipment Segment – involved in the fabrication of palm oil mill equipment.
 - Supply of Material and Equipment – involved in trading of construction material and equipment
 - Others – involved in fabrication of other equipment and other services.
- (a) The managing director assess the performance of the reportable segments based on their profit before interest expense and tax. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Borrowings and investment-related activities are managed on a group basis by the central treasury function and are not allocated to reportable segments.

- (b) Each reportable segment assets is measured based on all assets of the segment other than tax-related assets. Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segments.
- (c) Each reportable segment liabilities is measured based on all liabilities of the segment other than borrowings and other tax-related liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.
- (d) Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the reportable segments are presented under unallocated items. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses and listing expenses.

Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties. The effects of such inter-segment transactions are eliminated on consolidation.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****37. OPERATING SEGMENTS (CONT'D)****37.1 BUSINESS SEGMENTS**

2018	Construction of Plants and Facilities RM'000	Fabrication of Equipment RM'000	Supply of Material and Equipment RM'000	Others RM'000	The Group RM'000
Revenue					
External revenue	97,159	9,913	1,166	5,389	113,627
Results					
Segment profit/(loss) before interest and taxation	13,449	(738)	960	(1,077)	12,594
Finance costs					(1,971)
Impairment loss on investment in associate					(200)
Profit before taxation					10,423
Segment profit/(loss) before interest and taxation includes the followings:-					
Bad debt written off	336	10	1	22	369
Depreciation of property, plant and equipment	1,595	112	6	101	1,814
Gain on foreign exchange - realised	-	-	-	(2)	(2)
Gain on disposal of property, plant and equipment	(78)	(2)	*	(5)	(85)
Interest income	(202)	(6)	*	(13)	(221)
Loss on foreign exchange - realised	217	9	*	15	241
Loss on foreign exchange - unrealised	63	6	1	*	70
Property, plant and equipment written off	*	-	-	-	*

Note :

* - Amount is less than RM500

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****37. OPERATING SEGMENTS (CONT'D)****37.1 BUSINESS SEGMENTS (CONT'D)**

2018	Construction of Plants and Facilities RM'000	Fabrication of Equipment RM'000	Supply of Material and Equipment RM'000	Others RM'000	The Group RM'000
Assets					
Segment assets	82,369	11,797	396	7,332	101,894
Unallocated assets:					
- current tax assets					115
Total assets					<u>102,009</u>
Additions to non-current other than financial and deferred tax assets					
Property, plant and equipment	916	2,848	91	88	3,943
Liabilities					
Segment liabilities	21,880	812	61	1,809	24,562
Unallocated liabilities:					
- current tax liabilities					1,284
- deferred tax liabilities					1,832
- short-term borrowings					22,588
- lease liabilities					623
- term loans					8,747
- bank overdraft					3,363
Total liabilities					<u>62,999</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****37. OPERATING SEGMENTS (CONT'D)****37.1 BUSINESS SEGMENTS (CONT'D)**

2019	Construction of Plants and Facilities RM'000	Fabrication of Equipment RM'000	Supply of Material and Equipment RM'000	Others RM'000	The Group RM'000
Revenue					
External revenue	150,381	18,844	451	1,252	170,928
Results					
Segment profit/(loss) before interest and taxation	23,483	(2,830)	(111)	(929)	19,613
Finance costs					(2,515)
Profit before taxation					17,098
Segment profit/(loss) before interest and taxation includes the followings:-					
Depreciation of property, plant and equipment	945	642	36	30	1,653
Fair value loss on other investment	295	203	2	7	507
Gain on disposal of property, plant and equipment	(27)	(19)	(*)	(1)	(47)
Bad debt written off	-	50	-	-	50
Impairment losses on trade receivables	-	2,307	23	37	2,367
Interest income	(123)	(84)	(1)	(3)	(211)
Loss on foreign exchange - realised	197	103	6	10	316
Loss on foreign exchange - unrealised	72	3	*	*	75
Property, plant and equipment written off	104	72	1	2	179

Note :

* - Amount is less than RM500

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****37. OPERATING SEGMENTS (CONT'D)****37.1 BUSINESS SEGMENTS (CONT'D)**

2019	Construction of Plants and Facilities RM'000	Fabrication of Equipment RM'000	Supply of Material and Equipment RM'000	Others RM'000	The Group RM'000
Assets					
Segment assets	87,944	24,133	1,840	1,951	115,868
Unallocated assets:					
- current tax assets					23
Total assets					<u>115,891</u>
Additions to non-current other than financial and deferred tax assets					
Property, plant and equipment	720	495	6	265	1,486
Liabilities					
Segment liabilities	17,505	10,535	184	887	29,111
Unallocated liabilities:					
- current tax liabilities					1,389
- deferred tax liabilities					1,911
- short term borrowings					16,465
- lease liabilities					1,084
- term loans					9,997
- bank overdraft					8,460
Total liabilities					<u>68,417</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****37. OPERATING SEGMENTS (CONT'D)****37.1 BUSINESS SEGMENTS (CONT'D)**

2020	Construction of Plants and Facilities RM'000	Fabrication of Equipment RM'000	Supply of Material and Equipment RM'000	Others RM'000	The Group RM'000
Revenue					
External revenue	119,518	17,925	13,129	3,121	153,693
Results					
Segment profit/(loss) before interest and taxation	10,599	(533)	803	851	11,720
Finance costs					(2,542)
Unallocated expenses					(659)
Profit before taxation					8,519
Segment profit/(loss) before interest and taxation includes the followings:-					
Deposit forfeited	-	-	-	207	207
Depreciation of property, plant and equipment	944	152	128	84	1,308
Fair value gain on other investment	(209)	(36)	(31)	(2)	(278)
Gain on disposal of property, plant and equipment	(35)	(6)	(5)	(1)	(47)
Gain on foreign exchange - realised	(143)	(15)	(10)	(45)	(213)
Interest income	204	35	30	2	271
Property, plant and equipment written off	9	2	1	*	12
Provisions					
- onerous contract	204	168	-	-	372
- liquidated ascertained damages	-	595	-	-	595
Reversal of impairment losses on trade receivables	-	(1,540)	-	-	(1,540)
Waiver of other payables	-	-	(10)	-	(10)

Note :

* - Amount is less than RM500

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****37. OPERATING SEGMENTS (CONT'D)****37.1 BUSINESS SEGMENTS (CONT'D)**

2020	Construction of Plants and Facilities RM'000	Fabrication of Equipment RM'000	Supply of Material and Equipment RM'000	Others RM'000	The Group RM'000
Assets					
Segment assets	94,899	24,949	10,549	6,006	136,403
Unallocated assets:					
- current tax assets					1,944
Total assets					<u>138,347</u>
Additions to non-current other than financial and deferred tax assets					
Property, plant and equipment	632	107	92	31	862
Liabilities					
Segment liabilities	31,483	6,343	4,317	2,566	44,709
Unallocated liabilities:					
- current tax liabilities					1,528
- deferred tax liabilities					1,605
- short term borrowings					19,592
- lease liabilities					1,414
- term loans					10,688
- bank overdrafts					6,799
Total liabilities					<u>86,335</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****37. OPERATING SEGMENTS (CONT'D)****37.1 BUSINESS SEGMENTS (CONT'D)**

	Construction of Plants and Facilities RM'000	Fabrication of Equipment RM'000	Supply of Material and Equipment RM'000	Others RM'000	The Group RM'000
2021					
Revenue					
External revenue	86,113	33,060	32,233	1,757	153,163
Results					
Segment profit before interest and taxation	7,748	1,878	4,590	454	14,670
Finance costs					(2,770)
Unallocated expenses					(825)
Profit before taxation					11,075
Segment profit before interest and taxation includes the followings:-					
Bad debt written off	-	-	-	16	16
Depreciation of property, plant and equipment	569	374	307	9	1,259
Fair value gain on other investment	(54)	(31)	(31)	(1)	(117)
Gain on disposal of property, plant and equipment	(28)	(16)	(16)	(*)	(60)
Impairment losses on trade receivables	106	-	-	-	106
Interest income	(90)	(52)	(51)	(1)	(194)
Loss on foreign exchange - realised	278	23	11	16	328
Provision of liquidated ascertained damages	-	215	-	-	215
Reversal of impairment losses on trade receivables	-	(777)	-	-	(777)
Reversal of provision of onerous contract	(204)	(168)	-	-	(372)

Note :

* - Amount is less than RM500

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****37. OPERATING SEGMENTS (CONT'D)****37.1 BUSINESS SEGMENTS (CONT'D)**

2021	Construction of Plants and Facilities RM'000	Fabrication of Equipment RM'000	Supply of Material and Equipment RM'000	Others RM'000	The Group RM'000
Assets					
Segment assets	76,680	26,270	20,793	684	124,427
Unallocated assets:					
- prepayment					495
- current tax assets					3,491
Total assets					<u>128,413</u>
Additions to non-current other than financial and deferred tax assets are:-					
Property, plant and equipment	478	381	301	8	<u>1,168</u>
Liabilities					
Segment liabilities	12,237	7,757	6,592	249	26,835
Unallocated liabilities:					
- accruals					21
- current tax liabilities					890
- deferred tax liabilities					2,421
- short term borrowings					16,674
- lease liabilities					928
- term loans					9,721
- bank overdrafts					11,758
Total liabilities					<u>69,248</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****37. OPERATING SEGMENTS (CONT'D)****37.2 GEOGRAPHICAL SEGMENTS**

Revenue is based on the country in which the customers are located.

	Revenue			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Malaysia	8,868	23,027	28,178	41,849
Foreign				
Gabon	89,734	136,131	106,020	69,504
Liberia	6,006	2,055	765	451
Indonesia	9,019	7,821	18,730	41,359
India	-	1,892	-	-
Singapore	-	2	-	-
	113,627	170,928	153,693	153,163

Non-current assets are determined according to the country where these assets are located.

	Non-current assets			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Malaysia	22,489	23,423	23,317	23,420
Singapore	3,746	3,565	3,759	3,513
	26,235	26,988	27,076	26,933

37.3 MAJOR CUSTOMERS

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

	Revenue			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Customer A	89,480	136,291	105,208	58,433
Customer B	*	*	*	25,818

Note :

* - Amount is less than 10% of Group's total revenue

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****38. CONTINGENT LIABILITIES**

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Performance guarantees extended to third parties	<u>7,274</u>	<u>16,577</u>	<u>9,743</u>	<u>3,830</u>

39. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

39.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk**(i) Foreign Currency Risk**

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the functional currency of the Group. The currencies giving rise to this risk are primarily EUR, USD and SGD. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(a) Market Risk (Cont'd)****(i) Foreign Currency Risk (Cont'd)**

The Group's exposure to foreign currency risk (a currency which is other than the functional currencies of the entities within the Group) that are based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign currency exposure

	EUR RM'000	USD RM'000	SGD RM'000
31 December 2018			
<u>Financial Assets</u>			
Trade receivables	1,746	1,826	*
Other receivables	2,637	1,693	-
Cash and bank balances	101	311	134
	4,484	3,830	134
<u>Financial Liabilities</u>			
Other payables	(289)	-	(138)
Term loans	-	-	(2,907)
	(289)	-	(3,045)
Net financial assets/(liabilities)	4,195	3,830	(2,911)
Less: Forward foreign currency contracts (contracted notional principal)	-	(3,316)	-
Currency Exposure	4,195	514	(2,911)

Note :

* - Amount is less than RM500

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(a) Market Risk (Cont'd)****(i) Foreign Currency Risk (Cont'd)**

The Group's exposure to foreign currency risk (a currency which is other than the functional currencies of the entities within the Group) that are based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below (Cont'd):-

Foreign currency exposure (Cont'd)

	EUR RM'000	USD RM'000	SGD RM'000
31 December 2019			
<u>Financial Assets</u>			
Trade receivables	136	1,675	-
Other receivables	1,107	-	-
Cash and bank balances	2,895	216	3,365
	4,138	1,891	3,365
<u>Financial Liabilities</u>			
Trade payables	-	(25)	-
Other payables	-	-	(3,640)
Term loans	-	-	(2,801)
	-	(25)	(6,441)
Net financial assets/(liabilities)	4,138	1,866	(3,076)
Less: Forward foreign currency contracts (contracted notional principal)	(7,613)	(9,200)	-
Currency Exposure	(3,475)	(7,334)	(3,076)

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(a) Market Risk (Cont'd)****(i) Foreign Currency Risk (Cont'd)**

The Group's exposure to foreign currency risk (a currency which is other than the functional currencies of the entities within the Group) that are based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below (Cont'd):-

Foreign currency exposure (Cont'd)

	EUR RM'000	USD RM'000	SGD RM'000
31 December 2020			
<u>Financial Assets</u>			
Trade receivables	1,629	3,968	-
Other receivables	575	-	-
Cash and bank balances	3,168	373	255
	<u>5,372</u>	<u>4,341</u>	<u>255</u>
<u>Financial Liabilities</u>			
Trade payables	(1,853)	-	(547)
Term loans	-	-	(2,680)
	<u>(1,853)</u>	<u>-</u>	<u>(3,227)</u>
Net financial assets/(liabilities)	3,519	4,341	(2,972)
Less: Forward foreign currency contracts (contracted notional principal)	(10,482)	(3,471)	-
Currency Exposure	<u>(6,963)</u>	<u>870</u>	<u>(2,972)</u>

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(a) Market Risk (Cont'd)****(i) Foreign Currency Risk (Cont'd)**

The Group's exposure to foreign currency risk (a currency which is other than the functional currencies of the entities within the Group) that are based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below (Cont'd):-

Foreign currency exposure (Cont'd)

	EUR RM'000	USD RM'000	SGD RM'000
31 December 2021			
<u>Financial Assets</u>			
Trade receivables	636	1,187	-
Other receivables	5	6	-
Cash and bank balances	20	2,162	164
	<u>661</u>	<u>3,355</u>	<u>164</u>
<u>Financial Liabilities</u>			
Trade payables	(20)	-	-
Other payables	-	-	(719)
Term loans	-	-	(2,574)
	<u>(20)</u>	<u>-</u>	<u>(3,293)</u>
Net financial assets/(liabilities)	641	3,355	(3,129)
Less: Forward foreign currency contracts (contracted notional principal)	-	(1,245)	-
Currency Exposure	<u>641</u>	<u>2,110</u>	<u>(3,129)</u>

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(a) Market Risk (Cont'd)****(i) Foreign Currency Risk (Cont'd)***Foreign currency risk sensitivity analysis*

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:-

	FYE 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Effects On Profit After Tax				
EUR/RM				
- strengthened by 7% (2020 - 11%, 2019 - 4%, 2018 - 5%)	198	337	(93)	33
- weakened by 7% (2020 - 11%, 2019 - 4%, 2018 - 5%)	(198)	(337)	93	(33)
USD/RM				
- strengthened by 6% (2020 - 10%, 2019 - 4%, 2018 - 8%)	25	(209)	84	97
- weakened by 6% (2020 - 10%, 2019 - 4%, 2018 - 8%)	(25)	209	(84)	(97)
SGD/RM				
- strengthened by 3% (2020 - 4%, 2019 - 3%, 2018 - 4%)	(97)	(77)	(90)	(71)
- weakened by 3% (2020 - 4%, 2019 - 3%, 2018 - 4%)	97	77	90	71

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(a) Market Risk (Cont'd)****(ii) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from short-term and long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available from the granted banking facilities offered by various financial institutions.

