

**NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF KUMPULAN KITACON BERHAD (“KITACON” OR THE “COMPANY”) DATED 28 DECEMBER 2022 (“ELECTRONIC PROSPECTUS”)**

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

**Website**

The Electronic Prospectus can be viewed or downloaded from Bursa Securities’ website at [www.bursamalaysia.com](http://www.bursamalaysia.com) (“Website”).

**Availability and Location of 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, RHB Investment Bank, or the Issuing House. Alternatively, the applicant may obtain a copy of the Prospectus, subject to availability, from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective applicants 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. The Electronic Prospectus will not be distributed outside Malaysia. Bursa Securities, the Company, the Directors, the Promoter, the Offerors, the Principal Adviser, the Sole Underwriter and the Sole Placement Agent named in the Prospectus 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 the subscription or purchase of, or an invitation to subscribe for or purchase, the IPO Shares to any person outside Malaysia or 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. 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 offered under the Retail Offering will open at 10.00 a.m. on 28 December 2022 and will close at 5.00 p.m. on 9 January 2023. Any change to the timetable will be advertised by Kitacon in a widely circulated English and Bahasa Malaysia daily newspapers in Malaysia, and will be announced on the Website.

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.



## KUMPULAN KITACON BERHAD

(Registration No. 202201006838 (1452535-V))  
(Incorporated in Malaysia under the Companies Act 2016)

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Taman Selatan  
41200 Klang  
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Tel: 03-3372 4162  
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[www.kitacon.com.my](http://www.kitacon.com.my)



KUMPULAN KITACON BERHAD

PROSPECTUS

# PROSPECTUS



## KUMPULAN KITACON BERHAD

(Registration No. 202201006838 (1452535-V))  
(Incorporated in Malaysia under the Companies Act 2016)

INITIAL PUBLIC OFFERING (“**IPO**”) OF 138,588,500 ORDINARY SHARES IN KUMPULAN KITACON BERHAD (“**KITACON**”) (“**SHARES**”) IN CONJUNCTION WITH THE LISTING OF AND QUOTATION FOR THE ENTIRE ISSUED SHARE CAPITAL OF KITACON ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING:

- (I) PUBLIC ISSUE OF 76,088,500 NEW SHARES (“**ISSUE SHARES**”) IN THE FOLLOWING MANNER:
- 10,000,000 ISSUE SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
  - 8,588,500 ISSUE SHARES FOR APPLICATION BY THE ELIGIBLE DIRECTORS, EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF KITACON AND ITS SUBSIDIARY; AND
  - 57,500,000 ISSUE SHARES BY WAY OF PRIVATE PLACEMENT TO INSTITUTIONAL AND SELECTED INVESTORS; AND
- (II) OFFER FOR SALE OF 62,500,000 EXISTING SHARES (“**OFFER SHARES**”) BY WAY OF PRIVATE PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY

SUBJECT TO THE CLAWBACK AND REALLOCATION PROVISIONS AS SET OUT IN THE PROSPECTUS, AT AN ISSUE/OFFER PRICE OF RM0.68 PER ISSUE/OFFER SHARE, PAYABLE IN FULL UPON APPLICATION.

*Principal Adviser, Sole Underwriter and Sole Placement Agent*

**RHB** Investment

### RHB INVESTMENT BANK BERHAD

(Registration No. 197401002639 (19663-P))  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

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

THE SECURITIES COMMISSION MALAYSIA (“**SC**”) HAS APPROVED THE ISSUE, OFFER OR INVITATION OF OUR IPO AND THIS PROSPECTUS HAS BEEN REGISTERED BY THE SC. THE SAID APPROVAL AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE OFFERING 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 THE SECURITIES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF OUR COMPANY 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 213.**

THIS PROSPECTUS IS DATED 28 DECEMBER 2022

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

RHB Investment Bank, being our Principal Adviser, 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.

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

You should rely on your own evaluation to assess the merits and risks of your investment in our Shares. If you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

You should not take the agreement by the Sole Underwriter named in this Prospectus to underwrite our IPO Shares as an indication of the merits of our Shares being offered.

### **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.

Our Shares 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.

Our Shares are classified as Shariah-compliant by the SAC. This classification remains valid from the date of issue of this Prospectus until the next Shariah compliance review undertaken by the SAC. The new status is released in the updated list of Shariah-compliant securities, on the last Friday of May and November.

This Prospectus is prepared and published solely for our IPO. 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, Promoter, Offerors, Principal Adviser, Sole Underwriter and Sole 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, Promoter, Offerors, Principal Adviser, Sole Underwriter and Sole 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, Promoter, Offerors, Principal Adviser, Sole Underwriter and Sole 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 is 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, Sole Underwriter and Sole 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](http://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 do not endorse and are not affiliated in any way with the Third Party Internet Sites. Accordingly, we 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 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 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 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.

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**INDICATIVE TIMETABLE**

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An indicative timetable for our IPO is set out below:

<b>Event</b>	<b>Tentative date</b>
Issuance of Prospectus/Opening of application for our IPO Shares	10.00 a.m., 28 December 2022
Closing of application for our IPO Shares	5.00 p.m., 9 January 2023
Balloting of application for our IPO Shares	11 January 2023
Allotment of our IPO Shares to successful applicants	16 January 2023
Listing	17 January 2023

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, and make an announcement on the website of Bursa Securities.

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**PRESENTATION OF INFORMATION**

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All references to “our Company” or “Kitacon” in this Prospectus are to Kumpulan Kitacon Berhad. All references to “our Group” or “Kitacon Group” in this Prospectus are to our Company and our subsidiary, 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 subsidiary.

All references to “you” are to our prospective investors.

Unless the context otherwise requires, references to “management” in this Prospectus 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”, “Glossary of Technical Terms” and “Projects” 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 in this Prospectus 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 30 November 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 as well as our estimated market share in the industry in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such 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.

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**FORWARD-LOOKING STATEMENTS**

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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 terminologies 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. Such forward-looking statements include, without limitation, statements relating to:

- (i) our plans and objectives for future operations;
- (ii) our future earnings, cash flow and liquidity;
- (iii) potential growth opportunities;
- (iv) our business strategies, trends and competitive position;
- (v) our financial position;
- (vi) our ability to pay dividends; and
- (vii) the regulatory environment and the effects of future regulation.

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 based on information available to us as at the LPD.

Should we become aware of any subsequent significant change or development affecting matters disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment/transfer of our IPO Shares, we will issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of 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).

**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:

**COMPANIES WITHIN OUR GROUP**

<b>Kitacon or Company</b>	: Kumpulan Kitacon Berhad (Registration No. 202201006838 (1452535-V))
<b>Kitacon Group or Group</b>	: Collectively, Kitacon and KSB
<b>KSB</b>	: Kitacon Sdn Bhd (Registration No. 199001003572 (195139-D))

**GENERAL**

<b>ACCA</b>	: Association of Chartered Certified Accountants
<b>Acquisition of KSB</b>	: Acquisition by Kitacon of the entire issued share capital of KSB of RM30,000,000 comprising 30,000,000 ordinary shares for a total purchase consideration of RM184,401,459, which was satisfied via the issuance of 423,911,400 new Shares at an issue price of RM0.435 per Share, and was completed on 21 October 2022
<b>Act</b>	: Companies Act 2016
<b>ADA</b>	: Authorised Depository Agent, a person appointed by Bursa Depository under the Rules of Bursa Depository
<b>AGM</b>	: Annual general meeting
<b>Application</b>	: Application for our IPO Shares under the Retail Offering by way of the Application Form, Electronic Share Application or Internet Share Application
<b>Application Form</b>	: Application form for the application of our IPO Shares under the Retail Offering accompanying this Prospectus
<b>ATM</b>	: Automated teller machine
<b>Authorised Financial Institution</b>	: Authorised financial institution participating in the Internet Share Application in respect of the payment for our IPO Shares
<b>Benteng Etika</b>	: Benteng Etika Sdn Bhd (Registration No. 200301031845 (634266-X))
<b>Board</b>	: Board of Directors of our Company
<b>Bursa Depository</b>	: Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
<b>Bursa Securities</b>	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
<b>By-Laws</b>	: By-laws governing the ESOS
<b>CDS</b>	: Central Depository System
<b>CFO</b>	: Chief Financial Officer
<b>CIDB</b>	: Construction Industry Development Board Malaysia
<b>CIDB Act</b>	: Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994

**DEFINITIONS (CONT'D)**

<b>CJ Century</b>	:	CJ Century Logistics Holdings Berhad (Registration No. 199701008845 (424341-A))
<b>CMSA</b>	:	Capital Markets and Services Act 2007
<b>Constitution</b>	:	Constitution of our Company
<b>COO</b>	:	Chief Operating Officer
<b>COVID-19</b>	:	Coronavirus disease 2019, an infectious respiratory disease which first broke out in 2019 and has been declared as pandemic affecting many countries globally by the World Health Organization
<b>Director</b>	:	Director of our Company and within the meaning given in Section 2 of the Act
<b>Disposal of QLB</b>	:	Disposal by KSB of its 49.0% equity interest in QLB comprising 1,960,000 ordinary shares to Lim Peng Hong for a cash consideration of RM2,418,068, which was completed on 14 June 2022
<b>DOSH</b>	:	Department of Occupational Safety and Health
<b>EBITDA</b>	:	Earnings before interest, taxation, depreciation and amortisation
<b>Eco World Development Group</b>	:	Collectively, Eco World Development Group Berhad and its group of companies
<b>Electronic Share Application</b>	:	Application for our IPO Shares made available to the Malaysian Public under the Retail Offering through a Participating Financial Institution's ATM
<b>Eligible Persons</b>	:	Collectively, eligible directors and employees of our Group and persons who have contributed to the success of our Group
<b>EMSH</b>	:	Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 (as amended by the Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019)
<b>EOT</b>	:	Extension of time
<b>EPS</b>	:	Earnings per Share
<b>ESOS</b>	:	Employees' share option scheme
<b>ESOS Committee</b>	:	A committee comprising directors and/or officers of our Group to be appointed and authorised by our Board in accordance with the By-Laws
<b>ESOS Options</b>	:	Rights to subscribe for new Shares under the ESOS and the contract constituted by the acceptance of an offer made in accordance with the terms and conditions of the offer and the By-Laws
<b>Executive Directors</b>	:	Collectively, Tan Ah Kee, Gam Boon Tin and Goh Yin Huat
<b>Financial Years/Period Under Review</b>	:	Collectively, the FYE 2019, FYE 2020, FYE 2021 and FPE 2022
<b>FPE</b>	:	6-month financial period ended 30 June
<b>FYE</b>	:	Financial year ended/ending 31 December, as the case may be

**DEFINITIONS (CONT'D)**

<b>GM</b>	:	General Manager
<b>GP</b>	:	Gross profit
<b>I &amp; P Group</b>	:	Collectively, I & P Group Sdn Berhad (a wholly-owned subsidiary of S P Setia Berhad) and its group of companies
<b>IMR Report</b>	:	Independent market research report on the Independent Assessment of the Construction Industry in Malaysia prepared by Vital Factor Consulting Sdn Bhd as set out in Section 8 of this Prospectus
<b>Institutional Offering</b>	:	Offering of 120,000,000 IPO Shares at the IPO Price, subject to the clawback and reallocation provisions, to institutional and selected investors as well as Bumiputera investors approved by the MITI
<b>Internet Participating Financial Institutions</b>	:	Participating financial institutions for the Internet Share Application, which is set out in Section 16.6 of this Prospectus
<b>Internet Share Application</b>	:	Application for our IPO Shares under the Retail Offering through an Internet Participating Financial Institution
<b>IPO</b>	:	Initial public offering comprising the Public Issue and Offer for Sale, collectively
<b>IPO Price</b>	:	Issue/offer price of RM0.68 per IPO Share pursuant to our IPO
<b>IPO Shares</b>	:	Collectively, the Issue Shares and Offer Shares
<b>Issue Shares</b>	:	76,088,500 new Shares to be issued by our Company pursuant to the Public Issue
<b>Issuing House</b>	:	Malaysian Issuing House Sdn Bhd (Registration No. 199301003608 (258345-X))
<b>Key Senior Management</b>	:	Key senior management of our Group, namely Gam Boon Tin, Goh Yin Huat, Chooi Kuen Wah, Kwo Hwa Sung, Tan Yoke Huay, Ng Teok Kiean, Liw Fei Jy and Tan Wei Khim
<b>LAD</b>	:	Liquidated ascertained damages
<b>Kiharta</b>	:	Kiharta Sdn Bhd (Registration No. 199401024640 (310318-U))
<b>Kiharta Development</b>	:	Kiharta Development Sdn Bhd (Registration No. 200101015170 (550927-P))
<b>Kiharta Properties</b>	:	Kiharta Properties Sdn Bhd (formerly known as Kitacon Properties Sdn Bhd) (Registration No. 200001004671 (507276-K))
<b>Kireka Resources</b>	:	Kireka Resources Sdn Bhd (Registration No. 201101007866 (936005-P))
<b>Lembah Reka</b>	:	Lembah Reka Sdn Bhd (Registration No. 199601010054 (382402-P))
<b>Listing</b>	:	Listing of and quotation for the entire enlarged issued share capital of Kitacon on the Main Market of Bursa Securities
<b>Listing Requirements</b>	:	Main Market Listing Requirements of Bursa Securities
<b>LPD</b>	:	30 November 2022, being the latest practicable date prior to the registration of this Prospectus with the SC

**DEFINITIONS (CONT'D)**

<b>Malaysian Public</b>	: Malaysian citizens, companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
<b>Market Day</b>	: A day on which Bursa Securities is open for trading in securities
<b>MCCG</b>	: Malaysian Code on Corporate Governance
<b>MCO</b>	: Movement control order implemented under the Prevention and Control of Infectious Diseases Act 1988 and Police Act 1967 as a preventive measure to curb the spread of COVID-19 in Malaysia
<b>MITI</b>	: Ministry of International Trade and Industry
<b>NA</b>	: Net assets
<b>NBV</b>	: Net book value
<b>NRP</b>	: National recovery plan, a four-phase exit strategy from the COVID-19 crisis
<b>Offer for Sale</b>	: Offer for sale of the Offer Shares by our Offerors at the IPO Price
<b>Offer Shares</b>	: 62,500,000 existing Shares to be offered pursuant to the Offer for Sale
<b>Offerors</b>	: Collectively, Tan Ah Kee and Teow Choo Hing
<b>Official List</b>	: A list specifying all securities listed on Bursa Securities
<b>Participating Financial Institutions</b>	: Participating financial institutions for the Electronic Share Application, which are set out in Section 16.5 of this Prospectus
<b>PAT</b>	: Profit after taxation
<b>PBT</b>	: Profit before taxation
<b>Pink Form Allocations</b>	: Allocation of 8,588,500 Issue Shares to the Eligible Persons
<b>PNB Development Group</b>	: Collectively, PNB Development Sdn Berhad and its group of companies
<b>Promoter</b>	: Tan Ah Kee
<b>Prospectus</b>	: This prospectus dated 28 December 2022 in relation to our IPO
<b>Prospectus Guidelines</b>	: Prospectus Guidelines issued by the SC
<b>Public Issue</b>	: Public issue of the Issue Shares at the IPO Price
<b>QLB</b>	: QL Builder Sdn Bhd (formerly known as Pembinaan KSB Sdn Bhd) (Registration No. 199701039198 (454698-M))
<b>Retail Offering</b>	: Offering of 18,588,500 Issue Shares at the IPO Price, subject to the clawback and reallocation provisions, to the Malaysian Public and Eligible Persons
<b>RHB Investment Bank or Principal Adviser or Sole Underwriter or Sole Placement Agent</b>	: RHB Investment Bank Berhad (Registration No. 197401002639 (19663-P))

**DEFINITIONS (CONT'D)**

<b>RM and sen</b>	:	Ringgit Malaysia and sen respectively, the lawful currency of Malaysia
<b>Rules of Bursa Depository</b>	:	Rules of Bursa Depository as issued under the SICDA
<b>S P Setia Group</b>	:	Collectively, S P Setia Berhad and its group of companies
<b>SAC</b>	:	Shariah Advisory Council of the SC
<b>SC</b>	:	Securities Commission Malaysia
<b>Share Registrar</b>	:	Boardroom Share Registrars Sdn Bhd (Registration No. 199601006647 (378993-D))
<b>Share Transfer</b>	:	Transfer of a total of 30,870,100 Shares held by Tan Ah Kee and Lembah Reka to Suan Neo Capital during the prescription period (one day after the launching date of this Prospectus up to a period of 30 days)
<b>Shares</b>	:	Ordinary shares in our Company
<b>SICDA</b>	:	Securities Industry (Central Depositories) Act 1991
<b>Sime Darby Property Group</b>	:	Collectively, Sime Darby Property Berhad and its group of companies
<b>SPAN</b>	:	Suruhanjaya Perkhidmatan Air Negara or National Water Services Commission
<b>sq ft</b>	:	Square feet
<b>sq m</b>	:	Square metres
<b>Suan Neo</b>	:	Suan Neo Sdn Bhd (Registration No. 201601019183 (1190120-M))
<b>Suan Neo Capital</b>	:	Suan Neo Capital Sdn Bhd (formerly known as Kiharta Resources Sdn Bhd) (Registration No. 201601012522 (1183453-V))
<b>Suan Neo Resources</b>	:	Suan Neo Resources Sdn Bhd (formerly known as Kitacon Resources Sdn Bhd) (Registration No. 199701032135 (447634-D))
<b>Substantial Shareholders</b>	:	Collectively, Tan Ah Kee, Teow Choo Hing and Suan Neo Capital
<b>Terang Pertiwi</b>	:	Terang Pertiwi Sdn Bhd (Registration No. 201001038104 (922028-X))
<b>UCSI Campio Builders</b>	:	UCSI Campio Builders Sdn Bhd (Registration No. 200701013672 (771677-K))
<b>UCSI Group</b>	:	UCSI Group Holdings Sdn Bhd (Registration No. 201001020395 (904164-U))
<b>Underwriting Agreement</b>	:	Underwriting agreement dated 9 December 2022 entered into between our Company and our Sole Underwriter for the underwriting of 18,588,500 Issue Shares under the Retail Offering
<b>USA</b>	:	United States of America
<b>Worldwide Group</b>	:	Collectively, Worldwide Holdings Berhad and its group of companies



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**GLOSSARY OF TECHNICAL TERMS**


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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:

- Building construction** : Physical construction of buildings and structures which typically includes new works, repairs, additions and alterations as well as erection of prefabricated buildings or structures on the site
- Cast in situ** : A building construction technique where building structures such as walls, columns, slabs or beams are cast at the site
- 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
- CMGD** : Certificate of Making Good Defects is issued to the contractor by the architect who is appointed by the customer at the expiry of the DLP when all the defects notified have been rectified. However, it shall not prejudice any other rights in regards to latent defects or other breaches of the building construction contract
- CPC** : Certificate of Practical Completion issued by the architect on behalf of the customer when the contractor has completed his contractual obligations and has handed over the works to the customer
- DLP** : Defects liability period is a warranty period where a contractor is required to repair or make good defects at their own cost and expenses for defects in the work performed
- Final account** : The agreed statement of account of the final sum to be paid by the employer to the contractor at the end of a construction project
- Formwork** : Temporary structures made of steel/aluminium/wood materials to serve as moulds for concrete to be poured in
- Hoarding works** : Set up of temporary fencing or panels which are usually made of wood or metal that surround the perimeter of a construction site
- ISO** : International Organization for Standardization
- Main contractor** : A person or a firm appointed by the property developer or building owner and is generally responsible for overseeing and completing the entire construction job. The main contractor may engage subcontractors to carry out certain portions of the construction works relating to specialised works such as foundation works, tiling works. In some situations, the main contractor may have to engage subcontractors that are nominated by the property developer or owner
- QLASSIC** : Quality Assessment System in Construction, a system introduced by CIDB to measure and evaluate the quality of workmanship of building construction based on the Construction Industry Standard (CIS 7:2021). QLASSIC serves as a benchmark for the quality of construction works against industry standards based on a scoring system
- Rectification works** : Also known as remedial works, refers to any improvements or correction of defects in workmanships which are identified during the DLP to make good our works

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**GLOSSARY OF TECHNICAL TERMS (CONT'D)**

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<b>Reinforced concrete</b>	: Concrete with embedded steel, including rods, bars and mesh, to provide reinforcement
<b>Residential buildings</b>	: Buildings intended for human habitation and examples include apartments, condominiums, detached houses, link houses, flats, semi-detached houses, terraced houses and townhouses
<b>SHASSIC</b>	: Safety and Health Assessment System in Construction, a system introduced by CIDB to assess and evaluate the safety and health performance of contractors in construction works/projects based on the Construction Industry Standard (CIS 10:2020). SHASSIC serves as a benchmark for the level of occupational safety and health performance of the construction industry in Malaysia using a scoring system
<b>Show village</b>	: Generally, this refers to a purpose-built area with show houses and sales gallery. Sometimes, it also includes management office and/or guard house
<b>Subcontractor</b>	: A person or a firm appointed by the property developer, building owner or main contractor to carry out certain portions of a construction project
<b>Substructure</b>	: The bottom part of a building or structure below the ground level which comprises the foundation including piles, retaining walls and basements
<b>Superstructure</b>	: The building or structure above the ground level
<b>Variation order</b>	: A variation order is issued when there is an alteration in the original construction agreement which may include, among others, design, scope of work and/or contract value

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**PROJECTS**


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- Alam Impian Project** : Refers to the construction of residential and non-residential buildings for I & P Group (where QLB is our customer as the main contractor) in Alam Impian, Shah Alam, Selangor, comprising:
- Alam Impian (Phase A2-05) Project : Completed 127 units of 2-storey terrace houses in February 2019
  - Alam Impian (Phase A3-05) Project : Completed 49 units of 2-storey terrace houses in February 2019
  - Alam Impian (Phase A4-01) Project : Completed 32 units of 2-storey semi-detached houses in November 2019
  - Alam Impian (Nadi Niaga) Project : Completed 12 units of 2-storey shop offices in June 2019
- Alam Perdana Project** : Refers to the construction of residential buildings for Worldwide Group in Alam Perdana, Bandar Puncak Alam, Selangor, comprising:
- Alam Perdana (Halya @ Daunan Worldwide - Phase 1) Project : Completed 147 units of 2-storey terrace houses in August 2021
  - Alam Perdana (Halya @ Daunan Worldwide - Phase 2) Project : Ongoing 205 units of 2-storey terrace houses
- Bandar Ainsdale Project** : Refers to the construction of 116 units of 2-storey terrace houses which was completed in September 2015 for Sime Darby Property Group in Bandar Ainsdale, Seremban, Negeri Sembilan
- Bandar Bukit Raja Project** : Refers to the construction of residential and non-residential buildings for Sime Darby Property Group in Bandar Bukit Raja, Klang, Selangor, comprising:
- Bandar Bukit Raja (Azira) Project : Completed 111 units of 2-storey terrace houses in January 2020
  - Bandar Bukit Raja (Rumah Selangorku) Project : Ongoing 236 units of 2-storey townhouses
  - Bandar Bukit Raja (3 Avenue) Project : Completed 21 units of 2-storey link shop offices, 8 units of 2-storey semi-detached shop offices and a 2-storey detached shop office in October 2020

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**PROJECTS (CONT'D)**

- Bandar Enstek Project** : Refers to the construction of residential buildings for THP Enstek Development Sdn Bhd under Lembaga Tabung Haji (where QLB is our customer as the main contractor for Bandar Enstek (Pristine, Pristine 2 and Pristine 3) Projects) in Bandar Enstek, Negeri Sembilan, comprising:
- Bandar Enstek (Pristine) Project : Completed 43 units of 2-storey terrace houses in March 2019
  - Bandar Enstek (Pristine 2) Project : Completed 48 units of 2-storey terrace houses in March 2020
  - Bandar Enstek (Pristine 3) Project : Completed 35 units of 2-storey terrace houses in June 2022
  - Bandar Enstek (Pristine 4) Project : Ongoing 51 units of 2-storey terrace house Project
- Bandar Seri Coalfields Project** : Refers to the construction of residential buildings for KL-Kepong Country Homes Sdn Bhd in Bandar Seri Coalfields, Kuala Selangor, Selangor, comprising:
- Bandar Seri Coalfields (Jardin Residences) Project : Completed 109 units of 2-storey terrace houses in April 2019
  - Bandar Seri Coalfields (Hampton Residences) Project : Completed 108 units of 2-storey terrace houses, 56 units of 2-storey semi-detached houses, 15 units of 1-storey detached houses and 12 units of 2-storey detached houses in August 2021
- Bandar Seri Putra Project** : Refers to the construction of non-residential buildings for Bangi Heights Development Sdn Bhd in Bandar Seri Putra, Bangi, Selangor, comprising:
- Bandar Seri Putra (Putra Sentral) Project : Completed 42 units of 3-storey shop offices in July 2021
  - Bandar Seri Putra (Putra Sentral 2) Project : Ongoing 32 units of 3-storey shop offices
- Bandar Tasik Puteri Project** : Refers to the construction of residential buildings for Rawang Lakes Sdn Bhd in Bandar Tasik Puteri, Rawang, Selangor, comprising:
- Bandar Tasik Puteri (Acacia Park) Project : Completed 115 units of 2-storey terrace houses in February 2021
  - Bandar Tasik Puteri Show House Project : Completed 2 units of 2-storey terrace show houses in March 2020
- Bandar Universiti Pagoh Project** : Refers to the construction of non-residential buildings for Sime Darby Property Group in Bandar Universiti Pagoh, Johor, comprising:
- Bandar Universiti Pagoh (Sarjana Promenade) Project : Completed 65 units of 2-storey shop offices and 8 units of 3-storey shop offices in May 2021
  - Bandar Universiti Pagoh (Sarjana Square) Project : Completed 29 units of 2-storey shop offices and 6 units of 3-storey shop offices in June 2017
  - Pagoh Restaurant Project : Ongoing single-storey drive-thru restaurant