The Group's fixed deposits with licensed banks and hire purchase payables are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither their carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk that based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Notes 18, 23 and 24 to the financial statements.

Interest Rate Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Effects On Profit After Tax				
Increase of 25 (2020 - 125, 2019 - 25, 2018 - 25) basis point	(73)	(68)	(442)	(82)
Decrease of 25 (2020 - 125, 2019 - 25, 2018 - 25) basis point	73	68	442	82

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(b) Credit Risk**

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

(i) Credit Risk Concentration Profile

At the end of the reporting periods, the Group's major concentration of credit risk relates its trade receivables (including related parties) are as follows:-

	As at 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Number of customers	2	2	4	2
Concentration profile	70%	79%	89%	68%

In addition, the Group also determines concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables at the end of the reporting period is as follows:-

	As at 31 December			
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
Malaysia	7,748	1,940	6,991	6,435
Gabon	11,389	18,320	16,320	6,023
Liberia	964	1,666	-	-
Indonesia	-	-	7,262	142
Others	-	-	20	-
	<u>20,101</u>	<u>21,926</u>	<u>30,593</u>	<u>12,600</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(b) Credit Risk (Cont'd)****(ii) Maximum exposure to Credit Risk**

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position of the Group after deducting any allowance for impairment losses (where applicable).

(iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost and contract assets are credit impaired.

The gross carrying amounts of financial assets are written off against the associated impairment, if any, when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities.

A financial asset is credit impaired when any of following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

- Significant financial difficult of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty;
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganization.

The Group considers a receivable to be in default when the receivable is unlikely to repay its debt to the Group in full or is more than 12 months past due.

Trade Receivables and Contract Assets

The Group applies the simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

To measure the expected credit loss, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(b) Credit Risk (Cont'd)****(iii) Assessment of Impairment Losses****Trade Receivables and Contract Assets (Cont'd)*****Inputs, Assumptions and Techniques used for Estimating Impairment Losses
(Cont'd)***

The Group measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

The expected loss rates are based on the payment profiles of sales over a period of 12 months from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the trade receivables to settle their debts.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(b) Credit Risk (Cont'd)****(iii) Assessment of Impairment Losses (Cont'd)****Trade Receivables and Contract Assets (Cont'd)***Allowance for Impairment Losses*

	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
31 December 2018				
Not past due	6,853	-	-	6,853
Past due:-				
- less than 3 months	12,181	-	-	12,181
- 3 to 6 months	14	-	-	14
- more than 6 months	106	-	-	106
- more than 1 year	947	-	-	947
Trade receivables	20,101	-	-	20,101
Contract assets	28,491	-	-	28,491
	48,592	-	-	48,592
31 December 2019				
Not past due	14,137	-	-	14,137
Past due:-				
- less than 3 months	7,138	-	-	7,138
- 3 to 6 months	529	-	(5)	524
- over 6 months	2,413	(2,277)	(24)	112
- more than 1 year	76	(60)	(1)	15
Trade receivables	24,293	(2,337)	(30)	21,926
Contract assets	34,390	-	-	34,390
	58,683	(2,337)	(30)	56,316

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(b) Credit Risk (Cont'd)****(iii) Assessment of Impairment Losses (Cont'd)****Trade Receivables and Contract Assets (Cont'd)****Allowance for Impairment Losses (Cont'd)**

	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
31 December 2020				
Not past due	19,758	-	-	19,758
Past due:-				
- less than 3 months	10,625	-	-	10,625
- 3 to 6 months	210	-	-	210
- over 6 months	-	-	-	-
- more than 1 year	827	(639)	(188)	-
Trade receivables	31,420	(639)	(188)	30,593
Contract assets	43,496	-	-	43,496
	74,916	(639)	(188)	74,089
31 December 2021				
Not past due	8,038	-	-	8,038
Past due:-				
- less than 3 months	3,783	-	-	3,783
- 3 to 6 months	699	(35)	-	664
- over 6 months	115	-	-	115
- more than 1 year	121	(121)	-	-
Trade receivables	12,756	(156)	-	12,600
Contract assets	42,866	-	-	42,866
	55,622	(156)	-	55,466

The movements in the loss allowances in respect of trade receivables are disclosed in Note 9 to the financial statements.

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(b) Credit Risk (Cont'd)****(iii) Assessment of Impairment Losses (Cont'd)****Other Receivables**

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables.

Under this approach, loss allowance is measured on either 12-month expected credit losses or lifetime expected credit losses, by considering the likelihood that the receivable would not be able to repay during the contractual period (probability of default, PD), the percentage of contractual cash flows that will not be collected if default happens (loss given default, LGD) and the outstanding amount that is exposed to default risk (exposure at default, EAD).

In deriving the PD and LGD, the Group considers the receivable's past payment status and its financial condition as at the reporting date. The PD is adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the receivable to settle its debts.

Allowance for Impairment Losses

No expected credit loss is recognised on other receivable as it is negligible.

Fixed Deposits with Licensed Banks and Cash and Bank Balances

The Group considers the banks have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	Weighted Average Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
31 December 2018						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	15,689	15,689	15,689	-	-
Other payables and accruals	-	8,016	8,016	8,016	-	-
Short-term borrowings	5.66	22,588	22,588	22,588	-	-
Lease liabilities	6.62	623	671	249	422	-
Term loans	3.52	8,747	12,048	702	3,004	8,342
Bank overdrafts	8.23	3,363	3,363	3,363	-	-
		59,026	62,353	50,585	3,426	8,342
<u>Derivative Financial Liabilities</u>						
Foreign currency contracts (gross settled):						
- gross payments	-	-	3,294	3,294	-	-
- gross receipts	-	-	(3,316)	(3,316)	-	-

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

Maturity Analysis (Cont'd)

	Weighted Average Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
31 December 2019						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	17,012	17,012	17,012	-	-
Other payables and accruals	-	9,376	9,376	9,376	-	-
Short-term borrowings	5.55	16,465	16,465	16,465	-	-
Lease liabilities	5.76	1,084	1,178	355	823	-
Term loans	3.89	9,997	13,355	1,104	4,368	7,883
Bank overdrafts	7.84	8,460	8,460	8,460	-	-
<u>Derivative Financial Liabilities</u>						
Foreign currency contracts (gross settled):						
- gross payments	-	-	16,643	16,643	-	-
- gross receipts	-	-	(16,813)	(16,813)	-	-
		62,394	65,676	52,602	5,191	7,883

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

Maturity Analysis (Cont'd)

	Weighted Average Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
31 December 2020						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	35,220	35,220	35,220	-	-
Other payables and accruals	-	6,309	6,309	6,309	-	-
Short-term borrowings	4.37	19,592	19,592	19,592	-	-
Lease liabilities	5.62	1,414	1,523	544	979	-
Term loans	2.69	10,688	13,537	1,197	4,928	7,412
Bank overdrafts	6.78	6,799	6,799	6,799	-	-
		80,022	83,038	69,719	5,907	7,412
<u>Derivative Financial Liabilities</u>						
Foreign currency contracts (gross settled):						
- gross payments	-	-	14,010	14,010	-	-
- gross receipts	-	-	(13,952)	(13,952)	-	-

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

Maturity Analysis (Cont'd)

	Weighted Average Effective interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
31 December 2021						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	16,103	16,103	16,103	-	-
Other payables and accruals	-	9,552	9,552	9,552	-	-
Short-term borrowings	4.03	16,674	16,674	16,674	-	-
Lease liabilities	5.60	928	979	487	492	-
Term loans	2.80	9,721	12,008	1,306	4,109	6,593
Bank overdrafts	6.81	11,758	11,758	11,758	-	-
<u>Derivative Financial Liabilities</u>						
Foreign currency contracts (gross settled):						
- gross payments	-	-	1,252	1,252	-	-
- gross receipts	-	-	(1,245)	(1,245)	-	-
		64,736	67,081	55,887	4,601	6,593

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.2 CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and bank balances and fixed deposits with licensed banks. Capital includes equity attributable to the owners of the parent. The debt-to-equity ratio of the Group at the end of the reporting periods was as follows:-

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Short-term borrowings (Note 23)	22,588	16,465	19,592	16,674
Lease liabilities (Note 17)	623	1,084	1,414	928
Term loans (Note 18)	8,747	9,997	10,688	9,721
Bank overdrafts (Note 24)	3,363	8,460	6,799	11,758
	<u>35,321</u>	<u>36,006</u>	<u>38,493</u>	<u>39,081</u>
Less: Fixed deposits with licensed banks (Note 13)	(7,713)	(12,895)	(13,775)	(13,519)
Less: Cash and bank balances	(2,411)	(12,797)	(7,119)	(6,507)
	<u>25,197</u>	<u>10,314</u>	<u>17,599</u>	<u>19,055</u>
Net debt				
Total equity	<u>39,010</u>	<u>47,474</u>	<u>52,012</u>	<u>59,165</u>
Debt-to-equity ratio	<u>65%</u>	<u>22%</u>	<u>34%</u>	<u>32%</u>

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

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS**

	As at 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Financial Assets				
<u>Fair Value Through Profit or Loss</u>				
Other investments (Note 6)	-	1,674	1,952	2,069
<u>Amortised Cost</u>				
Trade receivables (Note 9)	20,101	21,926	30,593	12,600
Other receivables (Note 10)	10,133	1,142	990	179
Amount owing by an associate (Note 12)	98	69	-	-
Fixed deposits with licensed banks (Note 13)	7,713	12,895	13,775	13,519
Cash and bank balances	2,411	12,797	7,119	6,507
	<u>40,456</u>	<u>48,829</u>	<u>52,477</u>	<u>32,805</u>
Financial Liabilities				
<u>Amortised Cost</u>				
Lease liabilities (Note 17)	623	1,084	1,414	928
Term loans (Note 18)	8,747	9,997	10,688	9,721
Trade payables (Note 20)	15,689	17,012	35,220	16,103
Other payables and accruals (Note 21)	8,016	9,376	6,309	9,552
Short-term borrowings (Note 23)	22,588	16,465	19,592	16,674
Bank overdrafts (Note 24)	3,363	8,460	6,799	11,758
	<u>59,026</u>	<u>62,394</u>	<u>80,022</u>	<u>64,736</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS**

	FYE 31 December			
	2018	2019	2020	2021
	RM'000	RM'000	RM'000	RM'000
Financial Assets				
<u>Fair Value Through Profit or Loss</u>				
Net (losses)/gains recognised in profit or loss	-	(507)	278	117
<u>Amortised Cost</u>				
Net (losses)/gains recognised in profit or loss	(490)	(2,311)	1,807	515
Financial liabilities				
<u>Amortised Cost</u>				
Net losses recognised in profit or loss	(1,714)	(2,277)	(1,941)	(2,003)

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13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.5 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

As the Group does not have any financial instruments carried at fair value, the following table sets out only the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value RM'000	Carrying Amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
31 December 2018								
<u>Financial Liability</u>								
Term loans	-	-	-	-	8,747	-	8,747	8,747
31 December 2019								
<u>Financial Asset</u>								
Other investments	-	1,674	-	-	-	-	1,674	1,674
<u>Financial Liability</u>								
Term loans	-	-	-	-	9,997	-	9,997	9,997

13. ACCOUNTANTS' REPORT (CONT'D)

ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.5 FAIR VALUE INFORMATION (CONT'D)

As the Group does not have any financial instruments carried at fair value, the following table sets out only the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period (Cont'd):-

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value RM'000	Carrying Amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
At 31 December 2020								
<u>Financial Asset</u>								
Other investments	-	1,952	-	-	-	-	1,952	1,952
<u>Financial Liability</u>								
Term loans	-	-	-	-	10,688	-	10,688	10,688
At 31 December 2021								
<u>Financial Asset</u>								
Other investments	-	2,069	-	-	-	-	2,069	2,069
<u>Financial Liability</u>								
Term loans	-	-	-	-	9,721	-	9,721	9,721

13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****39. FINANCIAL INSTRUMENTS (CONT'D)****39.5 FAIR VALUE INFORMATION (CONT'D)****(a) Fair Value of Financial Instruments Carried at Fair Value**

The fair value of other investment is determined by reference to information provided by the respective financial institutions, with which the investments were entered into.

(b) Fair Value of Financial Instruments Not Carried at Fair Value

The fair value of the Group's terms loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.

40. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR**COVID-19 Outbreak**

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

The Group's operations have been disrupted by a series of precautionary and control measures taken by the government and private corporations in response to the emergency of the COVID-19 pandemic. This has caused the delay of the progress for delivery of material to the site and affected the progress of projects.

Furthermore, the Group's projects in overseas were disrupted by the global pandemic due to the various measures imposed by the governments of the respective countries and the delay of materials from Malaysia.

Given the dynamic nature of the COVID-19 pandemic, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, operating results and cash flows at the date on which these financial statements are authorised for issue.

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13. ACCOUNTANTS' REPORT (CONT'D)**ECOSCIENCE INTERNATIONAL BERHAD****STATEMENT BY DIRECTORS**

We, Wong Choi Ong and Pan Kum Wan, being two of the directors of the Group, state that, in the opinion of the directors, the financial statements set out on pages 4 to 111 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines issued by the Securities Commission Malaysia so as to give a true and fair view of the financial position of the Group as at 31 December 2018, 2019, 2020 and 2021 and of their financial performance and cash flows for the financial years ended 31 December 2018, 2019, 2020 and 2021.

Signed in accordance with a resolution of the directors dated **03 JUN 2022**

For and on behalf of the Board of Directors of
Ecoscience International Berhad



Wong Choi Ong



Pan Kum Wan

14. ADDITIONAL INFORMATION

14.1 EXTRACTS OF OUR CONSTITUTION

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

14.1.1 Remuneration of our Directors

The provisions in our Constitution in respect of remuneration of our Directors are as follows:

Clause 84

A Managing Director or an Executive Director shall, subject to the terms of any agreement entered into in any particular case, receive such remuneration (whether by way of salary, bonus, commission, or participation in profits, or partly in one way and partly in another and other benefits) as the Board of Directors may determine.

Clause 93

- (1) The Company may from time to time by an ordinary resolution passed at a general meeting, approve the remuneration of the Directors, who hold non-executive office with the Company, for their services as non-executive Directors.
- (2) Subject to Clause 84, the fees of the Directors and any benefits payable to the Directors shall be subject to annual shareholders' approval at a general meeting.
- (3) If the fee of each such non-executive Director is not specifically fixed by the members, then the quantum of fees to be paid to each non-executive Director within the overall limits fixed by the members, shall be decided by resolution of the Board. In default of any decision being made in this respect by the Board, the fees payable to the non-executive Directors shall be divided equally amongst themselves and such a Director holding office for only part of a year shall be entitled to a proportionate part of a full year's fees. The non-executive Directors shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.
- (5) Executive Directors of the Company shall be remunerated in the manner referred to in Clause 84 but such remuneration shall not include a commission on or percentage of turnover.

14.1.2 Voting and borrowing powers of our Directors

The provisions in our Constitution dealing with voting powers of our Directors in the proposals, arrangements or contracts in which they are interested in and the borrowing powers exercisable by them and how such borrowing powers can be varied are as follows:

Clause 95

Without limiting the generality of Clauses 94(1) and (2), the Directors may, subject to the Act and the Listing Requirements, exercise all the powers of the Company to do all or any of the following for any debt, liability, or obligation of the Company or of any third party:

- (1) borrow money;
- (2) mortgage or charge its undertaking, property, and uncalled capital, or any part of the undertaking, property and uncalled capital;
- (3) issue debentures and other securities whether outright or as security; and/or

14. ADDITIONAL INFORMATION (CONT'D)

- (4) (a) lend and advance money or give credit to any person or company;
 - (b) guarantee and give guarantees or indemnities for the payment of money or the performance of contracts or obligations by any person or company;
 - (c) secure or undertake in any way the repayment of moneys lent or advanced to or the liabilities incurred by any person or company;
- and otherwise to assist any person or company.

Clause 105(a)

A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest.

Clause 118

- (1) Subject to this Constitution, questions arising at a Board meeting shall be decided by a majority of votes of Directors present and voting and any such decision shall for all purposes be deemed a decision of the Directors.
- (2) Each Director is entitled to cast one (1) vote on each matter for determination.

Clause 119

In the case of an equality of votes, the chairperson of the Board meeting is entitled to a second or casting vote, except where two (2) Directors form a quorum, the chairperson of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question at issue shall not have a casting vote.

14.1.3 Changes in capital and variation of class rights

The provisions in our Constitution in respect of the changes in capital or variation of class rights are as follows:

Clause 8

- (1) If at any time the share capital is divided into different classes of shares, the rights attached to each class of shares (unless otherwise provided by the terms of issue of the shares of that class) may only, whether or not the Company is being wound up, be varied:
 - (a) with the consent in writing of the holders holding not less than seventy-five percent (75%) of the total voting rights of the holders of that class of shares; or
 - (b) by a special resolution passed by a separate meeting of the holders of that class of shares sanctioning the variation.
- (2) The provisions of this Constitution relating to general meetings apply with the necessary modifications to every separate meeting of the holders of the shares of the class referred to in Clause 8(1), except that:
 - (a) for a meeting other than an adjourned meeting, a quorum is constituted by two (2) persons present holding at least one-third (1/3) of the number of issued shares of such class, excluding any shares of that class held as treasury shares;
 - (b) if that class of shares only has one holder, a quorum is constituted by one (1) person present holding shares of such class; and

14. ADDITIONAL INFORMATION (CONT'D)

- (c) for an adjourned meeting, a quorum is constituted by one (1) person present holding share(s) of such class.
- (3) The rights attached to an existing class of preference shares shall be deemed to be varied by the issue of new preference shares that rank equally with the existing class of preference shares unless such issuance was authorised by:
 - (a) the terms of the issue of the existing preference shares; or
 - (b) this Constitution of the Company as in force at the time when the existing preference shares were issued.

Clause 12

- (1) Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject always to the Act, the Listing Requirements and this Constitution, the Directors have the right to:
 - (a) issue and allot shares in the Company; and
 - (b) grant rights to subscribe for shares or options over unissued shares in the Company.
- (2) Subject to the Act, the Listing Requirements, this Constitution and the relevant shareholders' approval being obtained, the Directors may issue any shares (including rights or options over subscription of such shares):
 - (a) with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine;
 - (b) to any person, whether a Member or not, in such numbers or proportions as the Directors may determine; and
 - (c) for such consideration as the Directors may determine.
- (3)
 - (a) Subject to the Act, the Listing Requirements and any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled.
 - (b) The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company.
 - (c) The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution.

14. ADDITIONAL INFORMATION (CONT'D)

- (4) Subject to Rule 6.07 of the Listing Requirements and notwithstanding the existence of a resolution pursuant to Sections 75(1) and 76(1) of the Act, the Company must not issue any shares or convertible securities if the total number of those shares or convertible securities, when aggregated with the total number of any such shares or convertible securities issued during the preceding twelve (12) months, exceeds ten percent (10%) or such threshold allowed by Bursa Securities of the total number of issued shares (excluding treasury shares) of the Company except where the shares or convertible securities are issued with the prior shareholder approval in a general meeting of the precise terms and conditions of the issue.
- (5) (a) The Company may pay commission (including brokerage) subject to the following:
- (i) the commission shall not exceed the rate of ten percent (10%) of the price at which the shares in respect whereof the same is paid are issued; or
 - (ii) the commission shall not exceed an amount equal to ten percent (10%) of that price,
- whichever is lesser;
- (b) The rate of commission shall be disclosed in the manner prescribed in the Act; and
- (c) The said commission may be satisfied by payment in cash or shares (fully or partly paid shares) or partly in one way and partly in the other. For the purpose of Clause 12(5), commission includes brokerage and the rates referred to in Clause 12(5)(a) shall not apply to brokerage.
- (6) Subject to Section 130 of the Act, where any shares of the Company are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a long period, the Company may pay interest or returns on the amount of such share capital as is for the time being paid up and charge the interest or returns paid to share capital as part of the cost of construction of the works, buildings or the provision of any plant.

Clause 46

- (1) The Company may from time to time by ordinary resolution and subject to other applicable laws or requirements:
- (a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or
 - (b) subdivide its shares or any of them into shares, whichever is in the subdivision; the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived.
- (2) The Company may from time to time by special resolution and subject to other applicable requirements:
- (a) cancel shares which, at the date of the passing of the resolution in that regard, have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled or in such other manner allowed by law; or
 - (b) reduce its share capital in such manner permitted by law, and (where applicable) subject to the relevant required approvals being obtained.

14. ADDITIONAL INFORMATION (CONT'D)

- (3) The Company shall have the power, subject to and in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines in respect thereof for the time being in force, to purchase its own shares and thereafter to deal with the shares purchased in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines thereunder or issued by Bursa Securities and any other relevant authorities in respect thereof.

14.1.4 Transfer of securities

The provisions in our Constitution in respect of arrangements for transfer of the securities and restrictions on their free transferability are as follows:

Clause 14

The transfer of any deposited security or class of deposited security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the deposited securities.

Clause 15

Where:

- (a) the securities of the Company are listed on another stock exchange; and
- (b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules in respect of such securities,

the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities.

Clause 17

- (1) Subject to this Constitution and other written laws, any shareholder or debenture holder may transfer all or any of his shares or debentures by instrument of transfer as prescribed under the Act.
- (2) The instrument of transfer must be executed by or on behalf of the transferor and the transferee.
- (3) The transferor shall remain as the holder of such shares or debentures until the transfer is registered and the name of the transferee is entered in the register of members or register of debenture holders in respect of the shares or debentures respectively.

Clause 18

- (1) To enable the Company to register the name of the transferee, the following items in relation to the transfer of shares or debentures must be delivered by the transferor to the Office of the Company:
 - (a) the instrument of transfer duly executed and stamped;

14. ADDITIONAL INFORMATION (CONT'D)

- (b) the certificate of the shares or debentures which the instrument of transfer relates; and
 - (c) any other evidence as the Directors may reasonably require showing the right of the transferor to make the transfer.
- (2) Upon receipt of the items referred to in Clause 18(1), the Company shall, upon the approval of the Board and unless otherwise resolved, register the name of the transferee in the register of members or register of debenture holders (as applicable).

Clause 19

- (1) The Directors may decline or delay to register the transfer of shares within thirty (30) days from the receipt of the instrument of transfer if:
 - (a) the shares are not fully paid shares;
 - (b) the Directors passed a resolution with full justification to refuse or delay the registration of transfer;
 - (c) the Company has a lien on the shares; and/or
 - (d) the shareholder fails to pay the Company an amount due in respect of those shares, whether by way of consideration for the issue of the shares or in respect of the sums payable by the shareholder in accordance with this Constitution.
- (2) Where applicable, the Company shall send a notice of the resolution referred to in Clause 19(1)(b) to the transferor and transferee, within seven (7) days of the resolution being passed by the Directors.

Clause 20

On giving at least fourteen (14) days' notice to the Registrar of Companies to close the register of members or register of debenture holders, the Company may close the register of members or register for any class of members or register of debenture holders (collectively, the "Registers") for the purpose of updating the Registers. The registration of transfer may be suspended at such time and for such period as the Directors may from time to time determine, provided that no part of the relevant Register(s) be closed for more than 30 days in aggregate in any calendar year.

14.1.5 Rights, preference and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

There are no special rights attached to our Shares. As at the date of this Prospectus, we have only 1 class of shares in our Company, namely ordinary shares, all of which rank equally with one another.

14.2 LIMITATION ON THE RIGHTS TO HOLD SECURITIES AND/OR EXERCISE VOTING RIGHTS

There is no limitation on the right to own securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on our Shares imposed by law or by the constituent documents of our Company.

14. ADDITIONAL INFORMATION (CONT'D)**14.3 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS**

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his/her Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer the Shares to the Minister of Finance, Inc. and such Shares may not be traded on Bursa Securities.

Dealing in our Shares deposited with Bursa Depository may only be effected by a Depositor by means of entries in the securities account of that Depositor.

A depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be our shareholder and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

14.4 SHARE CAPITAL

Details of the share capital of our Company and our subsidiaries are as follows:

14.4.1 Our Company

Our issued share capital after the Acquisitions is RM51,566,101.60 comprising 257,830,500 Shares. The changes in our issued share capital since incorporation up to the completion of the Acquisitions are as follows:

Date of allotment	Number of Shares allotted	Consideration	Cumulative Issued Share Capital (RM)
21 August 2020	2	Cash	2
10 August 2021	257,830,498	⁽¹⁾ Consideration for other than cash	51,566,101.60

Note:

(1) Pursuant to the Acquisitions.

None of our Shares were issued at a discount, on special terms or based on instalment payment terms. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of our Shares.

14. ADDITIONAL INFORMATION (CONT'D)**14.4.2 AEPL**

As at the LPD, the issued share capital of AEPL is SGD200,000 comprising 200,000 ordinary shares. There has been no change in the issued share capital of AEPL during the Financial Years Under Review up to the LPD.

None of the ordinary shares of AEPL were issued at a discount, on special terms or based on instalment payment terms. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of the ordinary shares of AEPL.

14.4.3 EMESB

As at the LPD, the issued share capital of EMESB is RM5,750,000 comprising 5,750,000 ordinary shares. There has been no change in the issued share capital of EMESB during the Financial Years Under Review up to the LPD.

None of the ordinary shares of EMESB were issued at a discount, on special terms or based on instalment payment terms. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of the ordinary shares of EMESB.