**PROJECTS (CONT'D)**

- Bangi (Residensi Purun) Project** : Refers to the construction of 69 units of 2-storey terrace houses which was completed in November 2021 for Worldwide Group in Sungai Purun, Semenyih, Selangor
- Benteng Etika (Piling) Project** : Refers to the piling works which were completed in February 2022 for Benteng Etika under Benteng Etika Warehouse Project in Bandar Bukit Raja, Klang, Selangor
- Benteng Etika Warehouse Project** : Refers to the ongoing construction of a single-storey warehouse with a 2-storey office, and a single-storey store for Benteng Etika in Bandar Bukit Raja, Klang, Selangor
- Bukit Bandaraya (Dillenia) Project** : Refers to the construction of 102 units of 2-storey semi-detached houses and 5 units of 2-storey detached houses which was completed in April 2022 for Worldwide Group in Bukit Bandaraya, Shah Alam, Selangor
- Bukit Bandaraya (Infrastructure) Project** : Refers to the infrastructure works which were completed in January 2022 for Worldwide Group under Bukit Bandaraya (Dillenia) Project
- Bukit Jelutong Project** : Refers to the construction of residential buildings for Sime Darby Property Group in Bukit Jelutong, Shah Alam, Selangor, comprising:
- Bukit Jelutong (Tara) Project : Completed 14 units of semi-detached houses in October 2019
  - Bukit Jelutong (Trilia) Project : Ongoing 46 units of 3-storey semi-detached houses
- Bukit Puchong (Andira Park) Project** : Refers to the construction of 66 units of 2-storey terrace houses and 74 units of 3-storey terrace houses which was completed in October 2019 for Bukit Hitam Development Sdn Bhd in Bandar Bukit Puchong 2, Sepang, Selangor

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**PROJECTS (CONT'D)**

- City of Elmina Project** : Refers to the construction of residential and non-residential buildings as well as other related services for Sime Darby Property Group in Elmina, Shah Alam, Selangor, comprising:
- City of Elmina (Elmina Gardens - Hoarding works) Project : Completed hoarding works in May 2021
  - City of Elmina (Elmina Green Five) Project : Ongoing 208 units of 2-storey terrace houses
  - City of Elmina (Elmina Valley 3B) Project : Completed 151 units of 2-storey terrace houses in August 2018
  - City of Elmina (Elmina Valley 5A) Project : Completed 168 units of 2-storey terrace houses in October 2021
  - City of Elmina (Elmina Valley 5B) Project : Completed 205 units of 2-storey terrace houses in October 2021
  - City of Elmina (Liana) Project : Completed 72 units of 2-storey terrace houses in November 2019
  - Elmina East (Temu) Project : Completed 70 units of 2-storey and 3-storey shop offices in September 2022
  - City of Elmina (Ilham Residence 2 - Phase 3A) Project : Ongoing 143 units of 2-storey terrace houses
  - City of Elmina (Ilham Residence 2 - Phase 3B) Project : Ongoing 134 units of 2-storey terrace houses
  - City of Elmina Mall Project : Ongoing commercial complex comprising 8 blocks of single-storey and 2-storey shop units with a block of 2-storey sales gallery and offices
  - Elmina Business Park (Low Cost Factory and Shop) Project : Completed 8 units of low cost terrace factories and 6 units of low cost shops in August 2021
  - Elmina Business Park (The Twin Factories) Project : Ongoing 40 units of semi-detached factories
  - Elmina East (Ilham Residence) Project : Ongoing 290 units of 2-storey terrace houses
- Delloyd Industrial Project** : Refers to the ongoing construction of 3 units of factories with offices for Delloyd Holdings (M) Sdn Bhd in Kuala Langat, Selangor
- Denai Alam (Saffron Hill) Project** : Refers to the rectification work which was completed in November 2021 for a residential project under Sime Darby Property Group in Denai Alam, Shah Alam, Selangor
- Dengkil (Primrose) Project** : Refers to the ongoing construction of 63 units of 2-storey terrace houses for Magical Sterling Sdn Bhd in Dengkil, Sepang, Selangor
- Dengkil (Taman Casa Mekar) Project** : Refers to the construction of 61 units of 2-storey terrace houses which was completed in May 2022 for Worldwide Group in Dengkil, Sepang, Selangor

**PROJECTS (CONT'D)**

- Eco Ardence Project** : Refers to the construction of residential buildings for Eco World Development Group in Eco Ardence, Shah Alam, Selangor, comprising:
- Eco Ardence (Aeres) Project : Completed 212 units of 2-storey semi-detached houses and 12 units of 2-storey detached houses in October 2019
  - Eco Ardence (Ember) Project : Ongoing 48 units of 2-storey cluster semi-detached houses and 24 units of 3-storey cluster semi-detached houses
- Eco Forest Project** : Refers to the construction of residential and non-residential buildings for Eco World Development Group in Eco Forest, Semenyih, Selangor, comprising:
- Eco Forest (Birchpark) Project : Ongoing 145 units of 2-storey terrace houses
  - Eco Forest (Ebony Lane - Phase 2) Project : Completed 94 units of 2-storey terrace houses in October 2020
  - Eco Forest (Ebony Lane - Phase 4) Project : Completed 149 units of 2-storey terrace houses in October 2020
  - Eco Forest (Hazelton) Project : Ongoing 53 units of 2-storey terrace houses and 57 units of 2-storey cluster houses
  - Eco Forest (Lindenway) Project : Completed 56 units of 2-storey shop units in February 2021
- Eco Grandeur Project** : Refers to the construction of residential buildings for Eco World Development Group in Eco Grandeur, Kuala Selangor, Selangor, comprising:
- Eco Grandeur (Avenham Garden) Project : Completed 218 units of 2-storey terrace houses in September 2019
  - Eco Grandeur (Norton Garden) Project : Completed 55 units of 2-storey detached houses in December 2021
- Eco Majestic Project** : Refers to the construction of residential and non-residential buildings for Eco World Development Group in Eco Majestic, Semenyih, Selangor, comprising:
- Eco Majestic (Mellowood) Project : Completed 176 units of 2-storey terrace houses in May 2019
  - Eco Majestic Mall Project : Completed single-storey shopping complex and 8 shop units in February 2022
- Emerald West Project** : Refers to the construction of residential buildings for GLM Emerald West (Rawang) Sdn Bhd in Emerald West, Rawang, Selangor, comprising:
- Emerald West (Chloe Residence) Project : Completed 142 units of 2-storey and 2½-storey terrace houses in July 2020
  - Emerald West (Garland Residence) Project : Completed 299 units of 2-storey terrace houses in September 2021

**PROJECTS (CONT'D)**

- Kiharta Development Facility (Infrastructure) Project** : Refers to the earthworks and infrastructure works which were completed in January 2022 for Kiharta Development in respect of a refurbishment facility in Klang, Selangor
- Kiharta Development Warehouse Project** : Refers to the ongoing construction of 2 units of factories with offices for Kiharta Development in Klang, Selangor
- Kiharta Development Warehouse (Infrastructure) Project** : Refers to the ongoing earthworks and infrastructure works for Kiharta Development under Kiharta Development Warehouse Project
- Kiharta Development Warehouse (Piling) Project** : Refers to the piling works which were completed in February 2022 for Kiharta Development under Kiharta Development Warehouse Project
- Kota Bayuemas Project** : Refers to the construction of residential buildings for I & P Group (where QLB is our customer as the main contractor) in Kota Bayuemas, Klang, Selangor, comprising:
- Kota Bayuemas (Areca) Project : Completed 84 units of 2-storey terrace houses in October 2022
  - Kota Bayuemas (Carissa) : Ongoing 82 units of 2-storey terrace houses Project
- Kota Seriemas (Cempaka Suria 3) Project** : Refers to the construction of 84 units of 2-storey terrace houses which was completed in October 2015 for PNB Development Group in Kota Seriemas, Negeri Sembilan
- Kota Seriemas (Mawar Indah) Project** : Refers to the construction of 182 units of 2-storey terrace houses which was completed in February 2019 for PNB Development Group (where QLB is our customer as the main contractor) in Kota Seriemas, Negeri Sembilan
- Methodist Church Project** : Refers to the renovation works at Port Dickson Methodist Centre which were completed in March 2020 for Gereja Methodist Malaysia in Port Dickson, Negeri Sembilan
- PNB Telok Datok Project** : Refers to the construction of residential buildings for PNB Development Group (where QLB is our customer as the main contractor) in Telok Datok, Kuala Langat, Selangor, comprising:
- PNB Telok Datok (Value Home - Phase 1A) Project : Ongoing 143 units of single-storey terrace houses, 140 units of single-storey semi-detached houses and 2 units of single-storey detached houses
  - PNB Telok Datok (Value Home - Phase 1B) Project : Ongoing 183 units of single-storey terrace houses, 172 units of single-storey semi-detached houses and 4 units of single-storey detached houses



**PROJECTS (CONT'D)**

- Puncak Bestari 2 (Azalea) Project** : Refers to the construction of 90 units of 2-storey terrace houses which was completed in October 2020 for Worldwide Group in Puncak Bestari 2, Bandar Puncak Alam, Selangor
- Saujana Perdana (Dahlia Sari) Project** : Refers to the ongoing construction of 120 units of 2-storey terrace houses for Kelana Kualiti Sdn Bhd in Saujana Perdana, Kuala Selangor, Selangor
- Seminari Theologi Malaysia Project** : Refers to repair and upgrading works at Seminari Theologi Malaysia Campus which were completed in March 2020 for Seminari Theologi Malaysia in Negeri Sembilan
- Serene Heights Project** : Refers to the construction of residential buildings and other related services for Symphony Hills Sdn Bhd in Serene Heights, Semenyih, Selangor, comprising:
- Serene Heights (Dahlia 2) Project : Completed 74 units of 2-storey terrace houses in May 2021
  - Serene Heights (Dahlia) Project : Completed 33 units of 2-storey terrace houses in May 2021
  - Serene Heights (Eugenia 1) Project : Completed 84 units of 2-storey terrace houses in December 2020
  - Serene Heights (Eugenia 2) Project : Completed 88 units of 2-storey terrace houses in December 2021
  - Serene Heights (Frischia) Project : Completed 47 units of 2-storey terrace houses in August 2022
  - Serene Heights (Outstanding works) Project : Completed outstanding works for turfing lots and roadworks in Serene Heights in September 2020
  - Serene Heights (Verna) Project : Ongoing 72 units of 2-storey terrace houses
  - Serene Heights (Verna Cluster and Twin Villas) Project : Ongoing 48 units of cluster houses and 24 units of semi-detached houses
  - Serene Heights (Verna Park Terrace) Project : Ongoing 76 units of 2-storey terrace houses
- Setia Alam Project** : Refers to the construction of residential buildings for S P Setia Group in Setia Alam, Shah Alam, Selangor, comprising:
- Setia Alam (Castana) Project : Completed 104 units of 2-storey terrace houses in July 2020
  - Setia Alam (Eximia) Project : Completed 48 units of 3-storey cluster houses in August 2018
  - Setia Alam (Zeyheri) Project : Completed 101 units of 3-storey terrace houses in August 2021
- Setia Eco Glades (Jewels of Grasmere) Project** : Refers to the construction of 117 units of 2-storey terrace houses which was completed in December 2019 for S P Setia Group in Setia Eco Glades, Cyberjaya, Selangor

**PROJECTS (CONT'D)**

- Setia Eco Park Project** : Refers to the construction of residential buildings for S P Setia Group in Setia Eco Park, Shah Alam, Selangor, comprising:
- Setia Eco Park (Arundina - Phase 1A) Project : Ongoing 118 units of 2-storey semi-detached houses
  - Setia Eco Park (Arundina - Phase 1B) Project : Ongoing 74 units of 2-storey semi-detached houses
  - Setia Eco Park (Hacienda) Project : Completed 52 units of semi-detached houses in February 2019
- Setia Safiro (Rosario) Project** : Refers to the construction of 166 units of terrace houses which was completed in November 2022 for S P Setia Group in Setia Safiro, Cyberjaya, Selangor
- Subang Bestari (Amber) Project** : Refers to the construction of 41 units of detached houses which was completed in July 2019 for Worldwide Group in Subang Bestari, Shah Alam, Selangor
- Taman Indah Puteri (The Jervis) Project** : Refers to the construction of 18 units of 2-storey semi-detached houses which was completed in December 2019 for GBE Properties Sdn Bhd in Taman Indah Puteri, Sepang, Selangor
- Taman Putra Prima (Diamond) Project** : Refers to the ongoing construction of 114 units of 2-storey terrace houses and 52 units of 3-storey terrace houses for Plenitude Permai Sdn Bhd in Taman Putra Prima, Sepang, Selangor
- Tamansari Project** : Refers to the construction of residential buildings for Pinggir Mentari Sdn Bhd in Tamansari, Rawang, Selangor, comprising:
- Tamansari (Dahlia) Project : Ongoing 173 units of 2-storey terrace houses
  - Tamansari (Jasmin) Project : Ongoing 173 units of 2-storey terrace houses
  - Tamansari Show House Project : Completed 2 units of 2-storey terrace show houses in June 2022
  - Tamansari Show Village Project : Completed show village comprising management office and guard house in January 2021
- Temasya Glenmarie (Alpine) Project** : Refers to the construction of 12 units of semi-detached factories which was completed in October 2020 for I & P Group (where QLB is our customer as the main contractor) in Temasya Glenmarie, Shah Alam, Selangor

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**PROJECTS (CONT'D)**

- Tropicana Aman Project** : Refers to the construction of residential and non-residential buildings for Tropicana Aman Sdn Bhd in Tropicana Aman, Kuala Langat, Selangor, comprising:
- SJK(C) Bukit Fraser Project : Completed 3-storey academic building, a 2-storey administrative building and a single-storey canteen in March 2022
  - Tropicana Aman (Dalia Residences) Project : Completed 166 units of 2-storey semi-detached houses and 41 units of 2-storey detached houses in March 2021
  - Tropicana Aman (Freesia Residences) Project : Ongoing 194 units of 2-storey semi-detached houses and 4 units of 2-storey detached houses
  - Tropicana Aman (Elemen Residences) Project : Ongoing 231 units of 2-storey terrace houses
  - Tropicana Aman (Sinaria) Project : Completed 152 units of 2-storey shop offices in January 2019
  - Tropicana Aman (Triana) Project : Completed 136 units of 2-storey shop offices and 8 units of 3-storey shop offices in February 2022
  - Tropicana Aman Clubhouse Project : Completed clubhouse with facilities comprising badminton hall, tennis court, swimming pool and gymnasium in August 2021
  - Tropicana Aman Show House (Freesia Residences) Project : Completed 4 units of 2-storey semi-detached show houses in December 2021
  - Tropicana Aman Show House (Elemen Residences) Project : Completed 2 units of 2-storey terrace show houses in February 2020
- Welloyd Industrial Park Project** : Refers to the construction of 32 units of single-storey semi-detached factories and 16 units of 2-storey terrace factories which was completed for Welloyd Properties Sdn Bhd in Welloyd Industrial Park, Klang, Selangor in October 2021
- Welloyd Setia Alam Project** : Refers to the ongoing construction of 43 units of 2-storey detached houses for Welloyd Properties Sdn Bhd in Setia Alam, Selangor

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**1. CORPORATE DIRECTORY****BOARD OF DIRECTORS**

<b>Name / (Designation)</b>	<b>Address</b>	<b>Nationality / Gender</b>
Datuk Dr. Siti Hamisah Binti Tapsir (Independent Non-Executive Chairperson)	3, Jalan Telukan 8/25 40000 Shah Alam Selangor	Malaysian / Female
Tan Ah Kee (Non-Independent Executive Director / Managing Director)	68, Jalan Anjung U8/34 Bukit Jelutong 40150 Shah Alam Selangor	Malaysian / Male
Teow Choo Hing (Non-Independent Non-Executive Director)	11, Jalan Setiajaya Bukit Damansara 50490 Kuala Lumpur	Malaysian / Male
Gam Boon Tin (Non-Independent Executive Director / COO)	43, Jalan Birai U8/69 Taman Bukit Jelutong 40150 Shah Alam Selangor	Malaysian / Male
Goh Yin Huat (Non-Independent Executive Director / CFO)	102, Jalan Mahligai 2C Bandar Bukit Raja 41050 Klang Selangor	Malaysian / Male
Low Chin Ann @ Han Chin Ann (Independent Non-Executive Director)	1, Lorong BP 1/2 Taman Bukit Permata Sri Gombak 68100 Batu Caves Selangor	Malaysian / Male
Chang Sua Yean (Independent Non-Executive Director)	B-28-09, Windsor Tower Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur	Malaysian / Female
Nooriah Binti Hassan (Independent Non-Executive Director)	13, Jalan Adang U8/17 Bukit Jelutong 40150 Shah Alam Selangor	Malaysian / Female

**AUDIT AND RISK MANAGEMENT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Low Chin Ann @ Han Chin Ann	Chairperson	Independent Non-Executive Director
Chang Sua Yean	Member	Independent Non-Executive Director
Nooriah Binti Hassan	Member	Independent Non-Executive Director

**1. CORPORATE DIRECTORY (CONT'D)****NOMINATION COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Nooriah Binti Hassan	Chairperson	Independent Non-Executive Director
Teow Choo Hing	Member	Non-Independent Non-Executive Director
Chang Sua Yean	Member	Independent Non-Executive Director

**REMUNERATION COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Chang Sua Yean	Chairperson	Independent Non-Executive Director
Teow Choo Hing	Member	Non-Independent Non-Executive Director
Low Chin Ann @ Han Chin Ann	Member	Independent Non-Executive Director

<b>COMPANY SECRETARIES</b>	<b>Tai Yit Chan</b> No. 79, Jalan SS22/32 Damansara Jaya 47400 Petaling Jaya Selangor
	SSM Practising Certificate No. : 202008001023
	Professional qualification : Chartered Secretary, Malaysian Institute of Chartered Secretaries and Administrators (“ <b>MAICSA</b> ”) (MAICSA membership no. 7009143)
	Telephone no. : (03) 7890 4800
	<b>Chen Bee Ling</b> No. 11, Jalan Pipit 3 Bandar Puchong Jaya 47170 Puchong Selangor
	SSM Practising Certificate No. : 202008001623
	Professional qualification : MAICSA (MAICSA membership no. 7046517)
	Telephone no. : (03) 7890 4800
	<b>Ng Hao Ern</b> No. 6, Solok Pegaga Satu Off Jalan Pegaga Taman Chi Liung 41200 Klang Selangor
	SSM Practising Certificate No. : 201908003771
	Professional qualification : MAICSA (MAICSA membership no. 7072518)
	Telephone no. : (03) 3343 7145/52

**1. CORPORATE DIRECTORY (CONT'D)**

- REGISTERED OFFICE** : 12<sup>th</sup> Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor
- Telephone no. : (03) 7890 4800
- HEAD OFFICE** : 24, Jalan Rengas  
Taman Selatan  
41200 Klang  
Selangor
- Telephone no. : (03) 3372 4162  
Website : [www.kitacon.com.my](http://www.kitacon.com.my)  
E-mail : [info@kitacon.com.my](mailto:info@kitacon.com.my)
- PRINCIPAL ADVISER,  
SOLE UNDERWRITER  
AND SOLE PLACEMENT  
AGENT** : RHB Investment Bank Berhad  
Level 10, Tower One, RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur
- Telephone no. : (03) 9287 3888
- SOLICITORS FOR OUR  
IPO** : Christopher & Lee Ong  
Level 22, Axiata Tower  
No. 9, Jalan Stesen Sentral 5  
Kuala Lumpur Sentral  
50470 Kuala Lumpur
- Telephone no. : (03) 2273 1919
- AUDITORS AND  
REPORTING  
ACCOUNTANTS** : Crowe Malaysia PLT (201906000005 (LLP0018817-LCA) & AF 1018)  
Suite 50-3, Setia Avenue  
2, Jalan Setia Prima S U13/S  
Setia Alam, Seksyen U13  
40170 Shah Alam  
Selangor
- Telephone no. : (03) 3343 0730  
Partner : Ong Beng Chooi  
Professional qualification : • Fellow member of the ACCA, United Kingdom  
(Membership no. 1422917)  
• Member of the Malaysian Institute of Accountants  
(Membership no. 34708)
- SHARE REGISTRAR** : Boardroom Share Registrars Sdn Bhd  
11<sup>th</sup> Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor
- Telephone no. : (03) 7890 4700

**1. CORPORATE DIRECTORY (CONT'D)**

<b>ISSUING HOUSE</b>	: Malaysian Issuing House Sdn Bhd 11 <sup>th</sup> Floor, Menara Symphony No. 5, Jalan Prof. Khoo Kay Kim Seksyen 13 46200 Petaling Jaya Selangor
	Telephone no. : (03) 7890 4700
<b>INDEPENDENT BUSINESS AND MARKET RESEARCH CONSULTANTS</b>	: Vital Factor Consulting Sdn Bhd V Square @ PJ City Centre (VSQ) Block 6, Level 6 Jalan Utara 46200 Petaling Jaya Selangor
	Telephone no. : (03) 7931 3188
	Person-in-charge : Wooi Tan
	Professional qualification : <ul style="list-style-type: none"> <li>• Master of Business Administration from The New South Wales Institute of Technology (now known as University of Technology Sydney), Australia</li> <li>• Bachelor of Science from The University of New South Wales, Australia</li> <li>• Fellow of the Australia Marketing Institute and Institute of Managers and Leaders, Australia (formerly known as Australian Institute of Management)</li> </ul>
	Please refer to Section 8 of this Prospectus for the profile of the firm and signing partner
<b>LISTING SOUGHT</b>	: Main Market of Bursa Securities
<b>SHARIAH STATUS</b>	: Approved by the SAC

## 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	:	76,088,500
Number of existing Shares to be offered under the Offer for Sale	:	62,500,000
Enlarged number of Shares upon Listing	:	500,000,000
IPO Price	:	RM0.68
Market capitalisation upon Listing (based on the IPO Price and enlarged number of Shares upon Listing)	:	RM340,000,000

In conjunction with our Listing, we have established an ESOS which entails the granting of ESOS Options to the eligible Directors and employees of our Group who fulfil the conditions of eligibility as stipulated in the By-Laws. However, we do not intend to grant any ESOS Option in conjunction with our Listing.

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

To consolidate part of the shareholdings in our Company held by Tan Ah Kee under a single investment holding company, Tan Ah Kee and Lembah Reka will transfer a total of 30,870,100 Shares to Suan Neo Capital during the prescription period (one day after the launching date of this Prospectus up to a period of 30 days). Further details of the Share Transfer are set out in Section 4.1.3 of this Prospectus.

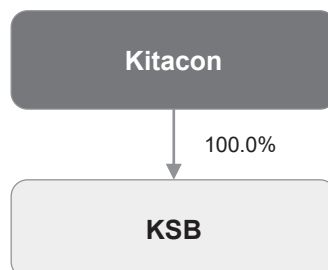
The entire shareholdings in our Company held by Tan Ah Kee, Teow Choo Hing and Suan Neo Capital after our IPO are subject to moratorium for 6 months from the date of our Listing. In addition, Tan Ah Kee, being the sole shareholder of Suan Neo Capital, has undertaken not to sell, transfer or assign any of his shareholding in Suan Neo Capital for 6 months from the date of our Listing.

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 24 February 2022 as a private limited company under the name of Kumpulan Kitacon Sdn Bhd. On 23 May 2022, we were converted into a public limited company and assumed our present name. Subsequently, on 21 October 2022, we completed the Acquisition of KSB which resulted in KSB becoming our wholly-owned subsidiary.