14.4.4 ETSB

As at the LPD, the issued share capital of ETSB is RM2,000,000 comprising 2,000,000 ordinary shares. The changes in the issued share capital of ETSB during the Financial Years Under Review up to the LPD are as follows:

Date of allotment	Number of Shares allotted	Consideration	Cumulative Issued Share Capital (RM)
18 June 2019	1,000,000	Cash	1,500,000
1 July 2020	500,000	Cash	2,000,000

None of the ordinary shares of ETSB were issued at a discount, on special terms or based on instalment payment terms. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of the ordinary shares of ETSB.

14.4.5 TWTSSB

As at the LPD, the issued share capital of TWTSSB is RM2 comprising 2 ordinary shares. There has been no change in the issued share capital of TWTSSB during the Financial Years Under Review up to the LPD.

None of the ordinary shares of TWTSSB were issued at a discount, on special terms or based on instalment payment terms. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in respect of the ordinary shares of TWTSSB.

14.4.6 Associated companies

As at the LPD, we do not have any material associated company.

14. ADDITIONAL INFORMATION (CONT'D)**14.5 PUBLIC TAKE-OVERS**

During the last financial year and up to the LPD, there were no:

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

14.6 CONSENTS

The written consents of our Principal Adviser, Solicitors as to the laws of Malaysia, Issuing House and Share Registrar and company secretary as set out in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names and all references thereto in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of our Auditors and Reporting Accountants for the inclusion of its name, Accountants' Report and Reporting Accountants' Report on Compilation of the Pro Forma Combined Statement of Financial Position, and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of our Independent Business and Market Research Consultants for the inclusion of its name, the executive summary of the IMR Report and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of our Solicitors as to the laws of Singapore for the inclusion of its name and legal opinions and all references thereto in the form and context in which such name appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

14.7 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, W.P. Kuala Lumpur during normal business hours for a period of at least 6 months from the date of issue of the Prospectus:

- (i) our Constitution;
- (ii) our material contracts referred to in Section 7.17 of this Prospectus;
- (iii) the Reporting Accountants' Report on Compilation of the Pro Forma Statements of Financial Position as set out in Section 12.8 of this Prospectus;
- (iv) Accountants' Report as set out in Section 13 of this Prospectus;
- (v) the letters of consent given by parties as disclosed in Section 14.6 of this Prospectus;
- (vi) the audited financial statements of the Company for the financial period ended 31 December 2020 and FYE 2021 and the audited financial statements of AEPL, EMESB, ETSB and TWTSSB for the FYE 2018, FYE 2019, FYE 2020 and FYE 2021; and
- (vii) the IMR Report.

14. ADDITIONAL INFORMATION (CONT'D)

14.8 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Offerors have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

HLIB, being our Principal Adviser, Sponsor, Underwriter and Placement Agent in relation to our IPO, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

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

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

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

15.1 OPENING AND CLOSING OF APPLICATION

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 21 JUNE 2022

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 1 JULY 2022

In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

Late Applications will not be accepted.

15.2 METHODS OF APPLICATION**15.2.1 Retail Offering**

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application and category of investors	Application Method
Applications by the Eligible Persons	Pink Application Form only
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**15.2.2 Placement**

Types of Application	Application Method
Applications by:	
(a) Selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
(b) Bumiputera investors approved by the MITI	MITI will contact the Bumiputera Investors directly. They should follow MITI's instructions.

Selected investors and Bumiputera investors approved by MITI may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

15.3 ELIGIBILITY**15.3.1 General**

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

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

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

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

15.3.2 Application by the Malaysian Public

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

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

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and
- (iii) You must submit Applications by using only one of the following methods:
 - (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

15.3.3 Application by the Eligible Persons

The Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated IPO Shares. Applicants must follow the notes and instructions on the said documents and where relevant, in this Prospectus.

15.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

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

The **FULL** amount payable is RM0.30 for each IPO Share.

Payment must be made out in favour of “**TIH SHARE ISSUE ACCOUNT NO. 722**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

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

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

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
 W.P. Kuala Lumpur

- (ii) or **DELIVERED BY HAND AND DEPOSITED** in the Drop-in Boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, W.P. Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 1 July 2022 or by such other time and date specified in any change to the date or time for closing.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

15.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATION

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Application may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

15.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATION

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Application may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

15.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:

- (i) reject Applications which:
 - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 15.9 below.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

15.8 OVER/UNDER SUBSCRIPTION

In the event of over-subscription, the Issuing House, will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at <https://tiih.online> within one (1) Market Day after the balloting date.

Pursuant to the Listing Requirements, we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or the Eligible Persons, subject to the underwriting arrangements and reallocation as set out in Section 4.1.4 and Section 4.1.5 of this Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by our Underwriter based on the terms of the Underwriting Agreement.

15.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application Monies (without interest) will be refunded to you in the following manner.

15.9.1 For applications by way of Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).
- (iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by ordinary post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

15.9.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

15.10 SUCCESSFUL APPLICANTS

If you are successful in your application:

- (i) Our IPO Shares allotted to you will be credited into your CDS account.
- (ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

15.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House's Enquiry Services at telephone no. (603) 2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of our IPO Shares derived from successful balloting will be made available to the public at our Issuing House website at <https://tiih.online>, **1 Market Day** after the balloting date.

You may also check the status of your Application at the above website, 5 Market Days after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (ACCOMPANYING THE ELECTRONIC PROSPECTUS)

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

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

1. OPENING AND CLOSING OF APPLICATION

OPENING OF THE APPLICATION PERIOD: 10:00 A.M., 21 JUNE 2022.

CLOSING OF THE APPLICATION PERIOD: 5:00 P.M., 1 JULY 2022.

In the event of any changes to the date or time stated above, we will advertise the notice of changes in widely circulated daily Bahasa Malaysia and English newspapers in Malaysia.

Late Applications will not be accepted.

2. METHODS OF APPLICATION

2.1 Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application and category of investors	Application Method
Applications by the Eligible Persons	Pink Application Form only
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

2.2 Placement

Types of Application	Application Method
Applications by:	
(a) Selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
(b) Bumiputera investors approved by the MITI	MITI will contact the Bumiputera Investors directly. They should follow MITI's instructions.

Selected investors and Bumiputera investors approved by MITI may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

3. ELIGIBILITY

3.1 General

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

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

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM 1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

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

3.2 Application by the Malaysian Public

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

- (i) you must be one of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares with a Malaysian address; or
 - (b) a corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) you must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and
- (iii) you must submit an Application by using only one of the following methods:
 - (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

3.3 Application by Eligible Persons

The Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated IPO Shares. Applicants must follow the notes and instructions in the said document and where relevant, in this Prospectus.

4. PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

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

The Malaysian Public must follow the following procedures in making their applications through the White Application Form.

- (i) Obtain the relevant Application Form together with the Official “A” and “B” envelopes and our Prospectus.

The White Application Forms together with our Prospectus, can be obtained subject to availability from Hong Leong Investment Bank Berhad, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia or Malaysian Investment Banking Association and the Issuing House and our Company.

- (ii) In accordance with Section 232(2) of the CMSA, the Application Forms are accompanied by our Prospectus. You are advised to read and understand our Prospectus before making your Application.

- (iii) Complete the relevant Application Form legibly and **STRICTLY** in accordance with the notes and instructions printed on it and in our Prospectus, including:

- (a) Ensuring that your personal particulars submitted in your Application are identical with the records maintained by Bursa Depository. You are required to inform Bursa Depository promptly of any changes to your personal particulars as the notification letter of successful allocation will be sent to your registered or correspondence address last maintained with Bursa Depository.
- (b) Stating your CDS account number in the space provided in the Application Form. Invalid or nominee or third party CDS accounts will **not** be accepted.
- (c) Stating the details of your payment in the appropriate boxes provided in the Application Form.
- (d) Stating the number of shares applied. Applications must be for at least 100 IPO Shares or multiples of 100 IPO Shares.

- (iv) Prepare the appropriate form of payment in RM for the FULL amount payable based on the IPO Price of RM0.30 for each IPO Share.

Payment must be made out in favour of “**TIH SHARE ISSUE ACCOUNT NO. 722**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Only Banker’s Draft or Cashier’s Order drawn on a bank in Kuala Lumpur, Money or Postal Orders (Sabah and Sarawak only) and Guaranteed Giro Order from Bank Simpanan Nasional Malaysia Berhad will be accepted.

We will not accept Applications with excess or insufficient remittances or inappropriate forms of payment. Remittances must be completed in the appropriate boxes provided in the White Application Forms.

- (v) Insert the White Application Form together with payment and a legible photocopy of your identification document (NRIC or official valid temporary identity documents issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) or certificate of incorporation or the certificate of change of name for corporate or institutional applicant (where applicable)) into the Official "A" envelope and seal it. You must write your name and address on the outside of the Official "A" and "B" envelopes.

Affix RM1.50 stamp on the Official "A" envelope and insert the Official "A" envelope into the Official "B" envelope.

The name and address written must be identical to your name and address as in your NRIC or official valid temporary identity documents issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) or certificate of incorporation or the certificate of change of name for corporate or institutional applicant (where applicable).

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

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

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
W.P. Kuala Lumpur

- (b) **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, W.P. Kuala Lumpur

so as to arrive not later than **5.00 p.m. on 1 July 2022** or such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

5. APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

5.1 Participating Financial Institutions

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Applications.

The following processing fee for each Electronic Share Application will be charged by the respective Participating Financial Institutions (unless waived) as follows:

Participating Financial Institutions	Charges
Affin Bank Berhad	Free

Participating Financial Institutions	Charges
Alliance Bank Malaysia Berhad	RM1.00
AmBank (M) Berhad	RM1.00
CIMB Bank Berhad	RM2.50
Malayan Banking Berhad	RM1.00
Public Bank Berhad	RM2.00
RHB Bank Berhad	RM2.50

Please note that these processing fees may be varied or waived from time to time at the discretion of the respective Participating Financial Institutions. Please contact the relevant Participating Financial Institutions for further enquiries.

5.2 Procedures for Electronic Share Application

The exact procedures, terms and conditions for Electronic Share Application at ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions.

PLEASE READ THE TERMS OF OUR PROSPECTUS, THE TERMS AND CONDITIONS AND PROCEDURES FOR ELECTRONIC SHARE APPLICATIONS SET OUT BELOW AND AT THE RESPECTIVE ATM CAREFULLY PRIOR TO MAKING AN ELECTRONIC SHARE APPLICATION.

If you encounter any problems in your Application, you may refer to the respective Participating Financial Institutions.

You must have an account with a Participating Financial Institution and an ATM card issued by that Participating Financial Institution to access the account. An ATM card issued by one of the Participating Financial Institutions cannot be used to apply for our IPO Shares at an ATM belonging to other Participating Financial Institutions.

You are to submit at least the following information through the ATM, where the instructions on the ATM screen require you to do so:

- Personal Identification Number (“**PIN**”);
- TIIH Share Issue Account No. 722;
- Your CDS account number;
- Number of IPO Shares applied for and the RM amount to be debited from the account; and
- Confirmation of several mandatory statements as set out in Section 5.3 below.

Upon the completion of your Electronic Share Application transaction at the ATM, you will receive a computer-generated transaction slip (“**Transaction Record**”), confirming the details of your Electronic Share Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Share Application or any data relating to such an Electronic Share Application by our Company or the Issuing House. The Transaction Record is for your records and should not be submitted with any Application Form.

5.3 Terms and Conditions for Electronic Share Application

You must have a CDS account to be eligible to use the Electronic Share Application. Invalid, nominee or third party CDS accounts will not be accepted.

YOU MUST ENSURE THAT YOU USE YOUR OWN CDS ACCOUNT NUMBER WHEN MAKING AN ELECTRONIC SHARE APPLICATION. IF YOU OPERATE A JOINT ACCOUNT WITH ANY PARTICIPATING FINANCIAL INSTITUTION, YOU MUST ENSURE THAT YOU ENTER YOUR OWN CDS ACCOUNT NUMBER WHEN USING AN ATM CARD ISSUED TO YOU IN YOUR OWN NAME. YOUR APPLICATION WILL BE REJECTED IF YOU FAIL TO COMPLY WITH THE ABOVE.

The Electronic Share Application shall be made on, and subject to, the above terms and conditions as well as the terms and conditions appearing below:

- (i) The Electronic Share Application shall be made in relation to and subject to the terms of our Prospectus and our Company's Constitution.
- (ii) You are required to confirm the following statements (by pressing pre-designated keys or buttons on the ATM keyboard) and undertake that the following information given are true and correct:
 - (a) You are at least 18 years old as at the date of the application for our IPO Shares;
 - (b) You are a Malaysian citizen residing in Malaysia;
 - (c) You have read our Prospectus and understood and agreed with the terms and conditions of the Application;
 - (d) The Electronic Share Application is the only application that you are submitting for our IPO Shares offered to the Malaysian Public; and
 - (e) You consent to the disclosure by the Participating Financial Institution and Bursa Depository of information pertaining to yourself and your account with the Participating Financial Institution and Bursa Depository to the Issuing House and other relevant authorities.

Your Application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the steps required by the Participating Financial Institutions. By doing so, it is considered that you have confirmed each of the above statements as well as given consent in accordance with the relevant laws of Malaysia (including but not limited to Sections 133 and 134 of the Financial Services Act, 2013 and Section 45 of SICDA) to the disclosure by the relevant Participating Financial Institutions or Bursa Depository, as the case may be, of any of your particulars to the Issuing House or any relevant authorities.

- (iii) You confirm that you are not applying for our IPO Shares offered to the Malaysian Public as a nominee of any other person and that the Electronic Share Application that you make is made by you as the beneficial owner. You shall only make one Electronic Share Application and shall not make any other application for our IPO Shares offered to the Malaysian Public.
- (iv) You must have sufficient funds in your account with the relevant Participating Financial Institution at the time the Electronic Share Application is made, failing which the Electronic Share Application will not be completed. Any Electronic Share Application, which does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Share Application is being made, will be rejected.
- (v) You agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated in the Transaction Record or any lesser number of IPO Shares that may be allotted or allocated to you in respect

of your Electronic Share Application. In the event that we decide to allot or allocate a lesser number of such IPO Shares or not to allot or allocate any IPO Shares to you, you agree to accept any such decision as final. If your Electronic Share Application is successful, your confirmation (by your action of pressing the designated keys or buttons on the ATM keyboard) of the number of IPO Shares applied for shall signify, and shall be treated as, your acceptance of the number of IPO Shares that may be allotted or allocated to you and your acceptance to be bound by our Constitution.

- (vi) the Issuing House, on the authority of our Board, reserves the right to reject any Electronic Share Application or accept any Electronic Share Application in whole or in part only without the need to give any reason. Due consideration will be given to the desirability of allotting or allocating our IPO Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares.
- (vii) You request and authorise us:
 - (a) to credit our IPO Shares allotted or allocated to you into your CDS account; and
 - (b) to issue share certificate(s) representing such IPO Shares or jumbo certificates which represent, amongst others, such IPO Shares, allotted or allocated in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.
- (viii) You acknowledge that your Electronic Share Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond our control or the control of the Issuing House, Bursa Depository or the Participating Financial Institution, and irrevocably agree that if:
 - (a) our Company or the Issuing House does not receive your Electronic Share Application; or
 - (b) the data relating to your Electronic Share Application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company or the Issuing House,you shall be deemed not to have made an Electronic Share Application and shall not make any claim whatsoever against our Company, the Issuing House or the Participating Financial Institution for our IPO Shares applied for or for any compensation, loss or damage.
- (ix) All of your particulars in the records of the relevant Participating Financial Institution at the time of making the Electronic Share Application shall be deemed to be true and correct, and our Company, the Issuing House and the relevant Participating Financial Institution shall be entitled to rely on their accuracy.
- (x) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institution are correct and identical. Otherwise, your Electronic Share Application will be rejected. You must inform Bursa Depository promptly of any change in address, failing which the notification letter of successful allotment will be sent to your registered or correspondence address last maintained with Bursa Depository.
- (xi) By making and completing an Electronic Share Application, you agree that:
 - (a) in consideration of us agreeing to allow and accept the application for

our IPO Shares through the Electronic Share Application facility established by the Participating Financial Institutions at their respective ATMs, your Electronic Share Application is irrevocable;

- (b) we, the Participating Financial Institutions, Bursa Depository and the Issuing House shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Share Application due to a breakdown or failure of transmission or communication facilities or to any cause beyond our or the control of any of them;
 - (c) notwithstanding the receipt of any payment by or on behalf of our Company, the acceptance of your offer to subscribe for and purchase our IPO Shares for which the Electronic Share Application has been successfully completed shall be constituted by the issue of notices of allotment in respect of the said IPO Shares;
 - (d) you irrevocably authorise Bursa Depository to complete and sign on your behalf as transferee or renounce any instrument of transfer and other documents required for the issue or transfer of our IPO Shares allotted or allocated to you; and
 - (e) you agree that in relation to any legal action, proceedings or disputes arising out of or in relation to the contract between the parties and / or the Electronic Share Application and / or any terms of our Prospectus, all rights, obligations and liabilities of the parties shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies of Malaysia and that you irrevocably submit to the jurisdiction of the Courts of Malaysia.
- (xii) the Issuing House, acting on the authority of our Board reserves the right to reject Applications which do not conform to these instructions.

6. APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

6.1 Internet Participating Financial Institutions

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

The following processing fee for each Internet Share Application will be charged by the respective Internet Participating Financial Institutions (unless waived) as follows:

YOU ARE ADVISED NOT TO APPLY FOR OUR IPO SHARES THROUGH ANY WEBSITE OTHER THAN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

Internet Participating Financial Institution	Website address	Fees charged
Affin Bank Berhad	www.affinOnline.com	Free
Alliance Bank Malaysia Berhad	www.allianceonline.com.my	RM1.00

Internet Participating Financial Institution	Website address	Fees charged
CGS-CIMB Securities Sdn Bhd	www.eipocimb.com	RM2.00 for payment through CIMB Bank Berhad or Malayan Banking Berhad
CIMB Bank Berhad	www.cimbclicks.com.my	RM2.00 for applicants with CDS Accounts held with CGS-CIMB Securities Sdn Bhd and RM2.50 for applicants with CDS Accounts with other ADAs
Malayan Banking Berhad	www.maybank2u.com.my	RM1.00
RHB Bank Berhad	www.rhbgroup.com	RM2.50
Public Bank Berhad	www.pbebank.com	RM2.00

Please note that these fees may be varied or waived from time to time at the discretion of the respective Internet Participating Financial Institutions. Please contact the relevant Internet Participating Financial Institutions for further enquiries.

PLEASE READ THE TERMS OF OUR PROSPECTUS, THE TERMS AND CONDITIONS AND PROCEDURES FOR INTERNET SHARE APPLICATIONS SET OUT BELOW AND AT THE INTERNET FINANCIAL SERVICES WEBSITE OF THE RESPECTIVE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS CAREFULLY PRIOR TO MAKING AN INTERNET SHARE APPLICATION.

If you encounter any problems in your Application, you may refer to the respective Internet Participating Financial Institutions.

6.2 Terms and Conditions for Internet Share Application

PLEASE NOTE THAT THE ACTUAL TERMS AND CONDITIONS OUTLINED BELOW SUPPLEMENT THE ADDITIONAL TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATIONS CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

An Internet Share Application shall be made on and subject to the following terms and conditions:

- (i) You can make an Internet Share Application if you fulfill all of the following:
 - (a) You are an individual with a CDS Account and in the case of a joint account, an individual CDS Account registered in your name which is to be used for the purpose of the application if you are making the application instead of a CDS Account registered in the joint account holder's name;
 - (b) You have an existing account with access to Internet financial services facilities with an Internet Participating Financial Institution. You must

have your user identification (“**User ID**”) and PIN/password for the relevant Internet financial services facilities; and

- (c) You are a Malaysian citizen and have a mailing address in Malaysia.

You are advised to note that a User ID and PIN/password issued by one of the Internet Participating Financial Institutions cannot be used to apply for our IPO Shares at Internet financial service websites of other Internet Participating Financial Institutions.

- (ii) An Internet Share Application shall be made on and subject to the terms of our Prospectus and our Company’s Constitution.

- (iii) You are required to confirm the following statements (by selecting the designated hyperlink on the relevant screen of the Internet financial services website of the Internet Participating Financial Institution) and to undertake that the following information given are true and correct:

- (a) You are at least 18 years old as at the date of the application for our IPO Shares;
- (b) You are a Malaysian citizen residing in Malaysia;
- (c) You have, prior to making your Internet Share Application, received and/or have had access to a printed/electronic copy of our Prospectus, the contents of which you have fully read and understood;
- (d) You agree to all the terms and conditions of the Internet Share Application as set out in our Prospectus and have carefully considered the risk factors as well as all other information and statements set out in our Prospectus, before making your Internet Share Application;
- (e) Your Internet Share Application is the only application that you are submitting for our IPO Shares offered to the Malaysian Public;
- (f) You authorise the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for our IPO Shares from your account with the Internet Participating Financial Institution or the Authorised Financial Institution;
- (g) You give express consent in accordance with the relevant laws of Malaysia (including but not limited to Sections 133 and 134 of the Financial Service Act, 2013 and Section 45 of SICDA) to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case may be, of your information, your Internet Share Application or your account with the Internet Participating Financial Institution, to our Issuing House and the Authorised Financial Institution, the SC and any other relevant authority;
- (h) You are not applying for our IPO Shares as a nominee of any other person and your Internet Share Application is made in your own name, as beneficial owner and subject to the risks referred to in our Prospectus;

- (i) You authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, our Company, Bursa Securities or other relevant parties in connection with our IPO, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Application services or if such disclosure is requested or required in connection with our IPO. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Share Application services.
- (iv) Your Application will not be successfully completed and cannot be recorded as a completed application unless you have paid for our IPO Shares through the website of the Authorised Financial Institution and completed all relevant application steps and procedures for the Internet Share Application which would result in the Internet financial services website displaying the Confirmation Screen.

For the purposes of our Prospectus, "Confirmation Screen" shall mean the screen which appears or is displayed on the Internet financial services website, which confirms that your Internet Share Application has been completed and states the details of your Internet Share Application, including the number of IPO Shares applied for which you can print out for your records.

Upon the display of the Confirmation Screen, you will be deemed to have confirmed the truth of the statements set out in Section 6.2(iii) above. The Confirmation Screen is only a record of the completed transaction with an Internet Participating Financial Institution and not a record of the receipt of the Internet Share Application or any data relating to such an Internet Share Application by our Company or the Issuing House. The Confirmation Screen is for your record and should not be submitted with any Application Form.

- (v) You must have sufficient funds in your account with the Internet Participating Financial Institution or the Authorised Financial Institution at the time of making your Internet Share Application, to cover and pay for our IPO Shares and the related processing fees, charges and expenses, if any, to be incurred, failing which your Internet Share Application will not be deemed complete, notwithstanding the display of the Confirmation Screen. Any Internet Share Application which does not conform strictly to the instructions set out in our Prospectus or any instructions displayed on the screens of the Internet financial services website through which the Internet Share Application is made shall be rejected.
- (vi) You irrevocably agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated on the Confirmation Screen or any lesser number of IPO Shares that may be allotted or allocated to you in respect of your Internet Share Application. In the event that we decide to allot or allocate lesser number of such Shares or not to allot or allocate any IPO Shares to you, you agree to accept any such decision as final.

In the course of completing your Internet Share Application on the website of the Internet Participating Financial Institution, your confirmation of the number of IPO Shares applied for (by way of your action of clicking the designated hyperlink on the relevant screen of the website) shall be deemed to signify and shall be treated as:

- (a) Your acceptance of the number of IPO Shares that may be allotted or allocated to you in the event that your Internet Share Application is successful or successful in part, as the case may be; and
 - (b) Your agreement to be bound by the Constitution of our Company.
- (vii) You are fully aware that multiple or suspected multiple Internet Share Applications for our IPO Shares will be rejected. **A PERSON WHO SUBMITS MULTIPLE INTERNET SHARE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.** Our Company reserves the right to reject any Internet Share Application or accept any Internet Share Application in part only without the need to give any reason. Due consideration will be given to the desirability of allotting or allocating the Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares.
- (viii) An Internet Share Application is deemed to be received only upon its completion, which is when the Confirmation Screen is displayed on the Internet financial services website. You are advised to print out and retain a copy of the Confirmation Screen for reference and record purposes. Late Internet Share Applications will not be accepted.
- (ix) You acknowledge that your Internet Share Application is subject to risk of electrical, electronic, technical and computer-related faults and breakdowns, faults with computer software, problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, fires, and other events beyond the control of the Internet Participating Financial Institution, the Authorised Financial Institution, the Issuing House and our Company and irrevocably agree that if:
 - (a) our Company, the Issuing House, the Internet Participating Financial Institution and/or the Authorised Financial Institution do not receive your Internet Share Application and/or payment; and
 - (b) any data relating to your Internet Share Application or the tape or any other devices containing such data and/or payment is lost, corrupted, destroyed or otherwise not accessible, whether wholly or partially and for any reason whatsoever,

you will be deemed not to have made an Internet Share Application and you will not make any claim whatsoever against our Company, the Issuing House, the Internet Participating Financial Institution and/or the Authorised Financial Institution in relation to our IPO Shares applied for or for any compensation, loss or damage whatsoever, as a consequence thereof or arising therefrom.

- (x) All of your particulars in the records of the relevant Internet Participating Financial Institution at the time of your Internet Share Application shall be deemed to be true and correct, and we, the Issuing House, the Internet Participating Financial Institutions and all other persons who, are entitled or allowed under the law to such information or where you expressly consent to the provision of such information shall be entitled to rely on the accuracy thereof.

You must ensure that your personal particulars as recorded by both Bursa Depository and the Internet Participating Financial Institution are correct and identical. Otherwise, your Internet Share Application will be rejected. The notification letter on successful allotment will be sent to your last address maintained with Bursa Depository. It is your responsibility to notify the Internet Participating Financial Institution and Bursa Depository of any changes in your personal particulars that may occur from time to time.

7. AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

Your Application will be selected in a manner to be determined by our Board. Due consideration will be given to the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares. The Issuing House, on the authority of our Board, reserves the right to:

- (i) reject the Applications which:
 - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful / partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

8. OVER / UNDER-SUBSCRIPTION

In the event of over-subscription, the Issuing House, will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at <https://tiih.online> within one (1) Market Day after the balloting date.

Pursuant to the Listing Requirements, we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or the Eligible Persons, subject to the underwriting arrangements and reallocation as set out in Section 4.1.4 and Section 4.1.5 of this Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by our Underwriter based on the terms of the Underwriting Agreement.

9. UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful / partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

9.1 For applications by way of Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).
- (iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

9.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institution) within 2 Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

10. SUCCESSFUL APPLICANTS

If you are successful in your application:-

- (i) Our IPO Shares allotted to you will be credited into your CDS account.
- (ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued / offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

11. ENQUIRIES

Enquiries in respect of the Applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House's Enquiry Services at telephone no. (603) 2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of our IPO Shares derived from successful balloting will be made available to the public at our Issuing House website at <https://tiih.online>, **1 Market Day** after the balloting date.