Our existing corporate structure is as follows:

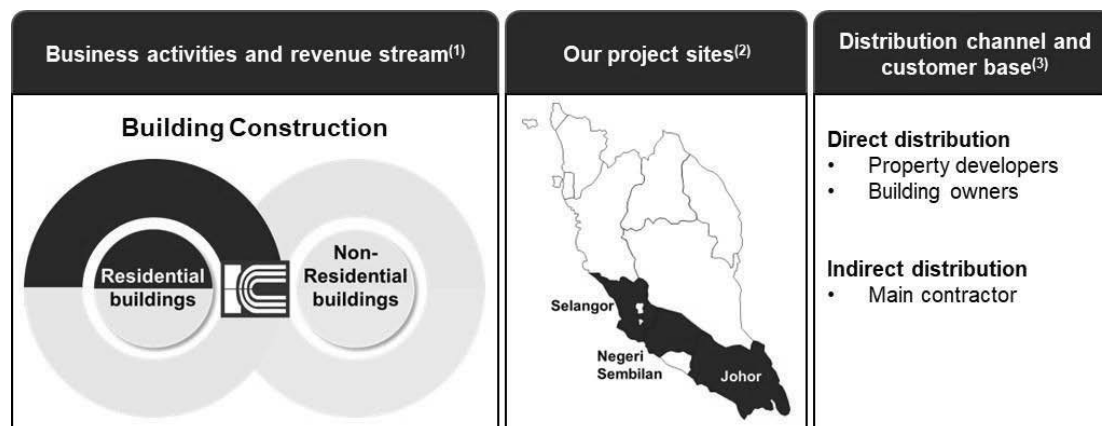


We are an investment holding company. Through our subsidiary, we are principally involved in the provision of construction services.



## 2. PROSPECTUS SUMMARY (CONT'D)

Our business model is as follows:



### Notes:

- Revenue from building construction accounted for more than 97.0% of our total revenue for the Financial Years/Period Under Review.
- We principally operate in Malaysia and carry out projects in various states in Malaysia.
- For the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, revenue from our direct distribution channel accounted for 92.5%, 98.4%, 92.3% and 88.6% of our total revenue respectively, while revenue from indirect distribution channel accounted for 7.5%, 1.6%, 7.7% and 11.4% of our total revenue respectively.

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

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

### Notes:

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

## 2. PROSPECTUS SUMMARY (CONT'D)

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

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

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

### 2.3 COMPETITIVE STRENGTHS

Our competitive strengths are:

**(i) We have an established track record of 32 years in the building construction industry**

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

**(ii) We specialise in township construction which enables us to continually bid for various phases or parcels within a township development**

We have continued to leverage on our capabilities in the construction of township developments and this specialisation has resulted in continuing and long-term business relationships with our customers.

The key benefit of being involved in township development is the ability to bid for continuing work within the same township across different phases of the development. In such circumstances, our project completion in the initial phase of the development will provide us with an advantage of having a directly relevant reference site and experience with our customer to bid for subsequent phases of the development.

**(iii) We emphasise on the quality of our construction as supported by our certifications and awards**

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

The quality of our construction works is further supported by the awards and recognitions from CIDB for QLASSIC and SHASSIC.

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

## 2. PROSPECTUS SUMMARY (CONT'D)

### (iv) We have established long-term business relationships with our customers

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

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

### (v) We have experienced Executive Directors and Key Senior Management

We are led by our Managing Director, Tan Ah Kee, who has contributed significantly to the growth, development and strategic direction of our Group. He is supported by our COO, Gam Boon Tin, who is responsible for the day-to-day management of our Group. Tan Ah Kee and Gam Boon Tin bring with them approximately 38 and 27 years of experience in the construction industry respectively. They are supported by our Key Senior Management which include Goh Yin Huat (our CFO), Chooi Kuen Wah (our GM (Operation 1)) and Kwo Hwa Sung (our GM (Operation 2)).

Please refer to Section 7.3 of this Prospectus for further details of our competitive strengths.

## 2.4 STRATEGIES AND PLANS

Our strategies and plans are as follows:

### (i) Continue to focus on our core competency in building construction

We will continue to focus on our core competency in building construction to sustain and grow our business based on our established track record of 32 years and the quality of our construction works. In this respect, we will be continuing to submit bids for projects with a view to building up our order book and leveraging on our strengths in building construction.

### (ii) Purchase of aluminium formwork systems

We started using aluminium formwork systems for our construction projects since 2017 as we continuously explore and adopt construction techniques and systems to improve productivity and deliver projects within the time, cost and quality standards as required by our customers.

In this respect, we have earmarked RM18.0 million of the gross proceeds from the Public Issue to purchase an estimated 25,000 sq m of aluminium formwork systems progressively over a period of 36 months to support our expansion of the scale of construction work using aluminium formwork systems as well as replace our existing formwork systems which were damaged due to wear and tear.

### (iii) Purchase of land and construction of a storage and refurbishment facility

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

Please refer to Section 7.22 of this Prospectus for further details of our strategies and plans.

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**2. PROSPECTUS SUMMARY (CONT'D)**

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

As the nature of our construction business is project based, our revenue is derived from the execution and completion of projects. In this respect, our financial performance is dependent on our ability to secure new projects and replenish our order book, where we have to continually submit tenders to secure new projects.

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

**(ii) We are dependent on a certain group of customers and our ability to retain our major customers**

For the Financial Years/Period Under Review, we were dependent on certain group of customers including Sime Darby Property Group, Tropicana Aman Sdn Bhd and S P Setia Group by virtue of their revenue contribution which exceeded 10.0% of our total revenue for the Financial Years/Period Under Review. Our dependency on certain group of customers was mainly due to our continuous involvement in the construction projects across different phases of the respective customers' township developments.

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

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

Our construction projects are typically based on a fixed rate or lump sum contract where the contract value and the price of the scope of work is agreed and stipulated in the contract. In the event of unanticipated cost increase during project execution where we are unable to pass on such increase to our customers, this would adversely affect our financial performance. Some of these unanticipated increase in the cost of construction may include increase in building material costs, labour costs and costs of subcontracted services. While we are experienced in estimating project costs for the submission of tenders, there is no assurance that we will not face any unanticipated cost increase which may adversely affect our financial performance.

**(iv) We are dependent on foreign workers to undertake our construction activities**

Our operations are highly dependent on foreign workers which are either under our employment or our subcontractors' employment. In addition, we also depend on foreign workers from our subcontractors for subcontracted works, the number of which will depend on each project's requirement which may change from time to time.

**2. PROSPECTUS SUMMARY (CONT'D)**

Any adverse changes to the policies relating to the employment of foreign workers in the construction industry between Malaysia and the countries from which our foreign workers are sourced or any significant increase in labour wages, may adversely affect our business operations and financial performance.

**(v) We are dependent on our subcontractors to carry out certain works for our projects**

We engage subcontractors to perform certain works such as, among others, building and structural works, mechanical and electrical works, architectural works and other related services. In this respect, we are subject to the risks associated with non-performance, late performance or poor performance by our subcontractors. In the event that we are unable to seek compensation from the relevant subcontractors or the amount of the claims from our customers cannot be recovered in full or at all from the subcontractors, we may be required to bear some or all the costs of the claims from our customers, which may in turn adversely affect our results of operations and financial performance. Furthermore, if our subcontractors' performance is not up to the expectations of our customers, our reputation may also be adversely affected.

**(vi) Our projects may be subject to delays resulting in the risk of claims relating to LAD**

Our construction works must be completed within the timeframe specified in the contracts with our customers. Any delay in the completion of our construction works will result in project cost overruns, as well as potential liquidated damages claims from our customers. We have outstanding trade receivables amounting to RM0.7 million which are pending finalisation and issuance of the EOT from our customer for a residential project. Further details of the outstanding trade receivables are set out in Section 12.4.8(i) of this Prospectus. In the event the EOT is not granted by our customer, this may give rise to potential LAD claims amounting to RM0.7 million from the said customer.

**(vii) We are exposed to the risk of defect liability claims from our customers**

The DLP for our contracts with our customers generally ranges from 12 to 36 months from the issuance of CPC. During the DLP, we shall repair, rectify and make good any defect which may surface or be identified at our own cost. For materials supplied by our suppliers or works undertaken by our subcontractors, we will require them to either replace defective materials or restore defective work to the required standard without additional cost to us. To the extent that we are unable to seek recourse from our suppliers and subcontractors, we would be liable for the repair costs and damages which will in turn increase our construction costs for the projects. If such defects are material, our business operations and financial performance will be materially and adversely affected.

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

The outbreak of COVID-19 or any epidemic or pandemic may potentially affect our business operations. Between March 2020 and the LPD, there were several MCO measures implemented including full and partial lockdown containment measures and restrictions imposed. Please refer to Section 7.14 of this Prospectus for further details on the material interruptions to our business and operations pertaining to the COVID-19 pandemic. In the event of a prolonged COVID-19 pandemic or any other outbreaks of contagious or virulent diseases in the future, our business operation and financial performance would be materially affected.

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

## 2. PROSPECTUS SUMMARY (CONT'D)

### 2.6 DIRECTORS AND KEY SENIOR MANAGEMENT

As at the LPD, our Directors and Key Senior Management are as follows:

<u>Name</u>	<u>Designation</u>
<b><u>Directors</u></b>	
Datuk Dr. Siti Hamisah Binti Tapsir	Independent Non-Executive Chairperson
Tan Ah Kee	Managing Director
Teow Choo Hing	Non-Independent Non-Executive Director
Gam Boon Tin	Executive Director / COO
Goh Yin Huat	Executive Director / CFO
Low Chin Ann @ Han Chin Ann	Independent Non-Executive Director
Chang Sua Yean	Independent Non-Executive Director
Nooriah Binti Hassan	Independent Non-Executive Director
<b><u>Key Senior Management</u></b>	
Gam Boon Tin	COO
Goh Yin Huat	CFO
Chooi Kuen Wah	GM (Operation 1)
Kwo Hwa Sung	GM (Operation 2)
Tan Yoke Huay	GM (Purchasing and Human Resource)
Ng Teok Kiean	Senior Account Manager
Liw Fei Jy	Senior Contract Manager (Pre-Contract)
Tan Wei Khim	Senior Contract Manager (Post-Contract)

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

### 2.7 PROMOTER AND SUBSTANTIAL SHAREHOLDERS

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

<u>Name / Nationality/ Country of incorporation</u>	<u>Before our IPO / After the Acquisition of KSB</u>				<u>Before our IPO / After the Share Transfer</u>			
	<u>Direct</u>		<u>Indirect</u>		<u>Direct</u>		<u>Indirect</u>	
	<u>No. of Shares</u>	<u>%<sup>(1)</sup></u>	<u>No. of Shares</u>	<u>%<sup>(1)</sup></u>	<u>No. of Shares</u>	<u>%<sup>(1)</sup></u>	<u>No. of Shares</u>	<u>%<sup>(1)</sup></u>
<b><u>Promoter and Substantial Shareholder</u></b>								
Tan Ah Kee / Malaysian	97,499,700	23.0	156,847,200 <sup>(3)</sup>	37.0	79,346,900	18.7	175,000,000 <sup>(4)</sup>	41.3
<b><u>Substantial Shareholders</u></b>								
Teow Choo Hing / Malaysian	169,564,600	40.0	-	-	169,564,600	40.0	-	-
Suan Neo Capital / Malaysia	144,129,900	34.0	-	-	175,000,000	41.3	-	-

## 2. PROSPECTUS SUMMARY (CONT'D)

Name / Nationality/ Country of incorporation	After the Public Issue				After the Offer for Sale			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% <sup>(2)</sup>	No. of Shares	% <sup>(2)</sup>	No. of Shares	% <sup>(2)</sup>	No. of Shares	% <sup>(2)</sup>
<b>Promoter and Substantial Shareholder</b>								
Tan Ah Kee / Malaysian	79,346,900	15.9	175,000,000 <sup>(4)</sup>	35.0	41,846,900	8.4	175,000,000 <sup>(4)</sup>	35.0
<b>Substantial Shareholders</b>								
Teow Choo Hing / Malaysian	169,564,600	33.9	-	-	144,564,600	28.9	-	-
Suan Neo Capital / Malaysia	175,000,000	35.0	-	-	175,000,000	35.0	-	-

### Notes:

- (1) Based on our total number of 423,911,500 Shares after the Acquisition of KSB but before our IPO.
- (2) Based on our enlarged total number of 500,000,000 Shares after our IPO.
- (3) Deemed interested by virtue of his shareholdings in Lembah Reka and Suan Neo Capital pursuant to Section 8 of the Act.
- (4) Deemed interested by virtue of his shareholding in Suan Neo Capital pursuant to Section 8 of the Act.

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

## 2.8 USE OF PROCEEDS

We expect to use the gross proceeds from the Public Issue amounting to approximately RM51.7 million in the following manner:

Details	RM'000	%	Estimated time frame for use of proceeds from the date of our Listing
Purchase of construction equipment			Within 36 months
- Aluminium formwork systems	18,000	34.8	
- Scaffoldings and cabins	6,000	11.6	
Purchase of land and construction of a storage and refurbishment facility	20,000	38.7	Within 36 months
Working capital	3,280	6.3	Within 24 months
Estimated listing expenses	4,460	8.6	Within 1 month
<b>Total</b>	<b>51,740</b>	<b>100.0</b>	

There is no minimum subscription to be raised from our IPO. The Offer for Sale will raise gross proceeds of RM42.5 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. PROSPECTUS SUMMARY (CONT'D)

### 2.9 FINANCIAL HIGHLIGHTS

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

	<-----Audited----->			Unaudited FPE 2021	Audited FPE 2022
	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)		
Revenue	581,523	489,645	455,502	238,638	234,733
GP	100,297	81,838	80,862	42,165	43,681
PBT	72,187	52,762	52,336	27,818	33,831
PAT	54,794	39,201	41,833	21,339	26,127
NA	244,367	262,069	184,401	272,408	210,529
Total borrowings	2,747	2,489	7,733	8,584	1,863
Number of Shares in issue after our IPO ('000)	500,000	500,000	500,000	500,000	500,000
GP margin <sup>(1)</sup> (%)	17.2	16.7	17.8	17.7	18.6
EBITDA <sup>(2)</sup>	72,832	54,020	54,735	29,067	35,219
EBITDA margin <sup>(3)</sup> (%)	12.5	11.0	12.0	12.2	15.0
PBT margin <sup>(4)</sup> (%)	12.4	10.8	11.5	11.7	14.4
PAT margin <sup>(5)</sup> (%)	9.4	8.0	9.2	8.9	11.1
Basic and diluted EPS <sup>(6)</sup> (sen)	11.0	7.8	8.4	4.3	5.2
NA per Share <sup>(7)</sup> (sen)	48.9	52.4	36.9	54.5	42.1
Trade receivables turnover period (days)	86	109	102	104	70
Trade payables turnover period (days)	68	94	101	77	81
Current ratio (times)	1.8	1.7	1.4	2.0	1.9
Gearing ratio (times)	*	*	*	*	*

#### Notes:

\* Less than 0.1 times.

(1) Computed as GP divided by revenue.

(2) Computed as follows:

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

(3) Computed as EBITDA divided by revenue.

(4) Computed as PBT divided by revenue.



**2. PROSPECTUS SUMMARY (CONT'D)**

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

**2.10 DIVIDEND POLICY**

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

Notwithstanding our intention above, as we are a holding company, our income and ability to pay dividends are dependent upon the dividends received from our subsidiary. The payment of dividends by our subsidiary is dependent on, among others, its distributable profits, financial performance and cash flow requirements for operations and capital expenditures as well as the covenants in its existing loan agreements with the respective financial institutions.

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

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

**Notes:**

- (1) Computed as dividends declared divided by PAT attributable to our shareholders.
- (2) Represents payment of balance dividends payable in respect of the FYE 2021. Out of the RM44.1 million, RM21.7 million was paid via cash and the remaining RM22.4 million was offset against part of the proceeds received from the disposal of our properties.

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

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

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

### 3. APPROVALS AND CONDITIONS

#### 3.1 APPROVALS AND CONDITIONS

##### 3.1.1 SC

The SC has, via its letter dated 27 June 2022, approved the relief sought from complying with a requirement of the Equity Guidelines issued by the SC as follows:

<b>Relief sought</b>	<b>Condition imposed</b>
<u>Paragraph 2(a) of Appendix 4, Part IV</u>	-

Relief from having to comply with the requirement in respect of placement of our IPO Shares to be offered under the Institutional Offering to:

- (i) RHB Asset Management Sdn Bhd; and
- (ii) RHB Islamic International Asset Management Berhad.

The SC has, via its letter dated 13 October 2022, approved our IPO and Listing under Section 214(1) of the CMSA, subject to the following condition:

<b>Condition imposed</b>	<b>Status of compliance</b>
RHB Investment Bank and Kitacon to fully comply with the requirements of the SC's Equity Guidelines and Prospectus Guidelines pertaining to the implementation of our Listing	To be complied

The SC has, via the same letter dated 13 October 2022, approved the resultant equity structure of our Company pursuant to our Listing under the Bumiputera equity requirement for public listed companies. The effects of our Listing on the equity structure of our Company are as follows:

<b>Category of shareholders</b>	<b>As at 31 May 2022</b>		<b>After our IPO</b>	
	<b>No. of Shares</b>	<b>%</b>	<b>No. of Shares</b>	<b>%</b>
<b>Bumiputera</b>				
- Malaysian Public via balloting	-	-	5,000,000 <sup>(1)</sup>	1.0
- Bumiputera investors to be approved by the MITI	-	-	62,500,000 <sup>(1)</sup>	12.5
<b>Total Bumiputera</b>	<b>-</b>	<b>-</b>	<b>67,500,000</b>	<b>13.5</b>
Non-Bumiputera	100	100.0	432,500,000	86.5
<b>Total Malaysian</b>	<b>100</b>	<b>100.0</b>	<b>500,000,000</b>	<b>100.0</b>
Foreigner	-	-	-	-
<b>Total</b>	<b>100</b>	<b>100.0</b>	<b>500,000,000</b>	<b>100.0</b>

**Note:**

- (1) Assuming all the Shares allocated to Bumiputera investors to be approved by the MITI under the Institutional Offering and Bumiputera public investors via balloting under the Retail Offering are fully subscribed.

### 3. APPROVALS AND CONDITIONS (CONT'D)

#### 3.1.2 Bursa Securities

Bursa Securities has, via its letter dated 25 October 2022, approved the admission of Kitacon to the Official List, our Listing and the listing of and quotation for such number of new Shares, representing up to 15.0% of our total number of issued Shares, to be issued pursuant to the exercise of our ESOS Options, subject to the following conditions:

<u>Condition imposed</u>	<u>Status of compliance</u>
Make the relevant announcements pursuant to Paragraphs 8.1 and 8.2 of Practice Note 21 of the Listing Requirements.	To be complied
To furnish Bursa Securities on the first day of our Listing a copy of the schedule of distribution showing compliance with the public share spread requirements based on the entire issued share capital of Kitacon	To be complied
To submit a confirmation to Bursa Securities on the full compliance of the ESOS pursuant to Paragraph 6.43(1) of the Listing Requirements and together with the disclosure on the effective date of implementation	To be complied
To provide a summary of the total number of Shares listed on a quarterly basis pursuant to the ESOS as at the end of each quarter together with a detailed computation of listing fees payable	To be complied

#### 3.1.3 MITI

MITI has, via its letter dated 26 August 2022, stated that it has taken note and has no objection to our Listing.

#### 3.1.4 SAC

The SAC has, via its letter dated 2 August 2022, classified our Shares as Shariah-compliant securities based on our latest audited combined financial information for the FYE 2021.

### 3.2 MORATORIUM ON OUR SHARES

In accordance with the Equity Guidelines issued by the SC, our shareholders whose securities are subject to moratorium are not allowed to, and have undertaken not to, sell, transfer or assign any of their aggregate shareholdings of 361,411,500 Shares, which represents approximately 72.3% of the enlarged total number of Shares as at the date of our Listing, for 6 months from the date of our Listing.

In this respect, our Shares that are subject to moratorium for 6 months from the date of our Listing are set out below:

<u>Name</u>	<u>No. of Shares to be held under moratorium</u>	<u>%<sup>(1)</sup></u>
Tan Ah Kee	41,846,900	8.4
Teow Choo Hing	144,564,600	28.9
Suan Neo Capital	175,000,000	35.0
<b>Total</b>	<b>361,411,500</b>	<b>72.3</b>

**Note:**

(1) Based on our enlarged total number of 500,000,000 Shares after our IPO.

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**3. APPROVALS AND CONDITIONS (CONT'D)**

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In addition, Tan Ah Kee, being the sole shareholder of Suan Neo Capital, has undertaken not to sell, transfer or assign any of his shareholding in Suan Neo Capital for 6 months from the date of our Listing.

The moratorium, which has been fully accepted by our shareholders whose securities are subject to moratorium, is specifically endorsed on the share certificates representing their shareholdings which are under moratorium to ensure that our Share Registrar does not register any transfer that is 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

Our IPO is subject to the terms and conditions of this Prospectus and upon acceptance, our IPO Shares are expected to be allocated or transferred in the manner described below, subject to the clawback and reallocation provisions as set out in Section 4.1.5 of this Prospectus:

#### 4.1.1 Public Issue

Our Public Issue of 76,088,500 Issue Shares, representing approximately 15.2% 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 in the following manner:

##### (i) Malaysian Public

10,000,000 Issue Shares, representing 2.0% 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

8,588,500 Issue Shares (being Pink Form Allocations), representing approximately 1.7% 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	4	275,000
Eligible employees	216	5,313,500
Persons who have contributed to the success of our Group	27	3,000,000
<b>Total</b>	<b>247</b>	<b>8,588,500</b>

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

Eligible Directors	Designation	No. of Pink Form Allocations
Datuk Dr. Siti Hamisah Binti Tapsir	Independent Non-Executive Chairperson	100,000
Low Chin Ann @ Han Chin Ann	Independent Non-Executive Director	75,000
Chang Sua Yean	Independent Non-Executive Director	50,000
Nooriah Binti Hassan	Independent Non-Executive Director	50,000
<b>Total</b>		<b>275,000</b>

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

- (a) the eligible employee must be a full time and confirmed employee of our Group and on our Group's payroll; and
- (b) the number of Issue 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 Issue Shares to be allocated to our Key Senior Management is as follows:

<b>Key Senior Management</b>	<b>Designation</b>	<b>No. of Pink Form Allocations</b>
Gam Boon Tin	COO	1,000,000
Goh Yin Huat	CFO	400,000
Chooi Kuen Wah	GM (Operation 1)	400,000
Kwo Hwa Sung	GM (Operation 2)	400,000
Tan Yoke Huay	GM (Purchasing and Human Resource)	200,000
Ng Teok Kiean	Senior Account Manager	200,000
Liw Fei Jy	Senior Contract Manager (Pre-Contract)	200,000
Tan Wei Khim	Senior Contract Manager (Post-Contract)	200,000
<b>Total</b>		<b>3,000,000</b>

The allocation to the persons who have contributed to the success of our Group such as, among others, our business associates, suppliers and subcontractors, shall be based on their length of business relationship with our Group and the level of support and contribution to the success of our Group.

**(iii) Private placement**

57,500,000 Issue Shares, representing 11.5% of our enlarged number of issued Shares, will be made available for subscription by way of private placement to institutional and selected investors.

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#### 4. DETAILS OF OUR IPO (CONT'D)

##### 4.1.2 Offer for Sale

Our Offerors will offer 62,500,000 Offer Shares, representing approximately 14.7% of our existing total number of Shares as at the LPD and 12.5% of our enlarged number of issued Shares, at the IPO Price by way of private placement to Bumiputera investors approved by the MITI. Details of our Offerors are as follows:

Name/Address	Nature of relationship	Shareholdings after the Acquisition of KSB but before the Share Transfer and our IPO		Offer for Sale			Shareholdings after the Share Transfer and our IPO	
		No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>	% <sup>(2)</sup>	No. of Shares	% <sup>(2)</sup>
<b>Tan Ah Kee</b> 68, Jalan Anjung U8/34 Bukit Jelutong 40150 Shah Alam Selangor	Promoter, Substantial Shareholder and Managing Director	97,499,700	23.0	37,500,000	8.8	7.5	41,846,900 <sup>(3)</sup>	8.4
<b>Teow Choo Hing</b> 11, Jalan Setiajaya Bukit Damansara 50490 Kuala Lumpur	Substantial Shareholder and Non-Independent Non-Executive Director	169,564,600	40.0	25,000,000	5.9	5.0	144,564,600	28.9
				<b>62,500,000</b>	<b>14.7</b>	<b>12.5</b>		

##### Notes:

- (1) Based on our total number of 423,911,500 Shares after the Acquisition of KSB but before our IPO.
- (2) Based on our enlarged total number of 500,000,000 Shares after our IPO.
- (3) Tan Ah Kee will transfer 18,152,800 Shares to Suan Neo Capital under the Share Transfer.

Based on the IPO Price, the Offer for Sale will raise gross proceeds of RM42.5 million, which will accrue entirely to our Offerors. The Offer Shares are not underwritten as they will be made available for subscription by way of private placement to Bumiputera investors approved by the MITI, the expenses of which will be fully borne by our Offerors.

#### 4. DETAILS OF OUR IPO (CONT'D)

##### 4.1.3 Share Transfer

During the prescription period (one day after the launching date of this Prospectus up to a period of 30 days), Tan Ah Kee and Lembah Reka will transfer a total of 30,870,100 Shares to Suan Neo Capital for a purchase consideration of approximately RM21.0 million. Further details of the Share Transfer are set out below:

Shareholders	No. of Shares							
	Before our IPO and Share Transfer	% <sup>(1)</sup>	To be transferred to Suan Neo Capital	% <sup>(2)</sup>	After the Share Transfer and our Public Issue	% <sup>(2)</sup>	After our Offer for Sale	% <sup>(2)</sup>
Tan Ah Kee	97,499,700	23.0	(18,152,800)	(3.6)	79,346,900	15.9	41,846,900 <sup>(3)</sup>	8.4
Lembah Reka	12,717,300	3.0	(12,717,300)	(2.6)	-	-	-	-
Suan Neo Capital	144,129,900	34.0	30,870,100	6.2	175,000,000	35.0	175,000,000	35.0
<b>Total</b>	<b>254,346,900</b>	<b>60.0</b>	<b>-</b>	<b>-</b>	<b>254,346,900</b>	<b>50.9</b>	<b>216,846,900</b>	<b>43.4</b>

##### Notes:

- (1) Based on our total number of 423,911,500 Shares after the Acquisition of KSB but before our IPO.
- (2) Based on our enlarged total number of 500,000,000 Shares after our IPO.
- (3) Tan Ah Kee will offer 37,500,000 Offer Shares under the Offer for Sale.

Suan Neo Capital and Lembah Reka are investment holding companies which are wholly-owned by Tan Ah Kee. Suan Neo Capital holds investment in shares, while Lembah Reka invests in properties and shares. The purpose of the Share Transfer is to consolidate 35.0% of equity interest in Kitacon to be held by Tan Ah Kee under a single investment holding company, namely Suan Neo Capital.

##### 4.1.4 Underwriting and allocation of the IPO Shares

A summary of our IPO Shares offered under the Retail Offering and Institutional Offering (subject to the clawback and reallocation provisions as set out in Section 4.1.5 of this Prospectus) is as follows:

	Issue Shares		Offer Shares		IPO Shares	
	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>
<b>Retail Offering</b>						
Malaysian Public (via balloting)						
• Bumiputera	5,000,000	1.0	-	-	5,000,000	1.0
• Non-Bumiputera	5,000,000	1.0	-	-	5,000,000	1.0
Eligible Persons	8,588,500	1.7	-	-	8,588,500	1.7
<b>Institutional Offering</b>						
Private placement						
• Institutional and selected investors	57,500,000	11.5	-	-	57,500,000	11.5
• Bumiputera investors approved by the MITI	-	-	62,500,000	12.5	62,500,000	12.5
<b>Total</b>	<b>76,088,500</b>	<b>15.2</b>	<b>62,500,000</b>	<b>12.5</b>	<b>138,588,500</b>	<b>27.7</b>

##### Note:

- (1) Based on the enlarged total number of 500,000,000 Shares after our IPO.



#### 4. DETAILS OF OUR IPO (CONT'D)

The Retail Offering has been fully underwritten, while the Institutional Offering is not underwritten. Irrevocable undertakings have been or will be obtained from investors who subscribe for our IPO Shares made available under the Institutional Offering.

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

The Retail Offering and Institutional Offering shall be subject to the following clawback and reallocation provisions:

- (i) if our IPO Shares allocated to Bumiputera investors approved by the MITI (“**MITI Tranche**”) are not fully taken up by such Bumiputera investors, such IPO Shares will be made available for subscription by institutional investors under the Institutional Offering. After such reallocation, if the MITI Tranche is still not fully taken up under the Institutional Offering, and there is a corresponding over-subscription for our IPO Shares by Bumiputera public investors under the Retail Offering, our IPO Shares will be clawed back from the remaining MITI Tranche and allocated to the Bumiputera public investors under the Retail Offering;
- (ii) subject to item (i) above, if there is an under-subscription in the Institutional Offering and there is an over-subscription in the Retail Offering, our IPO Shares not taken up may be clawed back from the Institutional Offering and reallocated to the Retail Offering in the following order of priority (subject to each of them having applications for our IPO Shares which have not been fully satisfied):
  - (a) firstly, to the Malaysian Public; and
  - (b) secondly, to the Eligible Persons allocated in the manner as set out in item (iv) below;
- (iii) if there is an under-subscription in the Retail Offering and there is an over-subscription in the Institutional Offering, our IPO Shares not taken up may be clawed back from the Retail Offering and reallocated to the Institutional Offering. However, if there is an under-subscription in the Retail Offering but no over-subscription in the Institutional Offering, such remaining IPO Shares available under the Retail Offering will be underwritten by the Sole Underwriter; and
- (iv) any IPO Shares not taken up by the respective Eligible Persons based on their pre-determined allocations shall be made available for application by the other Eligible Persons who have applied for excess IPO Shares in addition to their pre-determined allocation (“**Excess IPO Shares**”). 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 pro-rata 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.

Any IPO Share not fully taken up by Eligible Persons (after reallocation of the Excess IPO Shares to other Eligible Persons) will be made available for application by the Malaysian Public. Any IPO Share under the Retail Offering not applied for after being subject to the clawback and reallocation provisions above shall be underwritten by the Sole Underwriter.

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.

#### 4. DETAILS OF OUR IPO (CONT'D)

Notwithstanding the above, in the event there is an under-subscription for our IPO Shares, the subscriptions received for our IPO Shares will first be applied towards subscribing in full the Issue Shares under the Public Issue. Thereafter, any additional subscription for our IPO Shares will be allocated from the Offer Shares offered by the Offerors under the Offer for Sale and any remaining Offer Shares not subscribed for after the aforementioned allocation will be retained by the Offerors. For the avoidance of doubt, the Public Issue will take priority over the Offer for Sale in the event of an under-subscription of our IPO Shares.

Our IPO Shares will be allocated in a fair and equitable manner and the basis of allocation for such IPO Shares 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.

As at the LPD, to the best of our knowledge and belief:

- (i) there are no substantial shareholder, Director or Key Senior Management who have indicated that they intend to subscribe for the IPO Shares, save for the IPO Shares made available for application under the Pink Form Allocation; and
- (ii) there is no person who intends to subscribe for more than 5.0% of our IPO Shares.

##### 4.1.6 ESOS

In conjunction with our Listing, we have established an ESOS which involves the granting of ESOS Options to the eligible Directors and employees of our Group who fulfil the conditions of eligibility as stipulated in the By-Laws. However, we do not intend to grant any ESOS Option in conjunction with our Listing.

The ESOS shall be administered by the ESOS Committee and governed by the By-Laws. The salient terms of the ESOS are as follows:

##### (i) **Maximum number of new Shares available under the ESOS**

The total number of new Shares which may be made available under the ESOS shall not exceed 15.0% of our total number of issued Shares (excluding treasury shares, if any) at any one time during the duration of the ESOS.

##### (ii) **Eligibility**

An employee or Director of any company within our Group who fulfils the following criteria as at the date the offer is made in writing by the ESOS Committee to him/her shall be eligible for participation in the ESOS:

- (a) a Malaysian citizen who has attained 18 years of age;
- (b) is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
- (c) he/she has been confirmed in service on a full-time basis and has served at least 1 year of employment in any company within our Group which is not dormant (unless the ESOS Committee under certain circumstances and at its sole discretion reduces the period of 1 year to a lesser period as it deems fit);
- (d) where he/she is under an employment contract, the contract is for a duration of at least 2 years and shall have not expired within 6 months from the date of offer;

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


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- (e) where our Director or employee has attained the mandatory retirement age of 60 years old, such Director or employee shall have served for a continuous period of at least 1 year in any corporation within our Group prior to attaining the said mandatory retirement age, and subsequently offered continued employment with such corporation for a minimum period of 1 year and at the time of consideration for the offer, he/she continues to be employed;
- (f) in the event the director or employee of a corporation which is acquired by our Group during the period of 10 years from the date on which the ESOS comes into force and such corporation becomes a subsidiary of our Company upon completion of such acquisition, the director or employee must have completed a continuous period of employment of at least 1 year in our Group from the date of confirmation of employment (which for the avoidance of doubt, shall exclude any probation period) following the date that such corporation becomes or is deemed to be a subsidiary of our Company (unless the ESOS Committee under certain circumstances and at its sole discretion reduces the period of 1 year to a lesser period as it deems fit); and
- (g) must have complied with any other criteria imposed by the ESOS Committee from time to time,

provided always that the selection of any eligible Director or employee for participation in the ESOS shall be at the discretion of the ESOS Committee and the decision of the ESOS Committee shall be final and binding. Other eligibility and allocation criteria shall be determined by the Board after recommendation from the ESOS Committee.

**(iii) Basis and allotment of maximum allowable allocation**

Subject to any adjustments which may be made under By-Laws, the aggregate number of new Shares that may be offered and allotted to any selected eligible Director or employee of our Group ("**Selected Employee**") under the ESOS shall be at the discretion of the ESOS Committee, after taking into consideration, among others, the Selected Employee's performance, contribution, employment grade, seniority, length of service and fulfillment of the eligibility criteria under the By-Laws or such other matters which the ESOS Committee may in its sole discretion deem fit, subject to the following:

- (a) no eligible Director or employee of our Group shall participate in the deliberation or discussion of his own allocation and the allocation to any person(s) connected with them;
- (b) any offer, allocation of ESOS Options under the ESOS and the related allotment of Shares to any person who is a Director, major shareholder or chief executive officer of our Company and any person connected with them shall require the prior approval of our shareholders in a general meeting. The foregoing persons shall not vote on the resolution approving their respective offer, allocation and allotment;
- (c) not more than 10% of the Shares available under the ESOS shall be allocated to any individual Selected Employee who, either singly or collectively through persons connected with him/her, holds 20% or more of our total number of issued Shares (excluding treasury shares, if any);
- (d) at any point in time when an offer is made, not more than 70% of the Shares made available under the ESOS shall be allocated, in aggregate, to the Directors and senior management of our Group; and
- (e) any performance target to be achieved before the ESOS Options can be granted and/or exercised by an eligible Director or employee shall be determined by the ESOS Committee.

**4. DETAILS OF OUR IPO (CONT'D)****(iv) Option price**

Subject to any adjustments which may be made under the By-Laws and pursuant to the Listing Requirements, the price at which the Selected Employee who has accepted the offer by the ESOS Committee shall be entitled to subscribe for each new Share shall be determined by the ESOS Committee and in any case, shall be based on the 5-day volume weighted average market price of our Shares, immediately preceding the date of offer of the ESOS Options, with a discount of not more than 10% or such other percentage of discount as may be permitted by Bursa Securities and/or any other relevant authorities from time to time at the discretion of the ESOS Committee.

The option price as determined in the manner set out above shall be conclusive and binding on the Selected Employee who has accepted the offer by the ESOS Committee.

**(v) Duration of the ESOS**

The ESOS shall be in force for a period of 10 years commencing from the effective date.

**4.1.7 Share capital**

	<b>No. of Shares</b>	<b>RM</b>
Issued share capital after the Acquisition of KSB	423,911,500	184,401,509
New Shares to be issued under the Public Issue	76,088,500	50,760,180 <sup>(1)</sup>
<b>Enlarged issued share capital upon Listing</b>	<b>500,000,000</b>	<b>235,161,689</b>
Existing Shares to be offered under the Offer for Sale	62,500,000	42,500,000
IPO Price per IPO Share		0.68
Market capitalisation upon Listing (based on the IPO Price and enlarged number of issued Shares after our IPO)		340,000,000
Pro forma combined NA per Share (based on the pro forma combined statements of financial position as at 30 June 2022)		0.50 <sup>(2)</sup>

**Notes:**

- (1) After deducting the estimated listing expenses of approximately RM1.0 million which is directly attributable to the issuance of our IPO Shares and offset against our share capital. These expenses comprise brokerage fee, underwriting commission and placement fee of approximately RM0.1 million, RM0.2 million and RM0.7 million respectively.
- (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 500,000,000 Shares after our IPO.

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

**4.1.8 Classes of shares and ranking**

As at the date of this Prospectus, we have only 1 class of shares in our Company, namely ordinary shares.

Our 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 Issue Shares, subject to any applicable Rules of Bursa Depository.

#### 4. DETAILS OF OUR IPO (CONT'D)

The Offer Shares rank equally in all respects with our other existing Shares including voting rights, and will be entitled to all rights, dividends and distributions that may be declared after the date of transfer of the Offer 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 amount paid or credited as paid on 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.

At our general meeting, each shareholder shall be entitled to vote in person, by proxy, by attorney or by other duly authorised representative. Subject to the Listing Requirements, any resolution put to vote at the meeting shall be decided by way of poll. On a poll, each shareholder present either in person or by proxy, attorney or other duly authorised representative, shall have 1 vote for every Share held or represented. A proxy may but need not be a member of our Company.

##### 4.1.9 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 in terms of the number of Shares will be the number of Shares required to be held by public shareholders. Under the Listing Requirements, we are required to have at least 25.0% of the total number of our Shares in the hands of a minimum number of 1,000 public shareholders, each holding not less than 100 Shares at the point of our Listing.

If the aforementioned public shareholding spread requirement is not met, we may not be able to proceed with our Listing. In such event, monies paid in respect of all applications for our IPO Shares will be returned in full without interest. 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 CMSA shall apply whereby in addition to our liability, our officers shall be jointly and severally liable to repay such monies with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC from the expiration of that period. Please refer to Section 9.3.4 of this Prospectus for details in the event there is a delay in or termination of our Listing.

#### 4.2 BASIS OF ARRIVING AT THE IPO PRICE

Our Directors, Promoter and Offerors have determined the IPO Price of RM0.68 per IPO Share in consultation with our Principal Adviser, Sole Underwriter and Sole Placement Agent, based on the following factors:

- (i) our Group's EPS of approximately 8.4 sen based on our audited combined PAT of approximately RM41.8 million for the FYE 2021 and our enlarged total number of 500,000,000 Shares after our IPO, which translates into a price-to-earnings multiple of approximately 8.1 times;
- (ii) our pro forma combined NA per Share of RM0.50 as at 30 June 2022 based on our enlarged total number of 500,000,000 Shares after our IPO and after taking into consideration the use of proceeds from our Public Issue;
- (iii) our operating history and financial performance as set out in Sections 6 and 12 of this Prospectus respectively;
- (iv) our competitive strengths as set out in Section 7.3 of this Prospectus; and
- (v) our strategies and plans as set out in Section 7.22 of this Prospectus.

#### 4. DETAILS OF OUR IPO (CONT'D)

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 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 pro forma combined NA per Share as at 30 June 2022 after the declaration of interim dividend amounting to RM10.0 million for the FYE 2022, which was paid on 19 October 2022, was RM0.47 per Share, based on our total number of 423,911,500 Shares after the Acquisition of KSB but prior to our Listing. After taking into account our enlarged number of Shares from the issuance of 76,088,500 Issue Shares and after adjusting for the use of the proceeds from our IPO, our pro forma combined NA per Share as at 30 June 2022 would be RM0.50 per Share. This represents:

- (i) an immediate increase in pro forma combined NA per Share of RM0.03 or 6.4% to our existing shareholders; and
- (ii) an immediate dilution in pro forma combined NA per Share of RM0.18 or 26.5% from the IPO Price to our new investors.

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

	<b>RM</b>
IPO Price	0.68
Audited combined NA per Share as at 30 June 2022	0.50 <sup>(1)</sup>
Pro forma combined NA per Share as at 30 June 2022 after the declaration of interim dividend amounting to RM10.0 million for the FYE 2022, which was paid on 19 October 2022	0.47 <sup>(1)</sup>
Pro forma combined NA per Share as at 30 June 2022 after the Public Issue and the use of proceeds	0.50
Increase in pro forma combined NA per Share to existing shareholders	0.03
Dilution in pro forma combined NA per Share to new investors	0.18
Dilution in pro forma combined NA per Share to new investors as a percentage of the IPO Price	26.5%

**Note:**

- (1) Based on our total number of 423,911,500 Shares after the Acquisition of KSB but before our IPO.

Save as disclosed below, there has been no acquisition of any of our Shares by our Directors, Promoter, 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:

	<b>No. of Shares held after the Share Transfer but before our IPO</b>	<b>Total consideration (RM)</b>	<b>Average cost per Share (RM)</b>
<b><u>Promoter/Director/Substantial Shareholder</u></b>			
Tan Ah Kee	79,346,900	34,515,908	0.44
<b><u>Director/Substantial Shareholder</u></b>			
Teow Choo Hing	169,564,600	73,760,601	0.44
<b><u>Substantial Shareholder</u></b>			
Suan Neo Capital	175,000,000	83,688,175	0.48

#### 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 RM51.7 million in the following manner:

Details	RM'000	%	Estimated time frame for use of proceeds from the date of our Listing
Purchase of construction equipment			Within 36 months
- Aluminium formwork systems	18,000	34.8	
- Scaffoldings and cabins	6,000	11.6	
Purchase of land and construction of a storage and refurbishment facility	20,000	38.7	Within 36 months
Working capital	3,280	6.3	Within 24 months
Estimated listing expenses	4,460	8.6	Within 1 month
<b>Total</b>	<b>51,740</b>	<b>100.0</b>	

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

##### 4.4.1 Purchase of construction equipment

We have earmarked RM24.0 million, representing approximately 46.4% of the gross proceeds raised from the Public Issue, for the purchase of construction equipment, comprising aluminium formwork systems, scaffoldings and cabins to cater to our current construction projects and to facilitate the anticipated growth in our construction operations.

Generally, we offer aluminium formwork system as a construction technique when tendering for a project depending on the parameters such as number of buildings to be constructed as well as the design of the buildings. Aluminium formwork system is a common construction technique used for a large number of buildings of at least 100 units and when the buildings have standard design for the specific project to achieve overall efficiency and cost effectiveness in terms of better quality finishes. However, if aluminium formwork system is not suitable to be used, we will use conventional timber formwork. In some cases, our customers would request the use of aluminium formwork system in our construction work and under such circumstances, the use of aluminium formwork system would be a prerequisite in the tender document.

Aluminium formwork system is a lightweight modular formwork system which comprises various components such as, among others, wall panels, slab panels, beam side panels and components, deck panels and components, exterior and interior corners for wall panels. It is an advanced formwork system made of aluminium components that has great strength and durability, and is used for forming the cast-in-place concrete structures of a building (such as walls, columns, beams, staircases, slabs, floors, balconies and window hoods) at the construction site.

The advantage of using aluminium formwork system compared to conventional timber formwork is to enable us to improve our overall efficiency and cost effectiveness in terms of better quality finishes and higher standards of accuracy, as we place significant emphasis on the quality of our construction works. Compared to conventional timber formwork, the use of aluminium formwork system allows us to achieve a shorter turnaround time, reduce wastages (such as timber debris) at our construction sites which contributes to a cleaner environment, and reduce site labour as aluminium formwork system requires lesser manpower to assemble or dismantle. The uniform quality and smooth surface finishing from using aluminium formwork system eliminates the need for plastering work, which can be costly and time consuming. Furthermore, the aluminium panels are removable and can be reused with minimal maintenance, while those disposed can be recycled, thereby achieving sustainable construction.

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

Generally, the use of aluminium formwork system would lower our estimated project cost during tender bid by approximately 1.0% to 1.5% as compared to using conventional timber formwork. These advantages of using aluminium formwork system enable us to be competitive in our tender bid, which is expected to enhance our financial performance and results of operations.

The aluminium formwork will be removed once the concrete is cured and developed the required strength. They are then cleaned, and if required, will undergo repair and maintenance. The aluminium formwork can then be reused for our subsequent construction projects. Generally, aluminium formwork can be used for the construction of residential as well as non-residential buildings. Typically, the aluminium formwork has a useful life of up to 10 years and can be used for approximately 300 cycles, subject to proper repair and maintenance after each use as compared to conventional timber formwork which can only be used for up to 5 cycles. The installation of aluminium formwork is carried out by our skilled construction workers.

We continuously explore and adopt construction techniques and systems to improve productivity and deliver projects within the time, cost and quality standards as required by our customers. To that end, we started using aluminium formwork systems in our construction projects since 2017, and we intend to apply this formwork system in construction projects going forward, whichever is feasible. During the Financial Years/Period Under Review, we have been increasing the usage of our aluminium formwork systems in our construction projects as follows:

	Aluminium formwork		Conventional timber formwork		Total	
	No. of projects secured	%	No. of projects secured	%	No. of projects secured	%
FYE 2019	5	26.3	14	73.7	19	100.0
FYE 2020	6	42.9	8	57.1	14	100.0
FYE 2021	5	45.5	6	55.5	11	100.0
FPE 2022	4	57.1	3	42.9	7	100.0

As at the LPD, we have a total of 29,017 sq m of aluminium formwork systems. Our purchase of aluminium formwork system during the Financial Years/Period Under Review up to the LPD is set out below:

	Quantity
As at 1 January 2019	1,765 sq m
Aluminium formwork systems purchased during:	
• FYE 2019	4,380 sq m
• FYE 2020	5,231 sq m
• FYE 2021	7,846 sq m
• FPE 2022 and up to the LPD	9,795 sq m
<b>Total</b>	<b>29,017 sq m</b>

During the Financial Years/Period Under Review and up to the LPD, we did not dispose of any aluminium formwork system.

We intend to utilise RM18.0 million to purchase an estimated 25,000 sq m of aluminium formwork systems progressively over a period of 36 months to support our expansion of the scale of construction work using aluminium formwork systems as well as to replace our existing formwork systems which were damaged due to wear and tear.

Please refer to Section 7.22.2 of this Prospectus for further details of our Group's strategies and plans on the purchase of aluminium formwork systems.



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

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Scaffoldings are temporary structures used as working platforms to support workers or formwork structure during construction, while cabins are used as workers' accommodation at construction sites. We plan to utilise RM5.0 million to purchase an estimated 95,000 sq m of scaffoldings and RM1.0 million to purchase 150 units of cabins to replace our existing scaffoldings and cabins which have reached the end of their useful life of up to 5 years.

The construction equipment will be sourced via local suppliers and the estimated purchase cost are subject to changes. In the event the allocated proceeds are insufficient for the purchase of these construction equipment, any shortfall will be funded via internally generated funds and/or bank borrowings.

**4.4.2 Purchase of land and construction of a storage and refurbishment facility**

We have earmarked RM20.0 million, representing approximately 38.7% of the gross proceeds raised from the Public Issue, for the purchase of land to construct a storage and refurbishment facility.

In line with our plan to purchase additional aluminium formwork systems, details of which are provided in Section 4.4.1 above, we intend to acquire a piece of land with an approximate area of 3 acres to construct a storage and refurbishment facility with an approximate built-up area of 65,000 sq ft which will be used as a centralised storage facility to house all our aluminium formwork systems, scaffoldings and cabins that are not in use at our construction sites. The remaining land area comprises setback area of the new facility while the rest of the open area will be used to store the cabins.

As at the LPD, we store our aluminium formworks that are not in use at a rented storage facility located in Port Klang, Selangor. Meanwhile, the repair and refurbishment works of our aluminium formwork systems are outsourced to external party. The objective of having our own storage and refurbishment facility is to cater for the additional aluminium formwork systems that we intend to purchase to support our expansion in construction works using these systems. We will also be able to carry out in-house repair and refurbishment works on our aluminium formwork systems, save for certain modification works which are more cost effective to be outsourced to external party. These in-house repair and refurbishment works do not require technical skills and may be performed by our unskilled workers.

In addition, the storage and refurbishment facility would provide additional space to house our other construction equipment including scaffoldings and cabins as well as allow us to carry out in-house repair and refurbishment works. As at the LPD, we store our scaffoldings and cabins at the project sites. Upon the completion of the storage and refurbishment facility, we will undertake the repair and refurbishment of all our construction equipment such as aluminium formwork systems, scaffoldings and cabins in-house, save for certain modification works which are more cost effective to be outsourced to external party.

We anticipate to complete the land acquisition within 18 months from the date of our Listing, and commence construction of the storage and refurbishment facility immediately thereafter. The construction of the storage and refurbishment facility is estimated to take up to another 18 months to complete. As at the LPD, we are still in the midst of identifying the land to construct our storage and refurbishment facility. The exact location and size of the land are subject to changes depending on the price and availability. Other criteria for selection of location and size of the facility would include proximity to our on-going project sites while the size of the land would have to take into consideration an area to carry out repair and refurbishment works as well as storage space.

We estimate the land cost and the construction cost to be RM15.0 million and RM5.0 million respectively. In the event the allocated proceeds are insufficient for the purchase of land and construction of a storage and refurbishment facility, any shortfall will be funded via internally generated funds and/or bank borrowings.

Please refer to Section 7.22.3 of this Prospectus for further details of our Group's strategies and plans.

#### 4. DETAILS OF OUR IPO (CONT'D)

##### 4.4.3 Working capital

We have earmarked approximately RM3.3 million, representing approximately 6.3% of our gross proceeds from the Public Issue, for our working capital requirements. The proposed allocation of the proceeds is set out below:

Details	RM'000
Payment to subcontractors	2,300
Purchase of construction materials	980
<b>Total</b>	<b>3,280</b>

Subcontractor costs and construction materials are major components of our cost of sales which collectively contributed approximately 86.8%, 87.5%, 86.7% and 89.0% to our cost of sales for the Financial Years/Period Under Review respectively. As such, we have allocated the proceeds raised for working capital requirements to pay our subcontractors and to purchase building materials for new and existing projects over a period of 24 months from our Listing. The working capital allocation is expected to enhance our liquidity and cash flow position to support our day-to-day operations as well as better position ourselves in negotiating for more favourable commercial terms with our suppliers and subcontractors, such as rebates for bulk purchase or early payment discount.