You may also check the status of your Application at the above website, 5 Market Days after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

12. LIST OF ADAS

The list of ADAs and their respective addresses, telephone numbers and broker codes are as follows:

<u>Name</u>	<u>Address and Telephone Number</u>	<u>Broker Code</u>
<u>KUALA LUMPUR</u>		
AFFIN HWANG INVESTMENT BANK BHD	2nd Floor, Bangunan AHP No.2, Jalan Tun Mohd Fuad 3 Taman Tun Dr Ismail 60000 Kuala Lumpur Tel No.: 03-7710 6688	068-009
AFFIN HWANG INVESTMENT BANK BHD	Ground, Mezzanine & 3rd Floor Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No.: 03-2143 8668	068-018
AFFIN HWANG INVESTMENT BANK BHD	No. 38A & 40A Jalan Midah 1 Taman Midah Cheras 56000 Kuala Lumpur Tel No.: 03-9130 8803	068-021
ALLIANCE INVESTMENT BANK BHD	17th Floor, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No.: 03-2604 3333	076-001
AMINVESTMENT BANK BERHAD	15th Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur Tel No.: 03-2708 2788	086-001
BIMB SECURITIES SDN. BHD.	32nd Floor, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No.: 03-2613 1600	024-001

Name	Address and Telephone Number	Broker Code
CGS-CIMB SECURITIES SDN BHD	Principal Office Level 17 Menara CIMB Jalan Stesen Sentral 2 50470 Kuala Lumpur Tel No.: 03-2261 8888	065-001
CITIGROUP GLOBAL MARKETS MALAYSIA SDN. BHD.	Level 43, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel No.: 03-2383 3890	038-001
CLSA SECURITIES MALAYSIA SDN. BHD.	Bilik 20-01, Aras 20 Menara Dion2 7 Jalan Sultan Ismail 50250 Kuala Lumpur Tel No.: 03-2056 7888	033-001
CREDIT SUISSE SECURITIES (MALAYSIA) SDN. BHD.	Suite 7.6, Level 7 Menara IMC8 Jalan Sultan Ismail 50250 Kuala Lumpur Tel No.: 2723 2020	036-001
FA SECURITIES SDN. BHD.	A-10-17 & A-10-1 Level 10, Menara UOA Bangsar No. 5, Jalan Bangsar Utama 1 59000 Kuala Lumpur Tel No.: 2288 1676	021-001
HONG LEONG INVESTMENT BANK BERHAD	Level 7, Menara HLA No. 3, Jalan Kia Peng 50450 Kuala Lumpur Tel No.: 03-2168 1168	066-001
HONG LEONG INVESTMENT BANK BERHAD	Mezzanine Floor Level 3A, Block B, HP Towers No.12 Jalan Gelenggang 60000 Kuala Lumpur Tel No.: 03-2080 8777	066-002
INTER-PACIFIC SECURITIES SDN. BHD.	West Wing, Level 13 Berjaya Times Square No. 1, Jalan Imbi 55100 Kuala Lumpur Tel No.: 03-2117 1888	054-001
INTER-PACIFIC SECURITIES SDN. BHD.	Ground Floor, 7-0-8, Jalan 3/109F Danau Business Centre, Danau Desa 58100 Kuala Lumpur Tel No.: 03-7984 7796	054-003
INTER-PACIFIC SECURITIES SDN. BHD.	No.33-1 (First Floor) Jalan Radin Bagus 57000 Bandar Baru Seri Petaling Kuala Lumpur Tel No.: 03-9056 2921	054-007

Name	Address and Telephone Number	Broker Code
J.P. MORGAN SECURITIES (MALAYSIA) SDN. BHD.	Level 18, Integra Tower The Intermark 348 Jalan Tun Razak 50400 Kuala Lumpur Tel No.: 03-2718 0500	035-001
KAF-SEAGROATT & CAMPBELL SECURITIES SDN. BHD.	11th - 14th Floor, Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No.: 03-2171 0228	053-001
KENANGA INVESTMENT BANK BHD	Level 17 Kenanga Tower 237 Jalan Tun Razak 50400 Kuala Lumpur Tel No.: 03-2172 2888	073-001
KENANGA INVESTMENT BANK BERHAD	M3-A-7 & M3-A-8 Jalan Pandan Indah 4/3A Pandan Indah 55100 Kuala Lumpur Tel No.: 03-4297 8806	073-001
KENANGA INVESTMENT BANK BERHAD	1st Floor West Wing ECM Libra Building 8, Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Tel No.: 03-2089 2888	073-001
M & A SECURITIES SDN. BHD.	Level 1-3, No. 45 & 47 The Boulevard, Bandar Mid Valley Lingkaran Syed Putra 59200 Kuala Lumpur Tel No.: 03-2282 1820	057-002
M & A SECURITIES SDN. BHD.	22A-1 & 22A-2, Jalan Kuchai Maju 1 Kuchai Entrepreneurs' Park Off Jalan Kuchai Lama 58200, Kuala Lumpur Tel No.: 03-7983 9890	057-004
MACQUARIE CAPITAL SECURITIES (MALAYSIA) SDN. BHD.	Aras 10, Menara Dion 27 Jalan Sultan Ismail 50250, Kuala Lumpur Tel. No.: 03-2059 8833	032-001
MALACCA SECURITIES SDN. BHD.	No. 76-1, Jalan Wangsa Maju Delima 6 Pusat Bandar Wangsa Maju (KLSC) 53300 Setapak, Kuala Lumpur Tel No.: 4144 2565	012-001

Name	Address and Telephone Number	Broker Code
MALACCA SECURITIES SDN. BHD.	B_M_10, Block B Plaza Arkadia Jalan Intisari Perdana Desa Park City 52200 Kuala Lumpur Tel No.: 2733 9782	012-001
MALACCA SECURITIES SDN. BHD.	B01-A-13A Level 13A, Menara 2 No.3 Jalan Bangsar KL ECO City 59200 Kuala Lumpur Tel No.: 2201 2100	012-001
MAYBANK INVESTMENT BANK BERHAD	Level 5, Tower C Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Tel No.: 03-2297 8888	098-001
MAYBANK INVESTMENT BANK BERHAD	27, 31-33 Floor Menara Maybank 100 Jalan Tun Perak 50050 Kuala Lumpur Tel No.: 03-2059 1888	098-007
MERCURY SECURITIES SDN. BHD.	L-7-2, No.2 Jalan Solaris Solaris Mont Kiara 50480 Kuala Lumpur Tel No.: 03-6203 7227	093-002
MIDF AMANAH INVESTMENT BANK BHD	9-12 th Floor, Menara MIDF 82, Jalan Raja Chulan 50200 Kuala Lumpur Tel No.: 03-2173 8888	026-001
NOMURA SECURITIES MALAYSIA SDN. BHD.	Suite 16.5, Level 16 Menara IMC, Letter Box 47 8 Jalan Sultan Ismail 50250 Kuala Lumpur Tel No. 2027 6811	037-001
PUBLIC INVESTMENT BANK BHD	27 th Floor, Bangunan Public Bank No. 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No.: 03-2268 3000	051-001
RHB INVESTMENT BANK BHD	Level 1, Tower 3 RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Tel No.: 03-9280 2233	087-001
RHB INVESTMENT BANK BHD	No. 62 & 64, Vista Magna Jalan Prima, Metro Prima 52100 Kepong Kuala Lumpur Tel No.: 03-6257 5869	087-028

Name	Address and Telephone Number	Broker Code
RHB INVESTMENT BANK BHD	No. 5 & 7 Jalan Pandan Indah 4/33 Pandan Indah 55100 Kuala Lumpur Tel No.: 03-4280 4798	087-054
RHB INVESTMENT BANK BHD	Ground, 1st, 2nd & 3rd Floor No. 55, Zone J4 Jalan Radin Anum Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel No.: 03-9058 7222	087-058
TA SECURITIES HOLDINGS BHD	34 th Floor, Menara TA One No. 22, Jalan P. Ramlee 50250 Kuala Lumpur Tel No.: 03-2072 1277	058-003
UBS SECURITIES MALAYSIA SDN. BHD.	Level 7 Wisma Hong Leong 18, Jalan Perak 50450, Kuala Lumpur Tel No.: 03-2781 1100	031-001
UOB KAY HIAN SECURITIES (M) SDN. BHD.	N3, Plaza Damas 60, Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur Tel No.: 03-6205 6000	078-004
UOB KAY HIAN SECURITIES (M) SDN. BHD.	Ground & 19th Floor Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Tel No.: 03-2147 1888	078-010
<u>SELANGOR DARUL EHSAN</u>		
AFFIN HWANG INVESTMENT BANK BHD	Suite B3A1, East Wing 3A, Wisma Consplant 2 No. 7, Jalan SS16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No.: 03-5635 6688	068-010
AFFIN HWANG INVESTMENT BANK BHD	2nd, 3rd & 4th floors, Wisma Meru No. 1, Lintang Pekan Baru Off Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No.: 03-3343 9999	068-019
AFFIN HWANG INVESTMENT BANK BHD	Lot 229, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiaras Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7729 8016	068-020

Name	Address and Telephone Number	Broker Code
AFFIN HWANG INVESTMENT BANK BHD	No. 79-1 & 79-2 Jalan Batu Nilam 5 Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan Tel No.: 03- 3322 1999	068-023
AMINVESTMENT BANK BERHAD	4th Floor, Plaza Damansara Utama No 2, Jalan SS 21/60 47400 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7710 6613	086-001
CGS-CIMB SECURITIES SDN BHD	Level G & Level 1 Tropicana City Office Tower No.3 Jalan SS 20/27 47400 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7717 3388	065-001
CGS-CIMB SECURITIES SDN BHD	1 st Floor, 135 & 137 Jalan Sultan Abdul Samad 42700 Banting Selangor Darul Ehsan Tel No.: 03-3181 1337	065-001
CGS-CIMB SECURITIES SDN BHD	No. A-07-01 & A-07-02 Empire Office Tower Empire Subang Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No.: 03-5631 7934	065-001
CGS-CIMB SECURITIES SDN BHD	2nd Floor (No. 26-2) Lorong Batu Nilam 4B Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan Tel No.: 03-3325 7105	065-001
CGS-CIMB SECURITIES SDN BHD	1 st Floor (No. 11A) Jalan Kenari 1 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No.: 03-5891 6852	065-001
CGS-CIMB SECURITIES SDN BHD	1 st Floor, No.26A(F), 26A(M) & 26A(B), Jalan SJ6, Taman Selayang Jaya 68100 Batu Caves Selangor Darul Ehsan Tel No.: 03-5891 6852	065-001

Name	Address and Telephone Number	Broker Code
JF APEX SECURITIES BHD	6th Floor, Menara Apex Off Jalan Semenyih, Bukit Mewah 43000 Kajang Selangor Darul Ehsan Tel No.: 03-8736 1118	079-001
JF APEX SECURITIES BHD	16 th Floor Menara Choy Fook On No. 1B, Jalan Yong Shook Lin 46050 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7620 1118	079-002
KENANGA INVESTMENT BANK BHD	Level 1, East Wing Wisma Consplant 2 No.7 Jalan SS16/1 47610 Subang Jaya Selangor Darul Ehsan Tel No.: 03-5621 2118	073-001
KENANGA INVESTMENT BANK BHD	Lot 240, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiarra Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7725 9095	073-001
KENANGA INVESTMENT BANK BHD	No. 35, (Ground, 1st & 2nd Floor) Jalan Tiara 3 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No.: 03-3348 8080	073-001
MALACCA SECURITIES SDN. BHD.	No. 16, Jalan SS15/4B 47500 Subang Jaya Selangor Darul Ehsan Tel No.: 03-5636 1533	012-001
MAYBANK INVESTMENT BANK BERHAD	Wisma Bently Music Level 1, No. 3, Jalan PJU 7/2 Mutiarra Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7718 8888	098-004
MAYBANK INVESTMENT BANK BERHAD	Suite 8.02, Level 8, Menara Trend Intan Millennium Square No. 68 Jalan Batai Laut 4 Taman Intan 41300 Klang Selangor Darul Ehsan Tel No.: 03-3050 8888	098-003

Name	Address and Telephone Number	Broker Code
PM SECURITIES SDN. BHD.	1 st Floor, 157-A Jalan Kenari 23A Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No.: 03-8070 0773	064-003
PM SECURITIES SDN. BHD.	1 st & 2 nd Floor No. 18 & 20, Jalan Tiara 2 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No.: 03-3341 5300	064-007
RHB INVESTMENT BANK BHD	24, 24M, 24A, 26M, 28M, 28A & 30A Jalan SS2/63 47300 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7873 6366	087-011
RHB INVESTMENT BANK BHD	No. 37, Jalan Semenyih 43000 Kajang Selangor Darul Ehsan Tel No.: 03-8736 3378	087-045
RHB INVESTMENT BANK BHD	1st Floor, 10 & 11 Jalan Maxwell 48000 Rawang Selangor Darul Ehsan Tel No.: 03-6092 8916	087-047
RHB INVESTMENT BANK BHD	Ground & Mezzanine Floor No. 87 & 89, Jalan Susur Pusat Perniagaan NBC Batu 1 ½, Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No.: 03-3343 9180	087-048
RHB INVESTMENT BANK BHD	Unit 1B, 2B & 3B USJ 10/1J 47610 UEP Subang Jaya Selangor Darul Ehsan Tel No.: 03-8022 1888	087-059
SJ SECURITIES SDN. BHD.	Ground Floor, Podium Block Wisma Synergy, Lot 72, Persiaran Jubli Perak, Section 22 40000 Shah Alam Selangor Darul Ehsan Tel No.: 03-5192 0202	096-001
SJ SECURITIES SDN. BHD.	No. A-3-11, Block Alamanda, 3 rd Floor, 10 Boulevard, Lebuhraya Sprint PJU 6A 47400 Damansara Selangor Darul Ehsan Tel No.: 03-7732 3862	096-005