Typically, the number and size of construction projects that we can undertake at any point in time is dependent on the availability of our working capital. As such the increase in cash reserves can be used for our upfront preliminary project mobilisation costs and disbursements, such as procurement of materials, appointment of subcontractors, sourcing of labour as well as rental of machinery and equipment, to allow us to tender for more projects to support the growth of our business operations. Depending on the terms of the contract, we may or may not be required to take out a performance bond of 5% of the contract sum in the form of bank guarantee. We may also be required to submit tender bond when tendering for new projects, the amount of which is specified in the tender document as determined by our customers.

##### 4.4.4 Estimated listing expenses

Approximately RM4.5 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	2,711
Fees to authorities	395
Underwriting commission, placement fees and brokerage fees	980
Miscellaneous expenses and contingencies <sup>(1)</sup>	374
<b>Total</b>	<b>4,460</b>

**Note:**

- (1) This includes any other incidental charges or related expenses in connection with our IPO, such as translation services, printing and advertising expenses, 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.

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#### 4. DETAILS OF OUR IPO (CONT'D)

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We will not receive any proceeds from the Offer for Sale. The Offer for Sale will raise gross proceeds of RM42.5 million which will accrue entirely to our Offerors. Our Offerors will be bearing their own placement fee in respect of our IPO.

#### 4.5 BROKERAGE FEE, UNDERWRITING COMMISSION AND PLACEMENT FEE

##### 4.5.1 Brokerage fee

We will pay brokerage fee in respect of the Issue Shares under the Retail Offering at a rate of 1.0% (exclusive of any applicable tax) of the IPO Price for all successful applications which bear the stamp of either the 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.

Our Sole Placement Agent is entitled to charge brokerage commission of up to 1.0% to successful applicants under the Institutional Offering. For the avoidance of doubt, such brokerage commission will be paid by successful applicants under the Institutional Offering and will not be borne by us nor the Offerors.

##### 4.5.2 Underwriting commission

As stipulated in the Underwriting Agreement, we will pay our Sole Underwriter an underwriting commission of the rate of 1.65% (exclusive of any applicable tax) of the total value of the underwritten 18,588,500 Issue Shares under the Retail Offering.

##### 4.5.3 Placement fee

The Offerors for the Offer Shares and us for the Issue Shares will pay the Sole Placement Agent a placement fee of up to 1.65% (exclusive of applicable tax) and may pay a discretionary incentive fee of up to 0.35% (exclusive of applicable tax) of the value of the 62,500,000 Offer Shares and 57,500,000 Issue Shares successfully placed out under the Institutional Offering.

#### 4.6 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We have entered into the Underwriting Agreement with the Sole Underwriter to underwrite 18,588,500 Issue Shares under the Retail Offering ("**Underwritten 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 obligation of the Sole Underwriter to underwrite the Underwritten Shares is conditional on, among others, the following:
  - (a) all necessary approvals required for our IPO and Listing remaining in full force and effect and that all conditions to these approvals (except for those which can only be complied with after our IPO has been completed) have been complied with and such approvals have not been withdrawn;
  - (b) the Sole Underwriter being satisfied that we have complied with and that our IPO is in compliance with the CMSA, policies, guidelines and requirements of Bursa Securities, the SC and all other applicable securities laws and regulations, including all revisions, amendments and/or supplements to it;

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

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- (c) there being no occurrence on or prior to the closing date of our IPO ("**Closing Date**") any breach of and/or failure to perform any of our undertakings contained in the Underwriting Agreement;
  - (d) there being no any investigation, direction or action by any judicial, governmental or regulatory authority in relation to our Listing or in connection with our Group which is still subsisting or not resolved to the satisfaction of the Sole Underwriter; and
  - (e) as at the Closing Date, there is no registration or lodgement of any supplementary or replacement Prospectus with the SC or the Registrar of Companies without the prior written approval of the Sole Underwriter; and
- (ii) notwithstanding anything contained in the Underwriting Agreement, the Sole Underwriter may terminate the Underwriting Agreement and withdraw its underwriting commitment upon the occurrence of any of the following:
- (a) there is a breach by our Company of any of the representations, warranties or undertakings contained in the Underwriting Agreement or which is contained in any certificate, statement or notice under or in connection with the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied to the satisfaction of the Sole Underwriter within such number of days as stipulated within the notice after notice of such breach has been given to our Company or by the Closing Date, whichever is earlier;
  - (b) there is failure on the part of our Company to perform any of our obligations contained in the Underwriting Agreement;
  - (c) there is withholding of information from the Sole Underwriter which is required to be disclosed pursuant to the Underwriting Agreement which, in the opinion of the Sole Underwriter, would have or can reasonably be expected to have a material adverse effect on the business or operations of our Group, the success of our IPO or the distribution or sale of our Shares issued or offered under our IPO, and if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach has been given to us;
  - (d) there shall have occurred or happened any material and adverse change in the business or financial condition of our Group;
  - (e) the Closing Date does not occur within 3 months from the date of the Underwriting Agreement ("**Agreement Date**"), subject to the extension of Closing Date which may be approved by the Sole Underwriter;
  - (f) our Listing does not take place by 25 January 2023 or such other extended date as may be agreed in writing by the Sole Underwriter;
  - (g) the occurrence of any force majeure event or any event or series of events beyond the reasonable control of the Sole Underwriter including, but not limited to, acts of government, acts of God (including, without limitation, the occurrence of a tsunami and/or earthquakes), acts of terrorism, strikes, national disorder, declaration of a state of emergency, lock outs, fire, explosion, flooding, landslide, civil commotion, sabotage, acts of war, diseases or accidents which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to our IPO or pursuant to the underwriting of the Underwritten Shares;

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

- (h) any material adverse change or any development involving a prospective change in national or international monetary, financial, economic or political conditions (including, but not limited to, conditions on the stock market in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates in both Malaysia and overseas) or foreign exchange controls or currency exchange rates or the occurrence of any combination of the foregoing which would or is likely to have a material adverse effect on the value or price of the IPO Shares. For the avoidance of doubt, any material adverse change in financial conditions shall include stock market conditions and interest rates. For this purpose, a material adverse change in the stock market condition shall mean the FTSE Bursa Malaysia KLCI ("**Index**") has dropped 15.0% between the Index level on the Agreement Date and the Closing Date (both dates inclusive) at any point in time during the Agreement Date and the Closing Date;
- (i) any new law or change in law, regulation, directive, policy or ruling in any jurisdiction, interpretation or application by the court/authorities which has/likely to have material adverse effect on our Group and/or materially prejudice the business or the operations of our Group, the success of our IPO or our Listing or the conditions generally or which has or is likely to have the effect of making the Underwriting Agreement incapable of performance in accordance with its terms;
- (j) any imposition of moratorium, suspension or material restriction on trading of securities on Bursa Securities due to exceptional financial circumstances or otherwise;
- (k) any government requisition or occurrence of any other nature which materially and adversely affect or will materially or adversely affect the business, operations and/or financial position or prospects of our Group or the success of our IPO;
- (l) in the event that our Listing is withdrawn;
- (m) any of the resolutions or approvals for our IPO and Listing is revoked, suspended or ceased to have any effect whatsoever, or is varied or supplemented upon terms that would have or is reasonably likely to have a material adverse effect;
- (n) any commencement of legal proceedings or action against any member of our Group or any of our Directors, which in the opinion of the Sole Underwriter, would have or is reasonably likely to have a material adverse effect or making it impracticable to market our IPO or to enforce contracts to allot and/or transfer our IPO Shares;
- (o) this Prospectus or the Application Forms (i) having terminated or rescinded in accordance with its terms; (ii) ceased to have any effect whatsoever; or (iii) varied or supplemented upon terms and such variation or supplementation would have or likely to have a material adverse effect; or
- (p) any other event which, in the reasonable opinion of the Sole Underwriter, would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of our Group, the success of our IPO or our Listing or market conditions generally or making any material part of the Underwriting Agreement incapable of performance in accordance with its terms.

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

### 5.1 PROMOTER AND SUBSTANTIAL SHAREHOLDERS

#### 5.1.1 Promoter's and Substantial Shareholders' shareholdings

The shareholdings of our Promoter and Substantial Shareholders before and after our IPO are as follows:

Name	Nationality/ Country of incorporation	Before our IPO / After the Acquisition of KSB				Before our IPO / After the Share Transfer			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>
<b><u>Promoter and Substantial Shareholder</u></b>									
Tan Ah Kee	Malaysian	97,499,700	23.0	156,847,200 <sup>(3)</sup>	37.0	79,346,900	18.7	175,000,000 <sup>(4)</sup>	41.3
<b><u>Substantial Shareholders</u></b>									
Teow Choo Hing	Malaysian	169,564,600	40.0	-	-	169,564,600	40.0	-	-
Suan Neo Capital	Malaysia	144,129,900	34.0	-	-	175,000,000	41.3	-	-
Name	Nationality/ Country of incorporation	After the Public Issue				After the Offer for Sale			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	% <sup>(2)</sup>	No. of Shares	% <sup>(2)</sup>	No. of Shares	% <sup>(2)</sup>	No. of Shares	% <sup>(2)</sup>
<b><u>Promoter and Substantial Shareholder</u></b>									
Tan Ah Kee	Malaysian	79,346,900	15.9	175,000,000 <sup>(4)</sup>	35.0	41,846,900	8.4	175,000,000 <sup>(4)</sup>	35.0
<b><u>Substantial Shareholders</u></b>									
Teow Choo Hing	Malaysian	169,564,600	33.9	-	-	144,564,600	28.9	-	-
Suan Neo Capital	Malaysia	175,000,000	35.0	-	-	175,000,000	35.0	-	-

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

### Notes:

- (1) Based on our total number of 423,911,500 Shares after the Acquisition of KSB but before our IPO.
- (2) Based on our enlarged total number of 500,000,000 Shares after our IPO.
- (3) Deemed interested by virtue of his shareholdings in Lembah Reka and Suan Neo Capital pursuant to Section 8 of the Act.
- (4) Deemed interested by virtue of his shareholding in Suan Neo Capital pursuant to Section 8 of the Act.

Our Promoter and Substantial Shareholders do not have different voting rights from the other shareholders of our Company.

Save as disclosed above, there are no other persons who directly or indirectly, jointly or severally, exercise control over our Company. As at the LPD, there is no arrangement between our Company and our shareholders with any third parties, the operation of which may at a subsequent date result in a change in control of our Company.

### 5.1.2 Profile of Promoter and/or Substantial Shareholders

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

#### **Tan Ah Kee**

*Promoter, Substantial Shareholder and Managing Director*

Tan Ah Kee, a Malaysian aged 62, is our Promoter, Substantial Shareholder and Managing Director. He is our co-founder and was appointed to our Board on 24 February 2022.

He graduated with Diploma in Technology (Building) from Tunku Abdul Rahman College (now known as Tunku Abdul Rahman University of Management and Technology) in 1984 and has been a member of the Chartered Institute of Building since 2005.

He started his career with Chi Liung Realty (M) Sdn Bhd, a construction company, in 1984 as Technical Assistant, where he was involved in site monitoring as well as managing the tender process and housing projects. He left the company in 1988. However, between 1988 and 1990, he continued to work with Chi Liung Realty (M) Sdn Bhd on a part-time basis to assist the company in completing its remaining projects which were previously under his purview.

In October 1990, he co-founded KSB together with Teow Choo Hing, both of whom are directors and shareholders of KSB. Throughout the years, Tan Ah Kee is responsible for the day-to-day management and business operations, and providing guidance and direction to our management team. Together with Teow Choo Hing, he is also responsible for the formulation of overall business expansion strategies and direction of our Group.

He has approximately 38 years of experience in the construction industry and has undertaken construction work for many township development projects including Eco Grandeur, Eco Majestic and Eco Forest under Eco World Development Group, City of Elmina under Sime Darby Property Group, Tropicana Aman under Tropicana Corporation Berhad, as well as Setia Eco Glades, Setia Safiro and Setia Eco Park under S P Setia Group.

As the Managing Director, he is responsible for the overall management and business operations of our Group as well as the strategic planning, formulation and implementation of our Group's strategies. He is also a director of several private limited companies, details of which are set out in Section 5.2.4 of this Prospectus.

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

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**Teow Choo Hing***Substantial Shareholder and Non-Independent Non-Executive Director*

Teow Choo Hing, a Malaysian aged 62, is our Substantial Shareholder and Non-Independent Non-Executive Director. He was appointed to our Board on 12 May 2022. He is also a member of our Nomination and Remuneration Committees.

He obtained a Bachelor of Science in Civil Engineering and a Master of Science in Civil Engineering from the University of Oklahoma, USA in 1984 and 1985, respectively. While he was in the USA, he worked as Project Engineer in LaForge & Budd Construction Company Inc, USA, and was involved in an interstate highway project in Oklahoma. He is also a Fellow member of the Institute of Corporate Directors Malaysia since September 2022.

In 1990, he was appointed as Director and became shareholder of Kindah Construction Sdn Bhd, where he dedicated most of his time in the construction industry. Subsequently in 1991, he was also appointed as Director of Storewell (M) Sdn Bhd, a company principally involved in bonded warehousing.

In 1996, he was appointed as Director of Century Logistics Sdn Bhd, a company principally involved in freight forwarding, warehousing and container haulage, where he was responsible for charting the direction and development of the company. In 1997, he was appointed as Managing Director of Century Logistics Holdings Sdn Bhd (now known as CJ Century Logistics Holdings Berhad, a logistics company listed on the Main Market of Bursa Securities). In 2020, he was re-designated as Chief Executive Officer of CJ Century and continues to hold the position as at the LPD where he is responsible for the overall management and business operations of the company including strategic planning, formulation and implementation of strategies, overseeing the financial performance and the investment and ventures development of the company.

In October 1990, Teow Choo Hing co-founded KSB together with Tan Ah Kee, both of whom are directors and shareholders of KSB, to venture into the construction business. Since the inception of KSB, Teow Choo Hing has left the day-to-day management of the company to Tan Ah Kee. However, in fulfilling his oversight responsibility, he participates in board matters in a non-executive role such as the formulation of overall business expansion strategies and direction of our Group together with Tan Ah Kee. Apart from attending meetings of the board of directors, he is not involved in the day-to-day operations of KSB.

He is also a director of several private limited companies, details of which are as set out in Section 5.2.4 of this Prospectus.

**Suan Neo Capital***Substantial Shareholder*

Suan Neo Capital was incorporated in Malaysia under the Companies Act 1965 on 13 April 2016 as a private limited liability company under the name of Kiharta Resources Sdn Bhd and is deemed registered under the Act. It assumed its present name on 3 June 2022. The principal activity of Suan Neo Capital is investment holding (in shares). As at the LPD, the issued share capital of Suan Neo Capital is RM250,000 comprising 250,000 ordinary shares and Tan Ah Kee is the sole director and shareholder.

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**5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**
**5.1.3 Changes in our Promoter's and Substantial Shareholders' shareholdings**

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

Name	As at 24 February 2022 (date of incorporation)				After the Acquisition of KSB				After the Share Transfer			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>
<b><u>Promoter and Substantial Shareholder</u></b>												
Tan Ah Kee	100	100.0	-	-	97,499,700	23.0	156,847,200 <sup>(3)</sup>	37.0	79,346,900	18.7	175,000,000 <sup>(4)</sup>	41.3
<b><u>Substantial Shareholder</u></b>												
Teow Choo Hing	-	-	-	-	169,564,600	40.0	-	-	169,564,600	40.0	-	-
Suan Neo Capital	-	-	-	-	144,129,900	34.0	-	-	175,000,000	41.3	-	-
Name	After the Public Issue				After the Offer for Sale							
	Direct		Indirect		Direct		Indirect					
	No. of Shares	% <sup>(2)</sup>	No. of Shares	% <sup>(2)</sup>	No. of Shares	% <sup>(2)</sup>	No. of Shares	% <sup>(2)</sup>				
<b><u>Promoter and Substantial Shareholder</u></b>												
Tan Ah Kee	79,346,900	15.9	175,000,000 <sup>(4)</sup>	35.0	41,846,900	8.4	175,000,000 <sup>(4)</sup>	35.0				
<b><u>Substantial Shareholder</u></b>												
Teow Choo Hing	169,564,600	33.9	-	-	144,564,600	28.9	-	-				
Suan Neo Capital	175,000,000	35.0	-	-	175,000,000	35.0	-	-				

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

### Notes:

- (1) Based on our total number of 423,911,500 Shares after the Acquisition of KSB but before our IPO.
- (2) Based on our enlarged total number of 500,000,000 Shares after our IPO.
- (3) Deemed interested by virtue of his shareholdings in Suan Neo Capital and Lembah Reka pursuant to Section 8 of the Act.
- (4) Deemed interested by virtue of his shareholding in Suan Neo Capital pursuant to Section 8 of the Act.

### 5.1.4 Amounts or benefits paid to our Promoter and Substantial Shareholders

Save for the issuance of our Shares as consideration for the Acquisition of KSB, the dividends paid by KSB as disclosed in Section 12.7 of this Prospectus, and the aggregate remuneration and benefits paid and proposed to be paid for services rendered in all capacities to our Group as disclosed in Section 5.2.3 of this Prospectus, there are no other amounts or benefits that have been paid or intended to be paid to our Promoter and Substantial Shareholders within the 2 years preceding the date of this Prospectus.

## 5.2 DIRECTORS

Our Board comprises the following members:

<b>Name / Designation</b>	<b>Age</b>	<b>Date of appointment</b>
Datuk Dr. Siti Hamisah Binti Tapsir / Independent Non-Executive Chairperson	61	25 May 2022
Tan Ah Kee / Managing Director	62	24 February 2022
Teow Choo Hing / Non-Independent Non-Executive Director	62	12 May 2022
Gam Boon Tin / Executive Director / COO	51	25 May 2022
Goh Yin Huat / Executive Director / CFO	41	25 May 2022
Low Chin Ann @ Han Chin Ann / Independent Non-Executive Director	42	25 May 2022
Chang Sua Yean / Independent Non-Executive Director	37	25 May 2022
Nooriah Binti Hassan / Independent Non-Executive Director	59	25 May 2022

Save for Tan Ah Kee who is the sole shareholder of Suan Neo Capital, none of our Directors represents any corporate shareholder on our Board. Please refer to Section 5.5 of this Prospectus for details on the family relationships and associations between our Promoter, Substantial Shareholders, Directors and Key Senior Management.

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

### 5.2.1 Directors' shareholdings

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

Name	Nationality	Before our IPO / After the Acquisition of KSB				After the Share Transfer and our IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(2)</sup>	No. of Shares	% <sup>(2)</sup>
Datuk Dr. Siti Hamisah Binti Tapsir	Malaysian	-	-	-	-	100,000	*	-	-
Tan Ah Kee	Malaysian	97,499,700	23.0	156,847,200 <sup>(3)</sup>	37.0	41,846,900	8.4	175,000,000 <sup>(4)</sup>	35.0
Teow Choo Hing	Malaysian	169,564,600	40.0	-	-	144,564,600	28.9	-	-
Gam Boon Tin	Malaysian	-	-	-	-	1,000,000	0.2	-	-
Goh Yin Huat	Malaysian	-	-	-	-	400,000	0.1	-	-
Low Chin Ann @ Han Chin Ann	Malaysian	-	-	-	-	75,000	*	-	-
Chang Sua Yean	Malaysian	-	-	-	-	50,000	*	-	-
Nooriah Binti Hassan	Malaysian	-	-	-	-	50,000	*	-	-

#### Notes:

\* Negligible.

(1) Based on our total number of 423,911,500 Shares after the Acquisition of KSB but before our IPO.

(2) Based on our enlarged total number of 500,000,000 Shares after our IPO.

(3) Deemed interested by virtue of his shareholdings in Suan Neo Capital and Lembah Reka pursuant to Section 8 of the Act.

(4) Deemed interested by virtue of his shareholding in Suan Neo Capital pursuant to Section 8 of the Act.

Subject to the clawback and reallocation provisions as set out in Section 4.1.5 of this Prospectus, our Directors (save for Tan Ah Kee and Teow Choo Hing) may subscribe for excess Issue Shares under those allocated for other Eligible Persons as well as the IPO Shares under the Public Issue.

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

### 5.2.2 Profile of our Directors

The profiles of our Directors are as follows:

**Datuk Dr. Siti Hamisah Binti Tapsir**  
*Independent Non-Executive Chairperson*

Datuk Dr. Siti Hamisah Binti Tapsir, a Malaysian aged 61, is our Independent Non-Executive Chairperson. She was appointed to our Board on 25 May 2022.

She graduated with Diploma in Civil Engineering with Institut Teknologi MARA (now known as Universiti Teknologi MARA) in 1982, Bachelor of Science in Civil Engineering from New England College, USA in 1984 and a Master of Science in Civil Engineering from the University of Lowell (now known as University of Massachusetts Lowell), USA in 1987. She also obtained a Doctor of Philosophy in Civil Engineering from the University of Leeds, United Kingdom in 1994.

She is a registered professional engineer with the Board of Engineers, Malaysia since 2001, a Fellow member of the Institution of Engineers, Malaysia since 2007 and a Professional Technologist of the Malaysia Board of Technologists since 2017. She is also a President of the Malaysia Board of Technologists since 2021 and a member of the Institute of Corporate Directors Malaysia since September 2022. In November 2022, she was appointed as a member of the Board of Governors for UCSI Hospital Sdn Bhd.

She started her career with Universiti Teknologi Malaysia (“**UTM**”) as Lecturer in 1987. Between 1991 and 1994, she was granted leave to pursue her Doctor of Philosophy in Civil Engineering from the University of Leeds, United Kingdom. During her tenure with UTM, she held various positions which include, among others, Head of Laboratory, Associate Professor, Assistant Director, Programme Director, Dean and Deputy Vice-Chancellor, and she was mainly responsible for lecturing, research, consultancy and management.

She left UTM as Campus Director of UTM International Campus in 2009 to join the Ministry of Higher Education as Deputy Director General in the same year. She was promoted to Director General of Higher Education in 2016, where she was responsible for overseeing the implementation of higher education policies at both public and private universities.

She left the Ministry of Higher Education and was appointed as Secretary General of the Ministry of Energy, Science, Technology, Environment and Climate Change (now known as the Ministry of Science, Technology and Innovation) in 2019, where she was responsible for developing and overseeing the roll-out of national policy on energy, science, technology, innovation and climate change in Malaysia. Following the restructuring of the said ministry by the Government in March 2020, she continued to hold the position of Secretary General up until March 2021. During this period, she was appointed as Adjunct Professor of UTM in January 2020 until her departure in January 2021.

In March 2021, she was re-appointed as Secretary General of the Ministry of Science, Technology and Innovation on a 6-month contract basis, where she was developing and overseeing the national agenda of science, technology and innovation of all the ministries. In addition, she was assigned to lead the roll-out of the COVID-19 Vaccination Plan under the COVID-19 Immunisation Task Force in Malaysia before her retirement in September 2021.

Upon retirement from her full time civil service in September 2021, she was appointed as Group Chief Executive Officer of UCSI Group and Vice-Chancellor of UCSI University in October 2021, where she mainly oversees the strategic agenda of the education, technology, hotels and travel segments as well as monitoring the performance and fiduciary duties of the UCSI Group and its group of companies. In May 2022, she was appointed as the Chairman of the Healthcare Work Culture Improvement Task Force established by the Ministry of Health Malaysia to cover aspects of work culture as well as human resources management of healthcare personnel. The task force has ended in August 2022.

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

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**Tan Ah Kee***Managing Director*

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

**Teow Choo Hing***Non-Independent Non-Executive Director*

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

**Gam Boon Tin***Executive Director / COO*

Gam Boon Tin, a Malaysian aged 51, is our Executive Director/COO. He was appointed to our Board on 25 May 2022.

He graduated with Diploma in Technology (Building) from Tunku Abdul Rahman College (now known as Tunku Abdul Rahman University of Management and Technology) in 1995.

He started his career with KSB as Assistant Quantity Surveyor in 1995, where he was involved in general quantity surveyor work, such as providing estimation on quantities, costs and time scales for materials and labour, and drawing up budget reports. He was promoted to Contract Executive in 1997 and was subsequently promoted to Contract Manager in 1997, where he was entrusted to monitor and control overall project cost, operational activities of our construction projects and oversee the tender process as well as contract management.

He was promoted to Senior Manager (Tender, Budget and Cost Control Department) in 2002, GM (Contract and Implementation) in 2005, Senior GM in 2016 and COO in 2022. Throughout his career with KSB, he was responsible for the overall project management and daily operations, including overseeing the tender process, contract management and implementation of projects, as well as administration and procurement. As COO, he also oversees the entire Contracts Department of our Group.