Name	Address and Telephone Number	Broker Code
TA SECURITIES HOLDINGS BERHAD	No. 2-1, 2-2, 2-3 & 4-2 Jalan USJ 9/5T, Subang Business Centre 47620 UEP Subang Jaya Selangor Darul Ehsan Tel No.: 03-8025 1880	058-005
TA SECURITIES HOLDINGS BERHAD	2nd Floor, Wisma TA No. 1A, Jalan SS 20/1 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7795 5713	058-007
<u>PERAK DARUL RIDZUAN</u>		
AFFIN HWANG INVESTMENT BANK BHD	Tingkat Bawah, 1, 2 & 3 21, Jalan Stesen 30400 Taiping Perak Darul Ridzuan Tel No.: 05-8066 688	068-003
AFFIN HWANG INVESTMENT BANK BHD	Tingkat Bawah, 1 & 2 No. 22, Persiaran Greentown 1 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-2559 988	068-015
CGS-CIMB SECURITIES SDN BHD	No. 8, 8A-C Persiaran Greentown 4C Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-2088 688	065-001
HONG LEONG INVESTMENT BANK BERHAD	51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-2530 888	066-003
KENANGA INVESTMENT BANK BHD	Ground, 1st, 2nd & 4th Floor No. 63, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-2422 828	073-022
KENANGA INVESTMENT BANK BHD	Ground Floor No. 25 & 25A, Jalan Jaya 2 Medan Jaya 32000 Sitiawan Perak Darul Ridzuan Tel No.: 05-6939 828	073-031

Name	Address and Telephone Number	Broker Code
M & A SECURITIES SDN. BHD.	5 th , 6 th & Unit 8A M & A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel No.: 05-2419 800	057-001
MALACCA SECURITIES SDN. BHD.	1 st Floor Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No.: 05- 2541 533	012-013
MAYBANK INVESTMENT BANK BERHAD	B-G-04 (Ground Floor), Level 1 & 2 No. 42, Persiaran Greentown 1 Pusat Dagangan Greentown 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-2453 400	098-002
RHB INVESTMENT BANK BHD	No. 17, Jalan Intan 2, Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No.: 05-6236 498	087-014
RHB INVESTMENT BANK BHD	Gound & 1st Floor No. 23 & 25, Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel No.: 05-6921 228	087-016
RHB INVESTMENT BANK BHD	21-25, Jalan Seenivasagam Greentown 30450 Ipoh Perak Darul Ridzuan Tel No.: 05-2360 060	087-023
RHB INVESTMENT BANK BHD	Ground Floor, No. 40, 42 & 44, Jalan Berek 34000 Taiping Perak Darul Ridzuan Tel No.: 05-8088 229	087-034
RHB INVESTMENT BANK BHD	Ground Floor No.72, Jalan Idris 31900 Kampar Perak Darul Ridzuan Tel No.: 05-4651 261	087-044
RHB INVESTMENT BANK BHD	No. 1 & 3, First Floor Jalan Wawasan Satu Taman Wawasan Jaya 34200 Parit Buntar Perak Darul Ridzuan Tel No.: 05-7170 888	087-052

Name	Address and Telephone Number	Broker Code
TA SECURITIES HOLDINGS BHD	Ground, 1st & 2nd Floor Plaza Teh Teng Seng, No. 227, Jalan Raja Permaisuri Bainun 30250 Ipoh Perak Darul Ridzuan Tel No.: 05-2531 313	058-001
UOB KAY HIAN SECURITIES (M) SDN. BHD.	153A Jalan Raja Musa Aziz 30300 Ipoh Perak Darul Ridzuan Tel No.: 05-2411 290	078-002
<u>PENANG</u>		
AFFIN HWANG INVESTMENT BANK BHD	Level 2, 3, 4, 5, 7 & 8 Wisma Sri Pinang 60, Green Hall 10200 Penang Tel No.: 04-2636 996	068-001
AFFIN HWANG INVESTMENT BANK BHD	No. 2 & 4 Jalan Perda Barat, Bandar Perda 14000 Penang Tel No.: 04-5372 882	068-006
ALLIANCE INVESTMENT BANK BHD	Ground & Mezzanine Floor Bangunan Berkath 21, Beach Street 10300 Penang Tel No.: 04-2611 688	076-015
AMINVESTMENT BANK BERHAD	Level 3, Menara Liang Court No. 37, Jalan Sultan Ahmad Shah 10050 Penang Tel No.: 04-2261 818	086-001
CGS-CIMB SECURITIES SDN BHD	Level 2, Menara BHL 51, Jalan Sultan Ahmad Shah 10050 Penang Tel No.: 04-2385 900	065-001
CGS-CIMB SECURITIES SDN BHD	2 nd Floor, No.6160 Jalan Ong Yi How Kawasan Perindustrian Teras Jaya 13400 Butterworth Penang Tel No.: 04-3291 112	065-001
CGS-CIMB SECURITIES SDN BHD	1 st Floor, 32A Jalan Mahsuri 11950 Bandar Bayan Baru Penang Tel No.: 04-6422 287	065-001

Name	Address and Telephone Number	Broker Code
CGS-CIMB SECURITIES SDN BHD	No. 20-1 & 20-2 Persiaran Bayan Indah Bayan Bay, Sungai Nibong 11900 Bayan Lepas Penang Tel No.: 04-6412 881	065-001
CGS-CIMB SECURITIES SDN BHD	1 st Floor, Unit 1308 & 1309 Jalan Besar, Sungai Bakap 14200 Sungai Jawi Penang Tel No.: 04-6412 881	065-001
INTER-PACIFIC SECURITIES SDN. BHD.	Canton Square Level 2 & 3 No. 56 Cantonment Road 10250 Penang Tel No.: 04-2268 288	054-002
JF APEX SECURITIES BERHAD	368-2-5 Jalan Burmah Belissa Row 10350 Pulau Tikus Penang Tel No.: 04-2289 118	079-005
KENANGA INVESTMENT BANK BHD	7th, 8th & 16th Floor Menara Boustead 39, Jalan Sultan Ahmad Shah 10050 Penang Tel No.: 04-2283 355	073-023
M & A SECURITIES SDN. BHD.	332H-1 & 332G-2 Harmony Square Jalan Perak 11600 Georgetown Penang Tel No.: 04-2817 611	057-005
M & A SECURITIES SDN. BHD.	9-1-33 Taman Kheng Tian Jalan Van Praagh 11600 Georgetown Tel No.: 04-2617 611	057-008
MALACCA SECURITIES SDN. BHD.	48 Jalan Todak 2 13700 Seberang Jaya Penang Tel No.: 04-2409 319	012-001
MALACCA SECURITIES SDN. BHD.	No.17, 1 st Floor Persiaran Bayan Indah Taman Bayan Indah 11900 Bayan Lepas Penang Tel No.: 04-6421 533	012-001

Name	Address and Telephone Number	Broker Code
MAYBANK INVESTMENT BANK BERHAD	Ground Floor Bangunan KWSP No.38 Lot PT 8, Seksyen 14 Jalan Sultan Ahmad Shah 10050 Georgetown Penang Tel No.: 04 2196 888	098-006
MERCURY SECURITIES SDN. BHD.	Ground, 1st, 2nd & 3rd Floor Wisma UMNO Lorong Bagan Luar Dua 12000 Butterworth, Seberang Perai Penang Tel No.: 04-3322 123	093-001
MERCURY SECURITIES SDN. BHD.	2nd Floor Standard Chartered Bank Chambers 2 Lebuhr Pantai 10300 Penang Tel No.: 04-2639 118	093-004
MERCURY SECURITIES SDN. BHD.	70-1-22, Jalan Mahsuri 11900 Bandar Bayan Baru Penang Tel No.: 04-6400 822	093-006
PM SECURITIES SDN. BHD.	3rd Floor, Wisma Wang 251-A Jalan Burmah 10350 Penang Tel No.: 04-2273 000	064-004
RHB INVESTMENT BANK BHD	Ground, 1st & 2nd Floor No. 2677, Jalan Chain Ferry Taman Inderawasih 13600 Seberang Prai Penang Tel No.: 04-3900 022	087-005
RHB INVESTMENT BANK BHD	Ground Floor– Tingkat 3 & Tingkat 5 – Tingkat 8 64 & 64-D Lebuhr Bishop 10200 Penang Tel No.: 04-2634 222	087-033
RHB INVESTMENT BANK BHD	Ground & 1st Floor No. 15-G-5, 15-G-6, 15-1-5, 15-1-6 Medan Kampung Relau (Bayan Point) 11950 Penang Tel No.: 04-6404 888	087-042
TA SECURITIES HOLDINGS BHD	3rd Floor, Bangunan Heng Guan 171, Jalan Burmah 10050 Penang Tel No.: 04-2272 339	058-010

Name	Address and Telephone Number	Broker Code
UOB KAY HIAN SECURITIES (M) SDN. BHD.	1st and 2nd Floor Bangunan Heng Guan No. 171 Jalan Burmah 10050 Penang Tel No.: 04-2299 318	078-002
UOB KAY HIAN SECURITIES (M) SDN. BHD.	Ground & 1st Floor No. 2, Jalan Perniagaan 2 Pusat Perniagaan Alma 14000 Bukit Mertajam Penang Tel No.: 04-5541 388	078-003
<u>KEDAH DARUL AMAN</u>		
AFFIN HWANG INVESTMENT BANK BHD	No. 70A, B & C, Jalan Mawar 1 Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No.: 04-4256 666	068-011
ALLIANCE INVESTMENT BANK BHD	Lot T-30, 2nd Floor Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Tel No.: 04-7317 088	076-004
CGS-CIMB SECURITIES SDN BHD	2 nd Floor, No.102 Kompleks Persiaran Sultan Abdul Hamid Jalan Pegawai 05050 Alor Setar Kedah Darul Aman Tel No.: 04-7774 400	065-001
MALACCA SECURITIES SDN. BHD.	No. 9 Tingkat Satu Kompleks Perniagaan LITC Jalan Putra Mergong 05150 Alor Setar Kedah Darul Aman Tel No.: 04- 7300 299	012-001
RHB INVESTMENT BANK BHD	35, Ground Floor Jalan Suria 1, Jalan Bayu 09000 Kulim Kedah Darul Aman Tel No.: 04-4964 888	087-019
RHB INVESTMENT BANK BHD	Ground & 1st Floor 214-A & 214-B Medan Putra, Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No.: 04-7209 888	087-021

Name	Address and Telephone Number	Broker Code
<u>NEGERI SEMBILAN DARUL KHUSUS</u>		
AFFIN HWANG INVESTMENT BANK BHD	Ground & 1st Floor 105, 107 & 109, Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-7612 288	068-007
AFFIN HWANG INVESTMENT BANK BHD	No. 6, Upper Level Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Tel No.: 06-4553 188	068-013
CGS-CIMB SECURITIES SDN BHD	1 st Floor, No.21 Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Tel No.: 06-4553 155	065-001
CGS-CIMB SECURITIES SDN BHD	2 nd Floor, Lot 3110 Jalan Besar, Lukut 71010 Port Dickson Negeri Sembilan Darul Khusus Tel No.: 06-6515 385	065-001
CGS-CIMB SECURITIES SDN BHD	Level 2, Wisma Dewan Perniagaan Melayu Negeri Sembilan Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-7614 651	065-001
KENANGA INVESTMENT BANK BHD	1C & 1D, 1st Floor Jalan Tunku Munawir 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-7655 998	073-001
MAYBANK INVESTMENT BANK BERHAD	Ground Floor, Wisma HM No. 43 Jalan Dr. Krishnan 70000, Seremban Negeri Sembilan Darul Khusus Tel No.: 06-7669 555	098-005
PM SECURITIES SDN. BHD.	Ground, 1st, 2nd & 3rd Floor 19, 20 & 21, Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-7623 131	064-002
RHB INVESTMENT BANK BHD	Ground, 1st & 2nd Floor No. 32 & 33 Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel No.: 06-7641 641	087-024

Name	Address and Telephone Number	Broker Code
RHB INVESTMENT BANK BHD	1st Floor No. 3601, Jalan Besar 73000 Tampin Negeri Sembilan Darul Khusus Tel No.: 06-4421 000	087-037
<u>MELAKA</u>		
CGS-CIMB SECURITIES SDN BHD	No 191 Taman Melaka Raya Off Jalan Parameswara 75000 Melaka Tel No.: 06-2898 897	065-001
KENANGA INVESTMENT BANK BHD	71 & 73 (Ground, A&B) Jalan Merdeka, Taman Melaka Raya 75000 Melaka Tel No.: 06-2881 720	073-001
KENANGA INVESTMENT BANK BHD	22A & 22A-1 and 26 & 26-1 Jalan MP 10 Taman Merdeka Permai 75350 Batu Berendam Melaka Tel No.: 06-3372 550	073-001
MALACCA SECURITIES SDN. BHD.	No. 1, 3 & 5, Jalan PPM 9 Plaza Pandan Malim (Business Park) Balai Panjang P.O Box 248 75250 Melaka Tel No.: 06-3371 533	012-001
MERCURY SECURITIES SDN. BHD.	81B & 83B Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No.: 06-2921 898	093-003
PM SECURITIES SDN. BHD.	No. 6-1, Jalan Legenda 2 Taman 1 Legenda 75400 Melaka Tel No.: 06-2866 008	064-006
RHB INVESTMENT BANK BHD	579, 580 & 581 Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No.: 06-2825 211	087-026
TA SECURITIES HOLDINGS BHD	No. 59, 59A & 59B Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No.: 06-2862 618	058-003