In his capacity as our Executive Director, Gam Boon Tin plays a vital role in assisting our Managing Director in ensuring that the strategic planning, formulation and strategies of our Group are successfully and viably implemented.

**Goh Yin Huat***Executive Director / CFO*

Goh Yin Huat, a Malaysian aged 41, is our Executive Director/CFO. He was appointed to our Board on 25 May 2022.

He graduated with a degree in Bachelor of Arts in Accounting from the University of Hertfordshire, United Kingdom in 2002. He has been a member of the Malaysian Institute of Accountants since 2008 and a Fellow member of the ACCA since 2012.

He started his career with Thiang & Co, an audit firm, as Audit Assistant in 2002, where he was involved in the audit of various private limited companies, mainly responsible for audit planning, resolving audit issues and review of statutory accounts. He subsequently left the firm as Audit Senior in 2005.

He joined Crowe Horwath (now known as Crowe Malaysia PLT) in 2005 as Audit Senior and was promoted to Audit Manager in 2010. During his tenure with the firm, he was responsible for managing the audit of both public and private limited companies and conducting financial due diligence in relation to business acquisition.

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

He left the audit firm to join Gabungan AQRS Berhad, a construction and property development company listed on the Main Market of Bursa Securities, as Finance Manager in 2012. He was subsequently promoted to Senior Finance Manager in 2015 and Deputy Group Financial Controller in 2018. During his tenure with the company, he was responsible for accounting and financial matters including, among others, planning of the yearly audit, preparing quarterly reports, annual cash flow budget and profit forecast, updating risk register and risk presentation at board meetings and compilation of the annual report. He also oversees tax matter and funding needs.

In 2019, he left Gabungan AQRS Berhad and joined KSB as CFO. He heads the Accounts and Finance Department where he is responsible for overseeing all aspects of accounting functions of KSB, including financial reporting, budgeting, taxation and cash flow management.

In his capacity as our Executive Director, Goh Yin Huat plays a vital role in assisting our Managing Director in ensuring that the strategic planning, formulation and strategies of our Group are successfully and viably implemented.

### **Low Chin Ann @ Han Chin Ann** *Independent Non-Executive Director*

Low Chin Ann @ Han Chin Ann, a Malaysian aged 42, is our Independent Non-Executive Director. He was appointed to our Board on 25 May 2022. He is also the Chairperson of our Audit and Risk Management Committee and a member of our Remuneration Committee.

He graduated with Diploma in Computer Science from Institut Latihan FTMS-ICL (now known as FTMS College) and completed the Certified Accounting Technician programme in 1999. He has been a member and Fellow member of the ACCA since 2005 and 2010 respectively, and a member of the Malaysian Institute of Accountants since 2021. He is also a member of the Institute of Corporate Directors Malaysia since September 2022.

He started his career with RKT Tax Consultants Sdn Bhd, a tax consultancy firm, as Tax Executive in 2001. He left the firm in 2001 and joined KLC Centre for Higher Studies in 2002 as Lecturer prior to him leaving the institute in 2002. Between 2003 and 2006, he joined Kasturi College International (now known as Malvern International Academy) as Course Director for the Certified Accounting Technician programme where he was responsible for conducting lectures and managing the said programme. He left the college in 2006 and joined both FTMS Consultants (M) Sdn Bhd and FTMS Global (Singapore) Ltd as Lecturer in 2007. He left the companies in 2007.

Since 2007, Mr Low has been the Director of Accentury Development Sdn Bhd, providing accountancy related training and conducting courses for ACCA programme for working adults. He has also been the Course Advisor for the ACCA programme at Methodist College Kuala Lumpur since 2017.

Mr Low sat on the board of Analabs Resources Berhad, a company listed on the Main Market of Bursa Securities, as Independent Non-Executive Director, a position he had held since 2012, prior to his re-designation as Senior Independent Non-Executive Director in 2015 and his retirement in October 2022.

As at the LPD, he also sits on the boards of several private limited companies as disclosed in Section 5.2.4 of this Prospectus.

### **Chang Sua Yean** *Independent Non-Executive Director*

Chang Sua Yean, a Malaysian aged 37, is our Independent Non-Executive Director. She was appointed to our Board on 25 May 2022. She is also the Chairperson of our Remuneration Committee and a member of our Nomination and Audit and Risk Management Committees.

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

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She graduated with a Bachelor of Laws degree from the University of Malaya in 2008 and was admitted to the High Court of Malaya as Advocate and Solicitor in 2009. She is also a member of the Institute of Corporate Directors Malaysia since September 2022.

She began her legal career in 2009 as Legal Assistant with Abraham Ooi & Partners, where her main area of practice was conveyancing. She left the firm in 2012 and joined Armyi Rais as Legal Assistant before she rejoined Abraham Ooi & Partners in the same year. She left the firm in 2013 to join Amir Faezal Norzela & Chong as Legal Assistant and was subsequently promoted to Partner in 2014 to head the Real Estate and Property Practice Group. She has gained extensive experience in real estate matters including property acquisition and divestment, development projects, commercial leasing, property financing, commercial and retail banking.

She left the law firm and joined Chuah & Yong as Partner in 2015, where her main area of practice was conveyancing and banking. Apart from her vast experience in real estate matters, she has also been advising and representing banks on legal documentation in banking transactions including refinancing and financing purchase of property.

**Nooriah Binti Hassan**

*Independent Non-Executive Director*

Nooriah Binti Hassan, a Malaysian aged 59, is our Independent Non-Executive Director. She was appointed to our Board on 25 May 2022. She is also the Chairperson of our Nomination Committee and a member of our Audit and Risk Management Committee.

She graduated with Bachelor of Architecture from The University of New South Wales, Australia in 1989. She has been a member of the Malaysian Institute of Architects and has been registered with the Board of Architects Malaysia since 2012. She is also a certified Project Management Professional with the Project Management Institute, USA since 2017 and a member of the Institute of Corporate Directors Malaysia since September 2022.

She started her career with Arkitek Kawasan Sekutu as Design Architect in 1989, where she was responsible for designing and assisted in various commercial and housing development projects. She left the firm and joined Arkitek Sama in 1991 as Project Architect until her departure in 1995. In 1995, she joined Arkitek N. Kang as Project Architect, where she was responsible for project management. She left the firm in 2007 and took a break thereafter.

In 2009, she joined Palm Grove Development Sdn Bhd as Project Architect / Master Planner, where she was the key personnel for the overall development of Bandar Nusaputra. She left the firm in 2012 and joined UEM Group Berhad group of companies as Senior Manager, Development, where she was in charge of the projects in the southern region of Malaysia. Subsequently, she was responsible for the management and development of the Serene Heights, Bangi township. She held the position of Project Team Leader prior to her retirement in 2021.

In 2014, she set up and registered Noori Hassan Architect with the Board of Architects Malaysia to provide architectural consultancy services.

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

### 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

<u>Director</u>	<u>Salaries<sup>(1)</sup> (RM'000)</u>	<u>Fees (RM'000)</u>	<u>Benefits- in-kind (RM'000)</u>	<u>Other emoluments<sup>(2)</sup> (RM'000)</u>	<u>Total (RM'000)</u>
Tan Ah Kee	7,980	300	17	958	9,255
Teow Choo Hing	-	300	-	-	300

#### Proposed for the FYE 2022

<u>Director</u>	<u>Salaries<sup>(4)</sup> (RM'000)</u>	<u>Fees (RM'000)</u>	<u>Benefits- in-kind (RM'000)</u>	<u>Other emoluments<sup>(2)</sup> (RM'000)</u>	<u>Total (RM'000)</u>
Datuk Dr. Siti Hamisah Binti Tapsir	-	84 <sup>(3)</sup>	-	-	84
Tan Ah Kee	3,180	-	17	382	3,579
Teow Choo Hing	-	300	-	-	300
Gam Boon Tin	612	-	17	73	702
Goh Yin Huat	276	-	9	33	318
Low Chin Ann @ Han Chin Ann	-	42 <sup>(3)</sup>	-	-	42
Chang Sua Yean	-	35 <sup>(3)</sup>	-	-	35
Nooriah Binti Hassan	-	35 <sup>(3)</sup>	-	-	35

#### **Notes:**

- (1) Including bonuses paid.
- (2) Comprise contributions to Employees Provident Fund, Social Security Organisation, Employment Insurance System, and allowances.
- (3) Being director's fees from the date they were appointed to our Board.
- (4) Excluding bonuses which will be determined at a later date depending on performance of the individuals and our Group.

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 PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### 5.2.4 Directorships and principal business activities outside our Group

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

#### (i) Datuk Dr. Siti Hamisah Binti Tapsir

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment as director</u>	<u>Date of resignation</u>	<u>Equity interest held</u>	
					<u>Direct (%)</u>	<u>Indirect (%)</u>
<b><u>Present involvement</u></b>						
<ul style="list-style-type: none"> <li>Malaysian Industry-Government Group for High Technology</li> </ul>	To prospect and promote the process of development for industries through the strategic application of science and technology, for the benefit of the socio-economic development of Malaysia	Director	10 July 2020	-	-	-
<ul style="list-style-type: none"> <li>Oppstar Berhad</li> </ul>	Investment holding, while its subsidiaries are involved in the provision of integrated circuit design and other related services	Independent Non-Executive Chairman	21 January 2022	-	-	-
<b><u>Past involvement</u></b>						
<ul style="list-style-type: none"> <li>Malaysia Venture Capital Management Berhad</li> </ul>	To establish, administer and manage venture capital for information and technology, and venture funds other than for information and technology, and to carry out activities related to venture capital management	Director	1 March 2020	15 September 2021	-	-

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

Company	Principal activities	Position held	Date of appointment as director	Date of resignation	Equity interest held	
					Direct (%)	Indirect (%)
• Malaysian Technology Development Corporation Sdn Bhd	Venture capital activities, management of government grants, technology incubation management and technology support services	Director	6 April 2020	15 September 2021	-	-
• MIMOS Berhad	Research and development in the field of information and communication technologies	Director	1 July 2020	15 September 2021	-	-
• Mranti Corporation Sdn Bhd	Provision of infrastructure, facilities and services; lending and advancing money or providing credit to persons or companies	Director	6 January 2020	15 September 2021	-	-
• Unitem Sdn Bhd	Operates Open University Malaysia and provides distance learning courses	Director	7 December 2017	29 January 2019	-	-
• Yayasan Inovasi Malaysia	Develop and promote creative skills in the fields of science and technology, nurture and support scientific innovation and conduct educational and awareness programmes	Director	30 June 2020	15 September 2021	-	-

**5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**
**(ii) Tan Ah Kee**

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment as director</u>	<u>Date of resignation</u>	<u>Equity interest held</u>	
					<u>Direct (%)</u>	<u>Indirect (%)</u>
<b><u>Present involvement</u></b>						
• Benteng Etika	Investment holding (investment in property)	Director and shareholder	20 March 2004	-	76.0	-
• D3 Properties Sdn Bhd	Investment holding (investment in property)	Director and shareholder	21 June 2021	-	100.0	-
• Delloyd Plantation Sdn Bhd	Cultivation of oil palms	Director and shareholder	15 March 1999	-	-	10.0 <sup>(1)</sup>
• Kheng Property Sdn Bhd	Investment holding (investment in property)	Director and shareholder	6 May 2021	-	49.0	-
• Kiharta Development	Property development	Director and shareholder	21 June 2001	-	60.0	-
• Kiharta Land Sdn Bhd	Investment holding (investment in property)	Director and shareholder	21 August 2020	-	-	100.0 <sup>(2)</sup>
• Kiharta Properties	Investment holding (investment in property) and property development	Director and shareholder	7 March 2000	-	50.0	-
• Kiharta	Investment holding (investment in property and shares)	Director and shareholder	3 August 1994	-	60.0	-
• Kireka Resources	Investment holding (investment in property)	Director and shareholder	11 March 2011	-	50.0	-

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

Company	Principal activities	Position held	Date of appointment as director	Date of resignation	Equity interest held	
					Direct (%)	Indirect (%)
• Kireka Sdn Bhd	Investment holding (investment in property)	Director and shareholder	24 July 2003	-	90.0	-
• Lembah Reka	Investment holding (investment in property and shares)	Director and shareholder	4 April 1996	-	-	100.0 <sup>(3)</sup>
• Magnavision (M) Sdn Bhd	Servicing and repairing motor vehicles	Shareholder	-	-	8.0	-
• PT Rebinmas Jaya	Cultivation of oil palms	Director	26 September 2014	-	-	-
• Sawah Bersatu Sdn Bhd	Investment holding (investment in property)	Director and shareholder	11 May 1994	-	50.0	-
• Suan Neo	Investment holding (investment in property)	Director and shareholder	3 June 2016	-	29.0	-
• Suan Neo Capital	Investment holding (investment in shares)	Director and shareholder	13 April 2016	-	100.0	-
• Suan Neo Resources	Investment holding (investment in shares)	Director and shareholder	22 September 1997	-	100.0	-
• Taipan Hectares Sdn Bhd	Investment holding (investment in property and shares)	Director and shareholder	3 January 2005	-	14.3	-
• Terang Pertiwi	Investment holding (investment in property)	Director and shareholder	18 May 2012	-	50.0	-

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

Company	Principal activities	Position held	Date of appointment as director	Date of resignation	Equity interest held	
					Direct (%)	Indirect (%)
• Welloyd Land Sdn Bhd	Property investment	Director and shareholder	10 July 2012	-	20.0	-
<b><u>Past involvement</u></b>						
• Kheng Realty Sdn Bhd	Investment holding (Investment in property)	Director	15 April 2004	28 February 2022	-	-
• Pembinaan Lembah Reka Sdn Bhd	Dormant	Director	28 March 1994	25 January 2018	-	-
• QLB	Provision of construction services	Director	25 January 2018	14 June 2022	-	-
• Welloyd Properties Sdn Bhd	Property development	Director	3 January 2012	3 March 2022	-	-

**Notes:**

- (1) Deemed interested by virtue of his shareholding in Kiharta pursuant to Section 8 of the Act.
- (2) Deemed interested by virtue of his shareholding in Kiharta Development pursuant to Section 8 of the Act.
- (3) Deemed interested by virtue of his shareholding in Suan Neo Resources pursuant to Section 8 of the Act.

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

**(iii) Teow Choo Hing**

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment as director</u>	<u>Date of resignation</u>	<u>Equity interest held</u>	
					<u>Direct (%)</u>	<u>Indirect (%)</u>
<b><u>Present involvement</u></b>						
• Brightberry Sdn Bhd	Investment holding (investment in shares)	Shareholder	-	-	37.5	-
• Century Logistics Sdn Bhd <sup>(1)</sup>	Investment holding (investment in shares)	Director	10 April 1996	-	-	-
• CJ Century (listed on the Main Market of Bursa Securities)	Investment holding, while its subsidiaries are involved in total logistics services, procurement logistics services, freight forwarding and shipping agency, bonded warehousing, warehousing services, trading in resin products and data management solutions	Director and shareholder	28 July 1997	-	8.3	0.4 <sup>(2)</sup>
• CJ Century Logistics Sdn Bhd <sup>(1)</sup>	Total logistics provider	Director	25 August 2003	-	-	-
• CJ Century Technology Sdn Bhd <sup>(1)</sup>	Procurement logistics services	Director	2 September 2014	-	-	-
• CJ Procurement Sdn Bhd <sup>(1)</sup>	Procurement logistics services (in the midst of winding up)	Director	9 June 2010	-	-	-
• Fortress Hub Sdn Bhd	Dormant <sup>(3)</sup>	Director and shareholder	6 July 2020	-	75.0	-

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

Company	Principal activities	Position held	Date of appointment as director	Date of resignation	Equity interest held	
					Direct (%)	Indirect (%)
• Kiharta	Investment holding (investment in property and shares)	Director and shareholder	8 March 1999	-	20.0	-
• Kiharta Development	Property development	Director and shareholder	21 June 2001	-	20.0	-
• Kiharta Land Sdn Bhd	Investment holding (investment in property)	Director and shareholder	21 August 2020	-	-	100.0 <sup>(4)</sup>
• Kiharta Properties	Investment holding (investment in property) and property development	Director and shareholder	7 March 2000	-	25.0	-
• Rancak Beta Sdn Bhd	Investment holding (investment in property)	Director and shareholder	23 February 2009	-	33.3	-
• Sawah Bersatu Sdn Bhd	Investment holding (investment in property)	Director and shareholder	11 May 1994	-	25.0	-
• Storewell (M) Sdn Bhd <sup>(1)</sup>	Bonded warehousing	Director	2 November 2015	-	-	-
<b><u>Past involvement</u></b>						
• Andaian Angkasa Sdn Bhd	Dormant (wound up on 8 July 2019)	Director	2 October 2013	-	-	-
• Century Logistics (Johore) Sdn Bhd	Dormant (dissolved on 7 February 2020)	Director	5 October 2000	-	-	-

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

Company	Principal activities	Position held	Date of appointment as director	Date of resignation	Equity interest held	
					Direct (%)	Indirect (%)
• Century Logistics (Sarawak) Sdn Bhd	Dormant (dissolved on 7 February 2020)	Director	16 December 2008	-	-	-
• Detik Juara Sdn Bhd	Dormant (dissolved on 14 June 2018)	Director	21 April 2011	-	-	-
• Firstland Development (M) Sdn Bhd	Dormant (dissolved on 8 June 2018)	Director	7 March 2006	-	-	-
• Kindah Property Sdn Bhd	Property investment (dissolved on 2 May 2018)	Director	26 February 2003	-	-	-
• Lembah Reka	Investment holding (investment in property and shares)	Director	8 July 2009	1 November 2021	-	-
• Northstar Commerce Sdn Bhd	Dormant (dissolved on 4 January 2020)	Director	19 September 2017	-	-	-
• Nusa Purnama Sdn Bhd	Dormant (dissolved on 12 September 2022)	Director	26 October 2020	-	-	-
• Pembinaan Lembah Reka Sdn Bhd	Dormant	Director	23 October 2012	25 January 2018	-	-
• QL B	Provision of construction services	Director	25 January 2018	14 June 2022	-	-



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

Company	Principal activities	Position held	Date of appointment as director	Date of resignation	Equity interest held	
					Direct (%)	Indirect (%)
• Senyuman Fajar Sdn Bhd	Dormant (dissolved on 27 September 2019)	Director	2 October 2013	-	-	-
• Suan Neo Capital	Investment holding (investment in shares)	Director	13 April 2016	1 November 2021	-	-
• Suan Neo Resources	Investment holding (investment in shares)	Director	22 September 1997	1 November 2021	-	-

**Notes:**

- (1) Subsidiaries of CJ Century.
- (2) Deemed interested by virtue of the shareholding of his spouse pursuant to Section 59(11)(c) of the Act.
- (3) Its intended principal activity is real estate activity on a fee or contract basis. However, there is no immediate plan for the commencement of business for this company.
- (4) Deemed interested by virtue of his shareholding in Kiharta Development pursuant to Section 8 of the Act.

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

**(iv) Gam Boon Tin**

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment as partner</u>	<u>Date of resignation</u>	<u>Equity interest held</u>	
					<u>Direct (%)</u>	<u>Indirect (%)</u>
<b><u>Past involvement</u></b>						
• Gabung Satu Properties PLT	Dormant (wound up on 15 March 2022)	Partner	9 July 2015	-	-	-

**(v) Low Chin Ann @ Han Chin Ann**

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment as director/partner</u>	<u>Date of resignation</u>	<u>Equity interest held</u>	
					<u>Direct (%)</u>	<u>Indirect (%)</u>
<b><u>Present involvement</u></b>						
• Accentury Development Sdn Bhd	Education services	Director and shareholder	14 June 2007	-	75.0	-
• Glorious Manna Sdn Bhd	Wholesale of fish and other seafood, farming of frogs and freshwater aqua culture	Director and shareholder	21 December 2017	-	33.3	-
• Passion Rise PLT	Operation of restaurant business	Partner	10 November 2021	-	-	-
• Peace Vista PLT	Dormant <sup>(1)</sup>	Partner	21 July 2021	-	-	-
• Trinity Genesis Origo Development Sdn Bhd	Online education and trading of education materials	Director and shareholder	20 August 2019	-	100.0	-

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

Company	Principal activities	Position held	Date of appointment as director/partner	Date of resignation	Equity interest held	
					Direct (%)	Indirect (%)
<b><u>Past involvement</u></b>						
• Analabs Resources Berhad (listed on the Main Market of Bursa Securities)	Investment holding and provision of management services to its subsidiaries which are mainly involved in recycling and manufacturing	Senior Independent Non-Executive Director	1 December 2012	5 October 2022	-	-
• CA Advisory	Training and development professional consultancy, professional management (expired on 16 August 2017)	Sole Proprietor	-	-	-	-
• Caprikalon Computers and Peripherals	Selling and repairing computers and computers accessories (expired on 16 August 2017)	Partner	15 August 1998	-	-	-
• Yong San Construction & Hardware Sdn Bhd	General constructions	Director	14 August 2008	5 August 2020	-	-

**Note:**

- (1) Its intended principal activity is growing of fruits and bearing of vegetables. However, there is no immediate plan for the commencement of business for this company.

**5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)****(vi) Chang Sua Yean**

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment as partner</u>	<u>Date of resignation</u>	<u>Equity interest held</u>	
					<u>Direct (%)</u>	<u>Indirect (%)</u>
<b><u>Present involvement</u></b>						
• Chuah & Yong	Provision of legal services	Partner	2 November 2015	-	-	-

**(vii) Nooriah Binti Hassan**

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment as director</u>	<u>Date of resignation</u>	<u>Equity interest held</u>	
					<u>Direct (%)</u>	<u>Indirect (%)</u>
<b><u>Present involvement</u></b>						
• Amisan Products (M) Sdn Bhd	Manufacture and sale of food products	Shareholder	-	-	0.2	-
• Noori Hassan Architect	Architectural consultancy services	Sole proprietor	-	-	-	-

The involvement of our Directors in those business activities outside our Group does not give rise to any conflict of interest situation with our 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.

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

### 5.3 BOARD PRACTICES

#### 5.3.1 Directorship

As at the LPD, the details of the date of expiration of the current term of office for each of our Directors and the period for which our Directors have served in that office are as follows:

<b>Name</b>	<b>Date of expiration of current term of office</b>	<b>No. of years in office up to the LPD</b>
Datuk Dr. Siti Hamisah Binti Tapsir	At our 1 <sup>st</sup> AGM to be held in 2023	Less than 1 year
Tan Ah Kee	At our 1 <sup>st</sup> AGM to be held in 2023	Less than 1 year
Teow Choo Hing	At our 1 <sup>st</sup> AGM to be held in 2023	Less than 1 year
Gam Boon Tin	At our 1 <sup>st</sup> AGM to be held in 2023	Less than 1 year
Goh Yin Huat	At our 1 <sup>st</sup> AGM to be held in 2023	Less than 1 year
Low Chin Ann @ Han Chin Ann	At our 1 <sup>st</sup> AGM to be held in 2023	Less than 1 year
Chang Sua Yean	At our 1 <sup>st</sup> AGM to be held in 2023	Less than 1 year
Nooriah Binti Hassan	At our 1 <sup>st</sup> AGM to be held in 2023	Less than 1 year

In accordance with our Constitution, all Directors shall retire from office at our 1<sup>st</sup> AGM and an election of Directors shall take place every year. At every AGM of our Company, 1/3 of our Directors who are subject to retirement by rotation for the time being or if their number is not 3 or a multiple of 3, then the number nearest to 1/3 shall retire from office and be eligible for re-election, provided that all Directors shall retire from office at least once in every 3 years. A retiring Director shall be eligible for re-election. A Director retiring at a meeting shall retain office until the conclusion of the meeting.

#### 5.3.2 Audit and Risk Management Committee

Our Audit and Risk Management Committee comprises the following members:

<b>Name</b>	<b>Position</b>	<b>Directorship</b>
Low Chin Ann @ Han Chin Ann	Chairperson	Independent Non-Executive Director
Chang Sua Yean	Member	Independent Non-Executive Director
Nooriah Binti Hassan	Member	Independent Non-Executive Director

The main functions of our Audit and Risk Management Committee are as follows:

- (i) review the appointment and performance of external auditors and recommend the appointment and reappointment of the external auditors;
- (ii) review with the external auditors, the audit scope and plan;
- (iii) review internal audit performance on an annual basis;
- (iv) review the adequacy of the internal audit scope and plan;
- (v) review major audit findings and management's response during the year with the management, external auditors and internal auditors;
- (vi) review the non-audit services provided by the external auditors and/or its network firms to our Company;

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

- (vii) review the risk profile of our Group and the risk management plans to mitigate business risks identified;
- (viii) review the quarterly results and the year-end financial statements, prior to approval by our Board;
- (ix) review any related party transaction and conflict of interest situation that may arise within our Group;
- (x) review the adequacy, integrity and effectiveness of risk management and internal control systems/framework, management information system, and the evaluation of the said systems by the internal auditors and/or external auditors;
- (xi) review the procedures established to address allegations raised by whistle-blowers, ensure independent investigation is conducted and follow-up action is taken and highlighted to the Audit and Risk Management Committee;
- (xii) review the effectiveness of anti-corruption measures; and
- (xiii) obtain regular updates from the management regarding compliance matters.

### 5.3.3 Nomination Committee

Our Nomination Committee comprises the following members:

<b>Name</b>	<b>Position</b>	<b>Directorship</b>
Nooriah Binti Hassan	Chairperson	Independent Non-Executive Director
Teow Choo Hing	Member	Non-Independent Non-Executive Director
Chang Sua Yean	Member	Independent Non-Executive Director

The main functions of our Nomination Committee are as follows:

- (i) identify and nominate, for the approval of our Board, candidates to fill our Board vacancies;
- (ii) recommend to our Board, Directors to fill the seats on board committees, size and balance, and gender composition of our Board;
- (iii) assess the training needs of each Director;
- (iv) review and make recommendations to our Board on succession planning for management;
- (v) develop, maintain and review the criteria to be used in the recruitment process and annual assessment of our Directors;
- (vi) assess annually the effectiveness of our Board as a whole, the committees of our Board and the contribution of each individual Director vide a formal and objective assessment; and
- (vii) review, at least once a year, its term of office, performance, constitution and terms of reference and recommend any changes it considers necessary to our Board for approval.

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

### 5.3.4 Remuneration Committee

Our Remuneration Committee comprises the following members:

<b>Name</b>	<b>Position</b>	<b>Directorship</b>
Chang Sua Yean	Chairperson	Independent Non-Executive Director
Teow Choo Hing	Member	Non-Independent Non-Executive Director
Low Chin Ann @ Han Chin Ann	Member	Independent Non-Executive Director

The main functions of our Remuneration Committee are as follows:

- (i) set the remuneration policy for all Directors and Key Senior Management;
- (ii) assist our Board in developing and administering fair and transparent procedures for setting policy on remuneration;
- (iii) formulate policies, procedures, guidelines and set criteria for such packages;
- (iv) recommend to our Board appropriate remuneration packages and ensure that our Board and Key Senior Management are fairly and appropriately remunerated according to the general market conditions;
- (v) ensure that all necessary actions are taken expediently by the Board to offer appropriate rewards, benefits, compensation and remuneration to ensure that the Company attracts and retains the individuals of our Board and Key Senior Management needed to run our Company successfully;
- (vi) ensure that all remuneration packages and benefits given are in compliance with all laws, rules, requirements, regulations and guidelines set by the relevant authorities and our Board from time to time;
- (vii) review the fees and benefits payable to Directors including any severance payment/compensation for loss of employment of Director or former Director and recommend to our Board and thereafter to be approved at a general meeting;
- (viii) recommend the engagement of external professional advisors to assist and/or advise our Remuneration Committee on remuneration matters, where necessary; and
- (ix) review, at least once a year, its own performance, constitution and terms of reference and recommend any changes it considers necessary to our Board for approval.

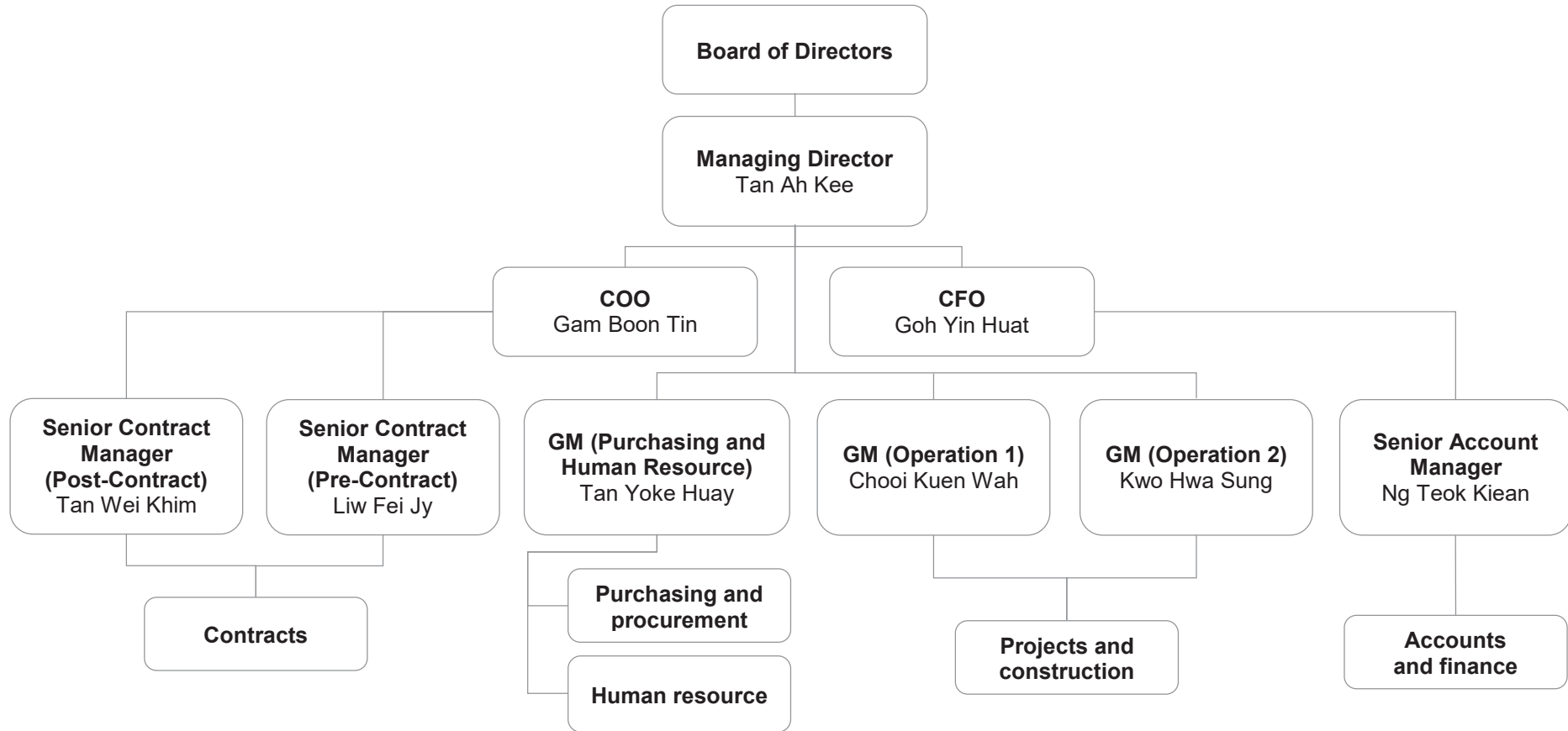
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**5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

**5.4 KEY SENIOR MANAGEMENT**

**5.4.1 Management Reporting Structure**

The management reporting structure of our Group is as follows:





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

### 5.4.2 Key Senior Management's shareholdings

The shareholdings of our Key Senior Management before 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	Nationality	Before our IPO / After Acquisition of KSB				After our IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(2)</sup>	No. of Shares	% <sup>(2)</sup>
Gam Boon Tin	Malaysian	-	-	-	-	1,000,000	0.2	-	-
Goh Yin Huat	Malaysian	-	-	-	-	400,000	0.1	-	-
Chooi Kuen Wah	Malaysian	-	-	-	-	400,000	0.1	-	-
Kwo Hwa Sung	Malaysian	-	-	-	-	400,000	0.1	-	-
Tan Yoke Huay	Malaysian	-	-	-	-	200,000	*	-	-
Ng Teok Kiean	Malaysian	-	-	-	-	200,000	*	-	-
Liw Fei Jy	Malaysian	-	-	-	-	200,000	*	-	-
Tan Wei Khim	Malaysian	-	-	-	-	200,000	*	-	-

#### Notes:

\* Negligible.

(1) Based on our total number of 423,911,500 Shares after the Acquisition of KSB but before our IPO.

(2) Based on our enlarged total number of 500,000,000 Shares after our IPO.

Subject to the clawback and reallocation provisions as set out in Section 4.1.5 of this Prospectus, our Key Senior Management may subscribe for excess Issue Shares under those allocated for other Eligible Persons as well as the IPO Shares under the Public Issue.

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

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**5.4.3 Profiles of our Key Senior Management**

The profiles of our Key Senior Management are as follows:

**Gam Boon Tin**  
*COO*

Please refer to Section 5.2.2 of this Prospectus for his profile.

**Goh Yin Huat**  
*CFO*

Please refer to Section 5.2.2 of this Prospectus for his profile.

**Chooi Kuen Wah**  
*GM (Operation 1)*

Chooi Kuen Wah, a Malaysian aged 52, is our GM (Operation 1). He is responsible for our Group's project management in terms of construction progress, quality, safety and environmental management, and contract administrative works.

Mr Chooi graduated with Certificate in Technology (Architecture) from Tunku Abdul Rahman College (now known as Tunku Abdul Rahman University of Management and Technology) in 1991 and he started his career with Low Yat Construction Co. Sdn Bhd as Trainee Draughtsman in the same year, where he was involved in the preparation of drawings.

He left the company in 1991 to join Comtrac Sdn Bhd as Assistant Quantity Surveyor in the same year and was involved in contract administration. In 1994, he was promoted to Quantity Surveyor, where his main responsibilities involved subcontractor management and preparing claims and bills to the clients and subcontractors.

In 1995, he joined KSB as Contract Executive and was involved in contract administration. He was subsequently promoted to Assistant Project Manager in the same year, where he was primarily involved in project tracking and monitoring and overseeing construction projects at the sites, ensuring that the work carried out was in accordance with the drawings. In 1997, he was promoted to Project Manager.

Thereafter in 2002, he was promoted to Senior Manager (Project Implementation Department) and was responsible for expanding the Project Department, providing training to the team members, and liaising with clients, consultants and authorities. He was promoted to GM (Operation 1) in 2016 to lead the Projects and Construction Department.

**Kwo Hwa Sung**  
*GM (Operation 2)*

Kwo Hwa Sung, a Malaysian aged 50, is our GM (Operation 2). He is responsible for our Group's overall project management which includes overseeing project managers and project monitoring.

Mr Kwo graduated with Diploma in Technology (Building) from Tunku Abdul Rahman College (now known as Tunku Abdul Rahman University of Management and Technology) in 1997. He obtained a Master of Science in Construction of Management from the University of Bath, United Kingdom, in 1999.

He began his career with KSB in 1999 as Project Executive where he was involved in project tracking and monitoring as well as preparation of progress reports for projects. He was promoted to Project Manager in 2004 and Senior Project Manager in 2009, where he was responsible for project planning and monitoring which included managing the projects, planning of manpower and schedule, site management, costing and monitoring the progress of projects.

In 2016, he was promoted to GM (Operation 2) to lead the Projects and Construction Department.

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


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**Tan Yoke Huay***GM (Purchasing and Human Resource)*

Tan Yoke Huay, a Malaysian aged 64, is our GM (Purchasing and Human Resource). She is responsible for the overall purchasing and procurement, human resource and administrative matters of our Group.

She attended her secondary education at Sekolah Menengah Kebangsaan (Perempuan) Bukit Kuda in Klang, Selangor. She began her career with Lim Eng Chuan OPEL Company in 1977 as Admin Clerk where she was involved in general administrative works. She left the company to join Federal Auto Cars Sdn Bhd in 1984 as Admin and Accounts Clerk, where she was involved in general administrative and accounting works. She left the company and joined KSB in 1994 as Administration Executive, where she was responsible for general administrative works such as preparation of documents for purchasing and payroll administration.

In 2002, she was promoted to Purchasing and Administration Manager, where her main responsibilities included overseeing the Purchasing and Procurement Department and the Human Resource Department, the overall purchasing and procurement matters, human resource matters and administrative matters such as liaising with suppliers to obtain quotes, sourcing for materials and handling suppliers' accounts with KSB and reviewing of purchase orders. In 2022, she was re-designated to assume her present role.

**Ng Teok Kiean***Senior Account Manager*

Ng Teok Kiean, a Malaysian aged 58, is our Senior Account Manager. She is responsible for the overall finance and accounting matters which includes overseeing the Accounts and Finance Department.

She obtained her Unified Examination Certificate from Sekolah Menengah Hin Hua in Klang, Selangor in 1982. Upon her graduation, she assisted in her family-owned business which is involved in palm trees and orchards. She began her career with Eetak Brick Factory Sdn Bhd, a brick manufacturer, as General Accountant in 1984, where she was responsible for the preparation of the company's accounts. She left the company in 1990.

She joined KSB as Accounts Clerk in 1991, where she was responsible for the preparation of the company's accounts. She was promoted to Accounts Executive in 1993 and Accounts Manager in 2002, where she was responsible for the day-to-day operations of our Group's finance and accounting functions including timely preparation of financial statements, submission of tax filing and monitoring of credit control. She reports to Goh Yin Huat, our CFO. She was promoted to Senior Account Manager in 2022.

**Liw Fei Jy***Senior Contract Manager (Pre-Contract)*

Liw Fei Jy, a Malaysian aged 40, is our Senior Contract Manager (Pre-Contract). She is responsible for leading the pre-contract team in preparing tender bids for submission.

Ms Liw graduated with Diploma in Technology (Quantity Surveying) from Tunku Abdul Rahman College (now known as Tunku Abdul Rahman University of Management and Technology) in 2003. She began her career with L'Grande Development Sdn Bhd, a construction and civil engineering company, in 2003 as Junior Contract Executive, where she assisted her superior on quantity surveying works. She left the firm in 2004 and joined Dayatera Engineering Sdn Bhd, a subcontractor of roof trusses, in 2005 as Estimator, where she was responsible for preparing estimation of quantity for production purposes, providing quotation to clients and handling progress claim. She left the company in the same year.

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

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In 2005, she joined KSB as Contract Executive, where she was responsible for post-contract works and quantity surveying works. In 2011, she left KSB and joined Kimly Construction Pte Ltd, a construction company based in Singapore, as Contract Executive, where she worked for 3 years and was responsible for post-contract works and quantity surveying works.

Upon returning to Malaysia, she re-joined KSB in 2014 as Senior Contract Executive (Pre-Tender) and was subsequently promoted to Assistant Contract Manager in 2015, where she was responsible for analysing project requirement and specification of products and materials, obtaining quotations from subcontractors to prepare tender bids, submitting tender bids to developers, conducting interviews and meetings with clients, maintaining vendor database and submitting financial capabilities to clients.

She was promoted to Contract Manager in 2018 and to Senior Contract Manager (Pre-Contract) in 2022 with additional responsibility that includes planning and scheduling the efficient use of aluminium formwork.

**Tan Wei Khim**

*Senior Contract Manager (Post-Contract)*

Tan Wei Khim, a Malaysian aged 43, is our Senior Contract Manager (Post-Contract). She is responsible for leading the post-contract team in handling the supply of materials.

She graduated with Diploma in Technology (Building) from Tunku Abdul Rahman College (now known as Tunku Abdul Rahman University of Management and Technology) in 2000 and began her career in 2001 as Estimator in Kampat Engineering Sdn Bhd, a company involved in the fabrication and installation of roof truss, where she was involved in the measurement and costing of roof trusses for construction works.

She left Kampat Engineering Sdn Bhd and joined KSB in 2003 as Assistant Quantity Surveyor, where she was responsible for assisting in quantity surveyor routine works, preparing budget and quotation, handling subcontractor claims and taking measurements at project sites. In 2008, she was promoted to Contract Executive, where she was primarily involved in quantity surveying works which includes drawing measurements, submission of progress claims, preparing variation orders and final accounts, and preparing subcontractor claims.

In 2013, she was promoted to Assistant Contract Manager, where she was responsible for the negotiation of material prices, monitoring contract executives on the submission of progress claims, preparation of variation orders and the final accounts. She was subsequently promoted to Contract Manager in 2015 and to Senior Contract Manager (Post-Contract) in 2022 and assumes her present role and responsibilities.

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

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

Save as disclosed below and in Section 5.2.4 of this Prospectus, none of our Key Senior Management has any directorships or any principal business activities outside our Group for the past 5 years up to the LPD:

#### (i) Chooi Kuen Wah

Company	Principal activities	Position held	Date of appointment as partner	Date of resignation	Equity interest held	
					Direct (%)	Indirect (%)
<b><u>Past involvement</u></b>						
• Gabung Properties PLT	Satu Dormant (wound up on 15 March 2022)	Partner	9 July 2015	-	-	-
• Jongking Sdn Bhd	Trading in recreational equipment (dissolved on 3 August 2020)	Shareholder	-	-	-	-

#### (ii) Kwo Hwa Sung

Company	Principal activities	Position held	Date of appointment as partner	Date of resignation	Equity interest held	
					Direct (%)	Indirect (%)
<b><u>Past involvement</u></b>						
• Gabung Properties PLT	Satu Dormant (wound up on 15 March 2022)	Partner/ Compliance Officer	9 July 2015	-	-	-

**5. INFORMATION ON OUR PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)****(iii) Tan Yoke Huay**

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment as director/partner</u>	<u>Date of resignation</u>	<u>Equity interest held</u>	
					<u>Direct (%)</u>	<u>Indirect (%)</u>
<b><u>Present involvement</u></b>						
• Kheng Realty Sdn Bhd	Investment holding (investment in property)	Director and shareholder	7 June 2004	-	50.0	-
<b><u>Past involvement</u></b>						
• Gabung Properties PLT	Satu Dormant (wound up on 15 March 2022)	Partner	9 July 2015	-	-	-

**(iv) Ng Teok Kiean**

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment as partner</u>	<u>Date of resignation</u>	<u>Equity interest held</u>	
					<u>Direct (%)</u>	<u>Indirect (%)</u>
<b><u>Past involvement</u></b>						
• Gabung Properties PLT	Satu Dormant (wound up on 15 March 2022)	Partner	9 July 2015	-	-	-

**(v) Liw Fei Jy**

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment as director</u>	<u>Date of resignation</u>	<u>Equity interest held</u>	
					<u>Direct (%)</u>	<u>Indirect (%)</u>
<b><u>Present involvement</u></b>						
• Cskon Sdn Bhd	Earthwork, infrastructure, plumbing and construction works	Shareholder	9 July 2015	26 June 2019	19.6	-

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

The involvement of our Key Senior Management in the business activities outside our Group as stated above:

- (i) does not give rise to any conflict of interest situation with our business; and
- (ii) 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.

### 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 the FYE 2022 <sup>(1)</sup>
Gam Boon Tin	1,550 - 1,600	600 - 650
Goh Yin Huat	250 - 300	250 - 300
Chooi Kuen Wah	550 - 600	350 - 400
Kwo Hwa Sung	400 - 450	300 - 350
Tan Yoke Huay	200 - 250	150 - 200
Ng Teok Kiean	200 - 250	150 - 200
Liw Fei Jy	200 - 250	150 - 200
Tan Wei Khim	200 - 250	150 - 200

**Note:**

- (1) Excluding bonuses which will be determined at a later date depending on performance of the individuals and our Group.

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

Save as disclosed below, there is no other family relationship and/or association between any of our Promoter, Substantial Shareholders, Directors and Key Senior Management as at the LPD:

- (i) Tan Ah Kee, who is our Promoter, Substantial Shareholder and Managing Director, is the sole shareholder of Suan Neo Capital and the brother of Tan Yoke Huay;
- (ii) Tan Yoke Huay, who is our GM (Purchasing and Human Resource), is the sister of Tan Ah Kee;
- (iii) Chooi Kuen Wah, who is our GM (Operation 1), is the spouse of Tan Wei Khim; and
- (iv) Tan Wei Khim, who is our Senior Contract Manager (Post-Contract), is the spouse of Chooi Kuen Wah.

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

### **5.6 DECLARATIONS BY OUR PROMOTER, DIRECTORS AND KEY SENIOR MANAGEMENT**

Save as disclosed below, as at the LPD, none of our Promoters, Directors, or Key Senior Management have 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 entered against such person, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his/her 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 on his/her part 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; and
- (viii) any unsatisfied judgment against such person.

Tan Ah Kee, our Promoter, Substantial Shareholder and Managing Director and Teow Choo Hing, our Substantial Shareholder and Non-Independent Non-Executive Director were charged in 2018 under the Destruction of Disease-Bearing Insects Act 1975 as Directors of KSB, for failure to prevent the breeding of aedes mosquito larvae on 2 construction sites, namely the City of Elmina (Elmina Valley 3B) Project and Setia Alam (Eximia) Project. Tan Ah Kee and Teow Choo Hing were both found guilty and were each imposed a fine of RM5,000 and RM4,000 by the court respectively.

As at the LPD, the matter had been settled before the court and all fines imposed had been duly paid. Since the occurrence of these events, we have strengthened our internal control policies in preventing the breeding of aedes mosquito larvae at our construction sites. Please refer to Section 7.25.3 of this Prospectus for further details of our breaches of the Destruction of Disease-Bearing Insects Act 1975.

Our Directors are of the view that the above cases will not affect the discharge of their duties and obligations as our Managing Director and Non-Independent Non-Executive Director.

### **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.



## 6. INFORMATION ON OUR GROUP

### 6.1 OUR GROUP

We were incorporated in Malaysia under the Act on 24 February 2022 as a private limited company under the name of Kumpulan Kitacon Sdn Bhd. On 23 May 2022, we were converted to a public limited company and assumed our present name. We are an investment holding company. Through our subsidiary, we are principally involved in the provision of construction services. Please refer to Section 6.5 of this Prospectus for further information on our subsidiary.

After the Acquisition of KSB, our issued share capital is RM184,401,509 comprising 423,911,500 Shares. Save as disclosed below, there has been no change in our issued share capital since the date of our incorporation up to the LPD:

Date of allotment	No. of Shares allotted	Nature of transaction	Consideration	Cumulative issued share capital	
				RM	No. of Shares
24 February 2022	100	Subscriber shares	Cash	50	100
21 October 2022	423,911,400	Acquisition of KSB	Other than cash	184,401,509	423,911,500

There are also no outstanding warrants, options, convertible securities or uncalled capital in respect of our Shares as at the LPD.

#### 6.1.1 Acquisition of KSB

On 11 May 2022, we entered into a conditional share sale agreement with Tan Ah Kee, Teow Choo Hing, Suan Neo Capital and Lembah Reka to acquire the entire equity interest in KSB comprising 30,000,000 ordinary shares for a total purchase consideration of RM184,401,459.

The purchase consideration was wholly satisfied via the issuance of 423,911,400 new Shares at an issue price of RM0.435 per Share to the vendors as follows:

Vendors	No. of shares acquired	% of share capital	Purchase consideration (RM)	No. of new Shares issued
Teow Choo Hing	12,000,000	40.0	73,760,601.00	169,564,600
Suan Neo Capital	10,200,000	34.0	62,696,506.50	144,129,900
Tan Ah Kee	6,900,000	23.0	42,412,326.00	97,499,600
Lembah Reka	900,000	3.0	5,532,025.50	12,717,300
<b>Total</b>	<b>30,000,000</b>	<b>100.0</b>	<b>184,401,459.00</b>	<b>423,911,400</b>

The purchase consideration of RM184,401,459 was arrived at on a willing-buyer willing-seller basis, after taking into consideration the adjusted NA of KSB as at 31 December 2021 of RM184,401,476 as follows:

	RM
Audited NA of KSB as at 31 December 2021	184,401,476
Adjusted for the Disposal of QLB <sup>(1)</sup>	
Add: Disposal consideration	2,418,068
Add: Entitlement to the dividend declared by QLB amounting to RM10.0 million after 31 December 2021	4,900,000
Less: 49.0% of the equity interest attributable to the audited NA of QLB as at 31 December 2021 of RM14,934,833	(7,318,068)
<b>Adjusted NA of KSB as at 31 December 2021</b>	<b>184,401,476</b>

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

**Note:**

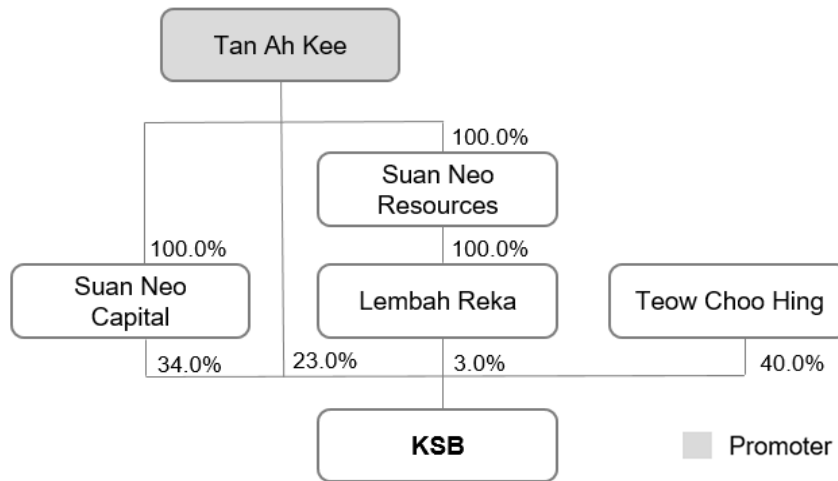
- (1) KSB entered into a conditional share sale agreement dated 6 May 2022 with Pembinaan Lembah Reka Sdn Bhd and Lim Peng Hong for the disposal of 49.0% and 51.0% equity interest in QLB by KSB and Pembinaan Lembah Reka Sdn Bhd respectively, to Lim Peng Hong, a non-related party. The share sale agreement was completed on 14 June 2022 and QLB ceased to be an associate of KSB thereafter. For information purposes, Pembinaan Lembah Reka Sdn Bhd was an investment holding company (investment in shares) which was jointly owned by non-related parties, namely Sabarin Bin Ibrahim (40.0%) and Zamri Bin Salleh (60.0%) immediately prior to the completion of the Disposal of QLB.