Name	Address and Telephone Number	Broker Code
UOB KAY HIAN SECURITIES (M) SDN. BHD.	7-2 Jalan PPM8 Malim Business Park 75250 Melaka Tel No.: 06-3352 511	078-014
<u>JOHOR DARUL TAKZIM</u>		
ALLIANCE INVESTMENT BANK BHD	No. 73, Ground & 1st Floor Jalan Rambutan 86000 Kluang Johor Darul Takzim Tel No.: 07-7717 922	076-006
AMINVESTMENT BANK BERHAD	2nd, 3rd, 4th Floor Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Tel No.: 07-4342 282	086-001
AMINVESTMENT BANK BERHAD	18th Floor, Metropolis Tower Jalan Dato' Abdullah Tahir 80300 Johor Bahru Johor Darul Takzim Tel No.: 07-3343 699	086-001
CGS-CIMB SECURITIES SDN BHD	No. 73 Ground Floor, No. 73A & 79A First Floor Jalan Kuning Dua 80400 Johor Bahru Johor Darul Takzim Tel No.: 07-3405 888	065-001
CGS-CIMB SECURITIES SDN BHD	1 st Floor, 101 Jalan Gambir 8 Bandar Baru Bukit Gambir 84800 Muar Johor Darul Takzim Tel No.: 07-9764 559	065-001
CGS-CIMB SECURITIES SDN BHD	1 st Floor, No.384A Jalan Simbang, Taman Perling 81200 Johor Bahru Johor Darul Takzim Tel No.: 07-2329 673	065-001
CGS-CIMB SECURITIES SDN BHD	2 nd Floor, 113 & 114 Jalan Genuang 85000 Segamat Johor Darul Takzim Tel No.: 07-9311 509	065-001
CGS-CIMB SECURITIES SDN BHD	1 st Floor, No. 8A Jalan Dedap 20 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel No.: 07-3537 669	065-001

Name	Address and Telephone Number	Broker Code
AFFIN HWANG INVESTMENT BANK BHD	Level 7, Johor Bahru City Square (Office Tower) 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No.: 07-2222 692	068-004
INTER-PACIFIC SECURITIES SDN. BHD.	95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Tel No.: 07-2231 211	054-004
KENANGA INVESTMENT BANK BHD	Level 2, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No.: 07-3333 600	073-004
KENANGA INVESTMENT BANK BHD	Ground & Mezzanine Floor No. 34, Jalan Genuang 85000 Segamat Johor Darul Takzim Tel No.: 07-9333 515	073-001
KENANGA INVESTMENT BANK BHD	No. 33 & 35 A & B, Ground Floor Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Tel No.: 07-7771 161	073-001
KENANGA INVESTMENT BANK BHD	Ground Floor No. 4 Jalan Dataran 1 Taman Bandar Tangkak 84900 Tangkak Johor Darul Takzim Tel No.: 06-9782 292	073-001
KENANGA INVESTMENT BANK BHD	No. 24, 24A & 24B Jalan Penjaja 3 Kim Park Centre 83000 Batu Pahat Johor Darul Takzim Tel No.: 07-4326 963	073-001
KENANGA INVESTMENT BANK BHD	No. 57, 59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim Tel No.: 06-9531 222	073-001
M & A SECURITIES SDN. BHD.	Suite 5.3A, Level 5 Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No.: 07-3381 233	057-003

Name	Address and Telephone Number	Broker Code
MALACCA SECURITIES SDN. BHD.	1735-B Jalan Sri Putri 4 Taman Putri Kulai 81000 Kulai Jaya Johor Darul Takzim Tel No: 010-2228 313	012-001
MALACCA SECURITIES SDN. BHD.	Lot 880, Batu 3 ½ Jalan Salleh 84000 Muar Johor Darul Takzim Tel No: 06-9536 948	012-001
MALACCA SECURITIES SDN. BHD.	31-B Jalan Rahmat 83000 Batu Pahat Johor Darul Takzim Tel No: 07-4381 533	012-001
MERCURY SECURITIES SDN. BHD.	Suite 17.1, Level 17 Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No.: 07-3316 992	093-005
PM SECURITIES SDN. BHD.	Ground & 1st Floor No. 43 & 43A, Jalan Penjaja 3 Taman Kim's Park, Business Centre 83000 Batu Pahat Johor Darul Takzim Tel No.: 07-4333 608	064-001
RHB INVESTMENT BANK BHD	53, 53-A & 53-B Jalan Sultanah 83000 Batu Pahat Johor Darul Takzim Tel No.: 07-4380 288	087-009
RHB INVESTMENT BANK BHD	No. 33-1, 1st and 2nd Floor Jalan Ali 84000 Muar Johor Darul Takzim Tel No.: 06-9538 262	087-025
RHB INVESTMENT BANK BHD	Ground & 1st Floor No. 119 & 121 Jalan Sutera Tanjung 8/2 Taman Sutera Utama 81300 Skudai Johor Darul Takzim Tel No.: 07-5577 628	087-029

Name	Address and Telephone Number	Broker Code
RHB INVESTMENT BANK BHD	Ground, 1st & 2nd Floor No. 3, Jalan Susur Utama 2/1 Taman Utama 85000 Segamat Johor Darul Takzim Tel No.: 07-9321 543	087-030
RHB INVESTMENT BANK BHD	Grounf & 1st Floor No. 40 Jalan Haji Manan 86000 Kluang Johor Darul Takzim Tel No.: 07-7769 655	087-031
RHB INVESTMENT BANK BHD	Ground, 1st & 2nd Floor No. 10, Jalan Anggerik 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Tel No.: 07-6626 288	087-035
RHB INVESTMENT BANK BHD	Ground, 1st & 2nd Floor No. 21 & 23 Jalan Molek 1/30 Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No.: 07-3522 293	087-043
TA SECURITIES HOLDINGS BHD	7A, Jalan Genuang Perdana Taman Genuang Perdana 85000 Segamat Johor Darul Takzim Tel No.: 07-9435 278	058-009
TA SECURITIES HOLDINGS BHD	15, Jalan Molek 1/5A Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel no.: 07-3647 388	058-011
UOB KAY HIAN SECURITIES (M) SDN. BHD.	Level 6 & 7, Menara MSC Cyberport No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel No.: 07-2197 575	078-001
UOB KAY HIAN SECURITIES (M) SDN. BHD.	No. 42-8, Main Road Kulai Besar 81000 Kulai Johor Darul Takzim Tel No.: 07-6637 398	078-001

Name	Address and Telephone Number	Broker Code
UOB KAY HIAN SECURITIES (M) SDN. BHD.	No. 70, 70-01, 70-02 Jalan Rosmerah 2/17 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel No.: 07-3513 218	078-001
UOB KAY HIAN SECURITIES (M) SDN. BHD.	No. 171 (Ground Floor) Jalan Bestari 1/5 Taman Nusa Bestari 81300 Skudai Johor Darul Takzim Tel No.: 07-5121 633	078-008
<u>KELANTAN DARUL NAIM</u>		
CGS-CIMB SECURITIES SDN BHD	Level 4, Wisma TCH Jalan Pengkalan Chepa 15400 Kota Baru Kelantan Darul Naim Tel No.: 09-7419 050	065-001
RHB INVESTMENT BANK BHD	Gound & 1st Floor No. 3953-H Jalan Kebun Sultan 15350 Kota Bharu Kelantan Darul Naim Tel No.: 09-7430 077	087-020
TA SECURITIES HOLDINGS BHD	298, Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel No.: 09-7433 388	058-004
UOB KAY HIAN SECURITIES (M) SDN. BHD.	Ground Floor & 1st Floor Lot 712, Sek 9, PT 62 Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel No.: 09-7473 906	078-004
<u>PAHANG DARUL MAKMUR</u>		
ALLIANCE INVESTMENT BANK BHD	B-400 Jalan Berserah 25300 Kuantan Pahang Darul Makmur Tel No.: 09-5660 800	076-002
CGS-CIMB SECURITIES SDN BHD	Ground 1st & 2nd Floor No. A-27, Jalan Dato' Lim Hoe Lek 25200 Kuantan Pahang Darul Makmur Tel No.: 09-5057 800	065-001

<u>Name</u>	<u>Address and Telephone Number</u>	<u>Broker Code</u>
KENANGA INVESTMENT BANK BHD	A15, A17 & A19, Ground Floor Jalan Tun Ismail 2 Sri Dagangan 2 25000 Kuantan Pahang Darul Makmur Tel No.: 09-5171 698	073-001
MALACCA SECURITIES SDN. BHD.	P11-3 Jalan Chui Yin 28700 Bentong Pahang Darul Makmur Tel No: 09-2220 993	012-001
RHB INVESTMENT BANK BHD	B32 & B34, Lorong Tun Ismail 8 Seri Dagangan II 25000 Kuantan Pahang Darul Makmur Tel No.: 09-5173 811	087-007
RHB INVESTMENT BANK BHD	Ground & 1st Floor No. 76-A, Persiaran Camelia 4 Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur Tel No.: 05-4914 913	087-041
<u>TERENGGANU DARUL IMAN</u>		
ALLIANCE INVESTMENT BANK BHD	Ground & Mezzanine Floor Wisma Kam Choon 101, Jalan Kampung Tiong 20100 Kuala Terengganu Terengganu Darul Iman Tel No.: 09-6317 922	076-009
RHB INVESTMENT BANK BHD	Ground & 1st Floor 9651, Cukai Utama Jalan Kubang Kurus 24000 Kemaman Terengganu Darul Iman Tel No.: 09-8583 109	087-027
RHB INVESTMENT BANK BHD	1st Floor No. 59, Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel No.: 09-6261 816	087-055
UOB KAY HIAN SECURITIES (M) SDN. BHD.	No.37-B, 1st Floor Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel No.: 09-6224 766	078-016

Name	Address and Telephone Number	Broker Code
<u>SABAH</u>		
AFFIN HWANG INVESTMENT BANK BHD	Suite 1-9-E1, 9 th Floor CPS Tower Centre Point Sabah No. 1, Jalan Centre Point 88000 Kota Kinabalu Sabah Tel No.: 088-311 688	068-008
CGS-CIMB SECURITIES SDN BHD	1st – 3rd Floor, Central Building No. 28, Jalan Sagunting 88000 Kota Kinabalu Sabah Tel No.: 088-328 878	065-001
CGS-CIMB SECURITIES SDN BHD	1st Floor, Lot 12 Block A3, Phase 2 Utama Place Mile 6, Northern Road 90000 Sandakan Sabah Tel No.: 089-215 578	065-001
KENANGA INVESTMENT BANK BHD	Level 8, Wisma Great Eastern 68, Jalan Gaya 88000 Kota Kinabalu Sabah Tel No.: 088-236 188	073-032
RHB INVESTMENT BANK BHD	2nd Floor No. 81 & 83 Jalan Gaya 88000 Kota Kinabalu Sabah Tel No.: 088-269 788	087-010
UOB KAY HIAN SECURITIES (M) SDN. BHD.	Lot 177 & 178 Ground Floor, Block 17 Phase 2, Prima Square Mile 4, North Road 90000 Sandakan Sabah Tel No.: 089-218 681	078-012
<u>SARAWAK</u>		
AFFIN HWANG INVESTMENT BANK BHD	Ground Floor & 1 st Floor No.1 Jalan Pending 93450 Kuching Sarawak Tel No.: 082-341 999	068-005
AMINVESTMENT BANK BERHAD	No. 162, 164, 166 & 168 1st Floor Jalan Abell 93100 Kuching Sarawak Tel No.: 082-244 791	086-001

Name	Address and Telephone Number	Broker Code
CGS-CIMB SECURITIES SDN BHD	Aras 1 (Utara) Wisma STA 26 Jalan Datuk Abang Abdul Rahim 93450 Kuching Sarawak Tel No.: 082-358 688	065-001
CIMB INVESTMENT BANK BERHAD	No. 6A, Ground Floor Jalan Bako, Off Brooke Drive 96000 Sibu Sarawak Tel No.: 084-367 700	065-001
KENANGA INVESTMENT BANK BHD	Lot 1866, Jalan MS 2/5 Marina Square 2 Marina Parkcity 98000 Miri Sarawak Tel No.: 085-435 577	073-001
KENANGA INVESTMENT BANK BHD	Level 2-4, Wisma Mahmud Jalan Sungai Sarawak 93400 Kuching Sarawak Tel No.: 082-338 000	073-001
KENANGA INVESTMENT BANK BHD	No. 11-12, (Ground & 1st Floor) Lorong Kampung Datu 3 96000 Sibu Sarawak Tel No.: 084-313 855	073-001
KENANGA INVESTMENT BANK BHD	Ground Floor of Survey Lot No. 4203 Parkcity Commerce Square Phase 6, Jalan Diwarta 97000, Bintulu Sarawak Tel No.: 086-337 588	073-001
MERCURY SECURITIES SDN. BHD.	1st Floor No.16 Jalan Getah 96100 Sarikei Sarawak Tel No.: 084-659 019	093-001
RHB INVESTMENT BANK BHD	Yung Kong Abell Units No. 1-10, 2nd Floor Lot 365, Section 50 Jalan Abell 93100 Kuching Sarawak Tel No.: 082-250 888	087-008

Name	Address and Telephone Number	Broker Code
RHB INVESTMENT BANK BERHAD	102, Pusat Pedada Jalan Pedada 96000 Sibu Sarawak Tel No.: 084-329 100	087-008
RHB INVESTMENT BANK BERHAD	Ground & 1 st Floor No. 221, Park City Commerce Square Phase III, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No.: 086-311 770	087-053
TA SECURITIES HOLDINGS BHD	12G, H & I Jalan Kampong Datu 96000 Sibu Sarawak Tel No.: 084-319 998	058-002
TA SECURITIES HOLDINGS BHD	2nd Floor, (Bahagian Hadapan) Bangunan Binamas, Lot 138 Section 54, Jalan Pandung 93100 Kuching Sarawak Tel No.: 082-236 333	058-006
UOB KAY HIAN SECURITIES (M) SDN. BHD.	Lot 1265, 1st Floor Centre Point Commercial Centre Jalan Melayu 98000 Miri Sarawak Tel No.: 085-324 128	078-017
UOB KAY HIAN SECURITIES (M) SDN. BHD.	Ground Floor & First Floor No.16 Lorong Intan 6 96000 Sibu Sarawak Tel No.: 084-252 737	078-018

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