The Acquisition of KSB was completed on 21 October 2022.

**6.2 OUR GROUP STRUCTURE**

Our group structure before and after our IPO are set out below:

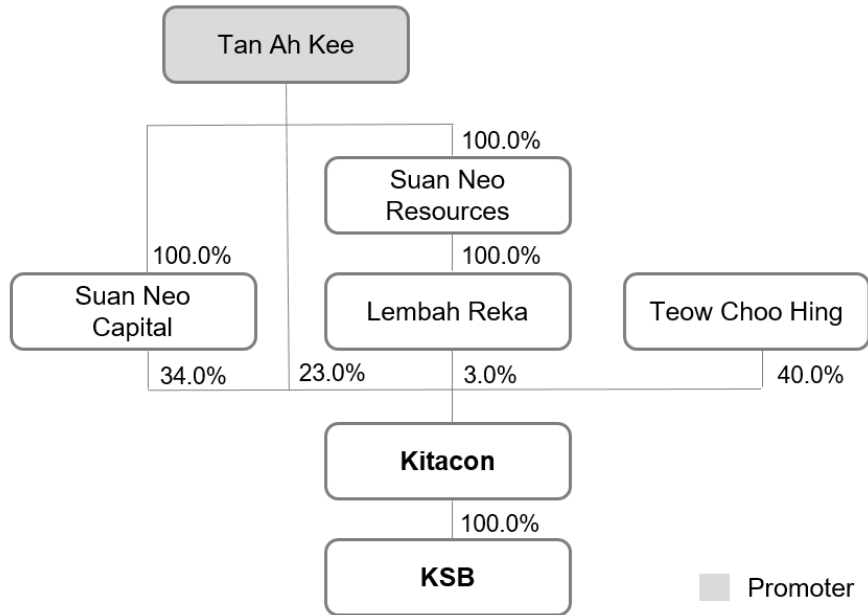
**6.2.1 Before the Acquisition of KSB**



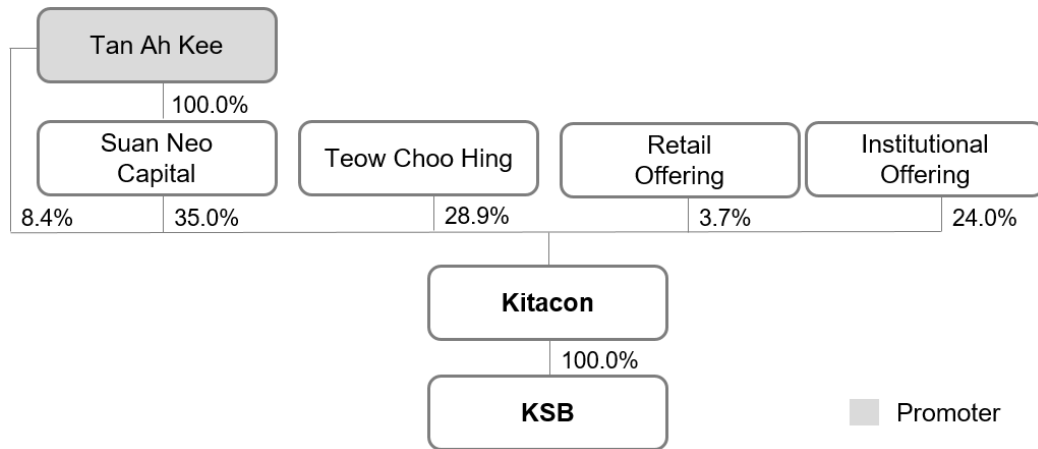
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**6. INFORMATION ON OUR GROUP (CONT'D)**

**6.2.2 As at the LPD / After the Acquisition of KSB but before our IPO**



**6.2.3 After the Share Transfer and our IPO**



**6.3 BUSINESS HISTORY AND MILESTONES OF OUR GROUP**

We are primarily involved in the provision of construction services where we construct residential and non-residential buildings. Residential buildings consist of landed buildings such as terrace, semi-detached and detached houses, cluster houses as well as townhouses, while non-residential buildings mainly consist of commercial, industrial, purpose-built and institutional buildings.

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

Our history can be traced back to October 1990 when our Managing Director, Tan Ah Kee, acquired 50.0% equity interest in KSB (formerly known as Aqua Gourmet Sdn Bhd, a company that was incorporated by Teow Choo Hing, our Non-Independent Non-Executive Director and Substantial Shareholder, his uncle and business associates with the intention of undertaking restaurants and catering business) from the subscriber shareholders for RM2 and commenced business as a construction services provider. At the same time, the remaining 50.0% equity interest was acquired by Kindah Construction Sdn Bhd, in which Teow Choo Hing held 30.0% equity interest, for RM2. In December 1996, Kindah Construction Sdn Bhd transferred its entire shareholding in KSB to be held directly by Teow Choo Hing, which resulted in Tan Ah Kee and Teow Choo Hing each holding 50.0% equity interest in KSB.

Between 1998 and 2017, KSB has undertaken various shareholding restructuring exercise involving the disposal of shares in KSB by Tan Ah Kee and Teow Choo Hing to a few shareholders who were associated with Tan Ah Kee and Teow Choo Hing, mainly to explore the expansion of KSB's construction business. These shareholders were employees of Tan Ah Kee and Teow Choo Hing, and had subsequently disposed of their shareholdings back to Tan Ah Kee and Teow Choo Hing. Notwithstanding the changes in the shareholding structure, our Group remains under the control of Tan Ah Kee and Teow Choo Hing since incorporation, and Tan Ah Kee had remained as the main driving force behind the business growth, development and the strategic direction of KSB together with the support and guidance of Teow Choo Hing throughout the period.

In January 2018, subsequent to another shareholding restructuring exercise undertaken by KSB involving the transfer of 4.0% equity interest in KSB by QLB to Lembah Reka, Tan Ah Kee and Teow Choo Hing each held 50.0% effective equity interest in KSB, represented by their direct shareholding of 23.0% each, and indirect shareholding via Suan Neo Capital (50.0%) and Lembah Reka (4.0%), both of which were equally owned by Tan Ah Kee and Teow Choo Hing.

In April 2018, KSB subscribed for 49% equity interest comprising 1,960,000 shares in QLB through the issuance of new shares at RM1.00 each for a total consideration of RM1,960,000. QLB was incorporated in December 1997, and is principally involved in the provision of construction services. The company served a small clientele base which included I & P Group, THP Enstek Development Sdn Bhd and PNB Development Group. During the Financial Years/Period Under Review, QLB subcontracted all of its projects awarded by its customers to KSB, which contributed between 1.6% and 11.4% to our total revenue.

In order to consolidate QLB's clientele base and construction services under KSB for cost effectiveness reason and to improve operational efficiency of our Group, KSB undertook the Disposal of QLB in May 2022. Prior to the Disposal of QLB, the directors of QLB were Tan Ah Kee, Teow Choo Hing, Sabarin Bin Ibrahim and Zamri Bin Salleh, and the shareholders of QLB were KSB (49.0%) and Pembinaan Lembah Reka Sdn Bhd (51.0%, previously an investment holding company which was jointly owned by Sabarin Bin Ibrahim (40.0%) and Zamri Bin Salleh (60.0%)). The Disposal of QLB was completed in June 2022 and is not expected to affect KSB in securing future projects as KSB would participate directly in all tenders, including the tender for projects from QLB's customers.

In November 2021, following the issuance of 10,000,000 new shares by KSB at an issue price of RM1.00 each (of which 2,600,000 shares were subscribed in cash by Tan Ah Kee, Suan Neo Capital and Lembah Reka collectively, while the remaining 7,400,000 shares were subscribed in cash by Teow Choo Hing), Teow Choo Hing held 40.0% equity interest in KSB directly, while the remaining 60.0% equity interest in KSB was held by Tan Ah Kee, whereby 23.0% was held directly while 34.0% and 3.0% were held indirectly through Suan Neo Capital and Lembah Reka respectively. Both Suan Neo Capital and Lembah Reka were wholly-owned by Tan Ah Kee. The above new share issuance by KSB was mainly intended to restructure the shareholders' shareholdings in KSB.

## 6. INFORMATION ON OUR GROUP (CONT'D)

The table below sets out the key events and milestones in the history and development of our business:

<b>Year</b>	<b>Key events and milestones</b>
1990	KSB commenced operations in 1990 as a construction services provider where we started with various small-scale construction and subcontracting works including renovations and construction of an industrial building.
1993	We secured the first parcel of a township development in Bandar Sri Damansara, Selangor from our customer, Sri Damansara Sdn Bhd, a wholly-owned subsidiary of Land & General Berhad. Our first contract with this customer started with the construction of show houses for Sri Damansara Home Village followed by an additional 4 contracts for the construction of 388 units of double-storey terrace houses and 32 units of double-storey shop offices between 1993 and 1998. The total contract value for the 5 contracts was RM50.3 million and these contracts were completed between 1993 and 2000.
1996	<ul style="list-style-type: none"> <li>We were registered with CIDB as a contractor since 1996 and subsequently we received the certificate of registration from CIDB in 1997 as a G7 contractor. As a G7 registered contractor we are allowed to tender for projects without any limitation in size or value.</li> <li>We secured the first parcel of the Kota Kemuning township development for the construction of terrace houses in Kota Kemuning, Selangor from Hicom-Gamuda Development Sdn Bhd, the then associate of Gamuda Berhad. Subsequently between 1997 and 2000, we continued to secure an additional 7 contracts within the same township development. The total value for the 8 contracts was RM103.3 million comprising 636 units of terrace houses, 678 apartment units and a school. The contracts were completed between 1998 and 2002.</li> </ul>
1998	<ul style="list-style-type: none"> <li>We secured the first parcel of the Bukit Jelutong township development from Guthrie Property Development Holding Sdn Bhd, a subsidiary of Kumpulan Guthrie Berhad. Subsequently between 1999 and 2004, we continued to secure an additional 6 contracts for the construction of 637 units of terrace houses and 704 apartment units within the same township development. The total contract value for the 7 contracts was RM156.1 million and these contracts were completed between 2000 and 2006.</li> <li>Subsequent to the merger between Kumpulan Guthrie Berhad, Sime Darby Berhad and Golden Hope Plantations Berhad in 2007, we continued to secure an additional 4 contracts within the same Bukit Jelutong township development for the construction of 80 units of semi-detached houses and 26 units of detached houses with a total contract value of RM137.7 million between 2009 and 2021 from Sime Darby Property Group. Out of the 4 contracts, we have completed 3 contracts between 2011 and 2019 with an ongoing residential project as at the LPD, namely the Bukit Jelutong (Trilia) Project, which is expected to be completed by July 2023.</li> </ul>
2000	We secured the first parcel of the Alam Damai township development from Syarikat Perumahan Pegawai Kerajaan Sdn Bhd under I & P Group for the construction of terrace houses in Alam Damai, Selangor. Subsequently between 2002 and 2016, we continued to secure an additional 5 contracts within the same township development. The total contract value for the 6 contracts was RM79.8 million comprising 348 units of terrace houses, 72 units of semi-detached houses, and a sales gallery. These contracts were completed between 2002 and 2017.
2001	We secured our first construction contract in Negeri Sembilan from TH Properties Sdn Bhd under Lembaga Tabung Haji, for the construction of 103 units of terrace houses in Kota Warisan, Negeri Sembilan with a contract value of RM10.0 million. The project was completed in 2002.

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

<b>Year</b>	<b>Key events and milestones</b>
2002	<ul style="list-style-type: none"> <li>We secured the first parcel of the Ara Damansara township development from Sime Darby Property Group. Between 2003 and 2004, we secured an additional 2 contracts within the same township development. The total contract value of the 3 projects was RM56.2 million comprising 306 units of terrace houses and 48 units of semi-detached houses and these contracts were completed between 2003 and 2006.</li> <li>We secured the first parcel of the Desa Coalfields township development from KL-Kepong Property Development Sdn Bhd, a subsidiary of Kuala Lumpur Kepong Berhad. Subsequently between 2002 and 2007, we continued to secure an additional 4 contracts within the same township development. The total contract value of the 5 contracts was RM91.9 million which comprised the construction of 765 units of terrace houses, 260 units of townhouses, and 54 units of shop offices. These contracts were completed between 2003 and 2009.</li> </ul>
2005	<ul style="list-style-type: none"> <li>We secured the first parcel of the Bandar Enstek township development from THP Enstek Development Sdn Bhd under Lembaga Tabung Haji for the construction of residential buildings in Bandar Enstek, Negeri Sembilan. Subsequently between 2005 and 2012, we continued to secure additional 9 contracts within the same township development. The total contract value of the 10 contracts was RM149.2 million which comprised the construction of 658 units of terrace houses, 60 units of semi-detached houses, 115 units of detached houses and a show village. These contracts were completed between 2007 and 2014. In September 2022, we secured a residential project in Bandar Enstek, Negeri Sembilan, namely the Bandar Enstek (Pristine 4) Project with a contract value of RM20.0 million which commenced construction in October 2022 and is expected to be completed by April 2024.</li> <li>We secured the first parcel of the Bandar Bukit Raja township development from Sime Darby Property Group. Between 2006 and 2021, we continued to secure 19 other contracts within the same township development with a total contract value of RM377.9 million comprising 1,701 units of terrace houses, 69 units of shop offices and 84 units of low-cost factories. These contracts were completed between 2007 and 2020. As at the LPD, we have an ongoing residential project in Bandar Bukit Raja, namely the Bandar Bukit Raja (Rumah Selangorku) Project with a contract value of RM30.5 million which commenced in April 2021 and subject to the EOT being approved, the project is expected to be completed by March 2023.</li> </ul>
2007	We secured the first parcel of the Alam Impian township development from Syarikat Perumahan Pegawai Kerajaan Sdn Bhd under the I & P Group. Between 2009 and 2017, we continued to secure another 7 contracts, of which 4 contracts were secured through QLB for the construction within the same development. The total contract value of these 8 contracts was RM186.3 million which comprised the construction of 502 units of terrace houses, 32 units of semi-detached houses and 12 units of shop offices. The contracts were completed between 2010 and 2019.
2010	<ul style="list-style-type: none"> <li>We secured the first parcel of the Kota Seriemas township development from Seriemas Development Sdn Bhd under PNB Development Group. Between 2011 and 2017, we continued to secure 4 other contracts within the same township development including 2 contracts which were secured through QLB. The total contract value of these 5 contracts was RM151.5 million comprising 552 units of terrace houses and these contracts were completed between 2012 and 2019.</li> <li>We secured the first parcel of the Subang Bestari township development from Worldwide Holdings Berhad. Between 2010 and 2015, we continued to secure 3 other contracts within the same township development. The total contract value of the 4 contracts was RM110.1 million comprising 46 units of semi-detached houses, 42 units of detached houses as well as 40 units of shop offices. These contracts were completed between 2011 and 2019.</li> </ul>

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

<b>Year</b>	<b>Key events and milestones</b>
2014	We secured the first parcel of the Setia EcoHill township development from Setia Ecohill Sdn Bhd under S P Setia Group for the construction of residential buildings in Setia EcoHill, Selangor. Subsequently in 2015, we secured another contract for the construction of residential buildings within the same township development. The total contract value of the 2 contracts was RM36.6 million which comprised the construction of a total of 163 units of terrace houses and the construction of both contracts were completed in 2016.
2015 to 2022	<ul style="list-style-type: none"> <li>• Having established our track record in completing numerous projects, we continued to secure contracts from Sime Darby Property Group, including: <ul style="list-style-type: none"> <li>(i) our first construction project in Johor where we secured the first parcel of the Bandar Universiti Pagoh township development in 2015, followed by 3 other contracts within the same township development between 2016 and 2021. Out of the 4 contracts, we completed 3 contracts with a total contract value of RM94.9 million comprising 206 units of terrace houses and 108 units of shop offices between 2017 and 2021. As at the LPD, we have an ongoing commercial project in Bandar Universiti Pagoh, namely the Pagoh Restaurant Project with a contract value of RM2.8 million which commenced in January 2022 and subject to the EOT being approved, this project is expected to be completed by March 2023;</li> <li>(ii) the first parcel of the City of Elmina township development in 2015, followed by 12 other contracts within the same township development between 2016 and January 2022. We completed 8 contracts with a total contract value of RM338.9 million comprising 732 units of terrace houses, 70 units of shop offices and 14 units of factories between 2016 and up to the LPD. As at the LPD, we have 6 ongoing residential, commercial and industrial projects in City of Elmina with a total contract value of RM383.3 million which are expected to be completed between 2022 and 2024.</li> </ul> </li> <li>• In 2015, we secured the first parcel of the Tropicana Aman township development from Tropicana Aman Sdn Bhd, a subsidiary of Tropicana Corporation Berhad. Since our first project with this customer, we continued to secure another 10 contracts for the construction of residential as well as non-residential buildings within the same township development. Between 2015 and 2022, we completed 9 contracts with a total contract value of RM421.7 million comprising 337 units of terrace houses, 170 units of semi-detached houses, 41 units of detached houses, 288 units of shop offices, a clubhouse and a school. As at the LPD, we have 2 ongoing residential projects in Tropicana Aman, namely the Tropicana Aman (Elemen Residences) Project and Tropicana Aman (Freesia Residence) Project, with a total contract value of RM246.9 million which are expected to be completed in 2023.</li> <li>• In 2015, we secured the first parcel of the Eco Majestic township development from Eco Majestic Sdn Bhd under Eco World Development Group. Since our first project with this customer, we continued to secure 4 other contracts within the same township development. Between 2016 and up to the LPD, we completed 5 contracts with a total contract value of RM136.1 million comprising 290 units of terrace houses, 192 units of cluster houses, a shopping complex with 8 shop units as well as extension works for an existing sales gallery.</li> </ul>

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

<b>Year</b>	<b>Key events and milestones</b>
2015 to 2022	<ul style="list-style-type: none"> <li>In 2015, we secured the first parcel for the Serene Heights township development from Symphony Hills Sdn Bhd, a wholly-owned subsidiary of UEM Sunrise Berhad. Since our first project with this customer, we continued to secure 9 other contracts within the same township development. Between 2018 and up to the LPD, we have completed 7 contracts comprising 479 units of terrace houses with a total contract value of RM148.0 million. As at the LPD, we have 3 ongoing residential projects in Serene Heights with a total contract value of RM62.9 million which are expected to be completed by 2023.</li> <li>In 2018, we secured the first parcel of the Kota Emerald township development from GLM Emerald West (Rawang) Sdn Bhd, a joint venture entity of GuocoLand (Malaysia) Berhad. Since our first project with this customer, we continued to secure another contract in 2019 for the construction of residential buildings within the same township development. The total contract value of the 2 projects was RM114.4 million comprising 441 units of terrace houses and these contracts were completed in 2019 and 2021 respectively.</li> </ul>

**6.4 AWARDS AND RECOGNITION**

During the Financial Years/Period Under Review up to the LPD, we obtained the following certifications, awards and recognitions:

**6.4.1 ISO certifications**

As at the LPD, we obtained the following ISO certifications awarded by SIRIM QAS International Sdn Bhd:

<b>Year</b>	<b>Certifications</b>
2007	ISO 9001:2015 (quality management systems) for the provision of construction services for building and civil engineering works which was subsequently renewed in September 2022 with validity period up to August 2025
2008	<ul style="list-style-type: none"> <li>ISO 14001:2015 (environmental management systems) for the provision of construction services for building and civil engineering works which was subsequently renewed in 2020 with validity period up to December 2023</li> <li>ISO 45001:2018 (occupational health and safety management systems) for the provision of construction services for building and civil engineering works which was subsequently renewed in 2020 with validity period up to December 2023</li> </ul>

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## 6. INFORMATION ON OUR GROUP (CONT'D)

### 6.4.2 QCLASSIC Awards

Over the last 5 years from 2018 up to the LPD, we have obtained the following QCLASSIC awards from CIDB:

Year	Awards
2018	<ul style="list-style-type: none"> <li>Best QCLASSIC Achievement Awards 2018 (Residential) and High QCLASSIC Achievement Awards 2018 for Bandar Universiti Pagoh (Sarjana Square) Project with a score of 82%</li> <li>High QCLASSIC Achievement Awards 2018 for a residential project known as Avanti Residences located at Shah Alam, Selangor with a score of 80%</li> <li>High QCLASSIC Achievement Awards 2018 for an industrial project known as Gateway 16 located at Bandar Bukit Raja, Selangor with a score of 80%</li> <li>High QCLASSIC Achievement Awards 2018 for a residential project known as Aleya Twin Villas located at Bukit Jelutong, Selangor with a score of 85%</li> <li>High QCLASSIC Achievement Awards 2018 for a residential project known as Anika located at Bandar Ainsdale, Negeri Sembilan with a score of 82%</li> </ul>
2020	<ul style="list-style-type: none"> <li>Construction Quality Excellence Awards 2020 for High QCLASSIC Achievement (Landed Residential Development) for the Bandar Bukit Raja (Azira) Project with a score of 83%</li> <li>Construction Quality Excellence Awards 2020 for High QCLASSIC Achievement (Landed Residential Development) for the City of Elmina (Liana) Project with a score of 83%</li> </ul>
2022	<ul style="list-style-type: none"> <li>QCLASSIC Excellence Award for the City of Elmina (Elmina Valley 5B) Project with a score of 87%</li> </ul>

The QCLASSIC scores for our other projects from 2018 up to the LPD are as follows:

Year	Project	Score
2018	<ul style="list-style-type: none"> <li>Setia Alam (Eximia) Project</li> <li>Setia Alam (Opacus) residential project</li> <li>Bandar Tasik Puteri (Phase 3A) residential project</li> <li>Bandar Tasik Puteri (Phase 3B) residential project</li> <li>Bandar Universiti Pagoh (Harmoni Vista) residential project</li> <li>City of Elmina (Elmina Green 3B) residential project</li> <li>City of Elmina (Elmina Valley 3B) Project</li> <li>Tropicana Aman (Arahsia Residences) residential project</li> <li>Serene Heights (Begonia) residential project</li> </ul>	77% 75% 77% 76% 80% 81% 84% 80% 77%
2019	<ul style="list-style-type: none"> <li>Bandar Seri Putra (SP Retail Centre) commercial project</li> <li>Bukit Jelutong (Tara) Project</li> <li>Tropicana Aman (Sinaria) Project</li> <li>Subang Bestari (Amber) Project</li> </ul>	77% 81% 75% 80%
2020	<ul style="list-style-type: none"> <li>Bandar Bukit Raja (3 Avenue) Project</li> <li>Bukit Puchong (Andira Park) Project</li> <li>Emerald West (Chloe Residence) Project</li> </ul>	82% 81% 83%

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

<b>Year</b>	<b>Project</b>	<b>Score</b>
2021	• Bandar Tasik Puteri (Acacia Park) Project	80%
	• Emerald West (Garland Residence) Project	81%
	• City of Elmina (Elmina Valley 5A) Project	82%
	• Bandar Seri Coalfields (Hampton Residences) Project	85%
	• Serene Heights (Dahlia 2) Project	80%
	• Serene Heights (Eugenia 1) Project	84%
	• Tropicana Aman (Dalia Residences) Project	80%
	• Tropicana Aman Clubhouse Project	82%
	• Alam Perdana (Halya @ Daunan Worldwide - Phase 1) Project	80%
	• Bangi (Residensi Purun) Project	85%
	• Puncak Bestari 2 (Azalea) Project	80%
2022	• Bandar Universiti Pagoh (Sarjana Promenade) Project	69%
	• Tropicana Aman (Triana) Project	78%
	• Serene Heights (Eugenia 2) Project	86%
	• Dengkil (Taman Casa Mekar) Project	81%
	• Bukit Bandaraya (Dillenia) Project	84%
	• Elmina East (Temu) Project	78%

QLASSIC is a system introduced by CIDB to measure and evaluate the quality of workmanship of building construction work based on the Construction Industry Standard. It serves as a benchmark for the quality of construction works against industry standards based on a scoring system. According to CIDB, the overall average QLASSIC score for 2019 and 2020 (being the latest available information) was 69% and 71% respectively while the average QLASSIC score for our projects was 78% and 82% for 2019 and 2020 respectively.

**6.4.3 SHASSIC Awards**

From 2018 up to the LPD, we have obtained the following SHASSIC awards from CIDB:

<b>Year</b>	<b>Awards</b>
2019	• "Five Star" SHASSIC Achiever for the Bandar Bukit Raja (Azira) Project
	• "Five Star" SHASSIC Achiever for the Bandar Universiti Pagoh (Sarjana Square) Project
	• "Five Star" SHASSIC Achiever for the Bandar Seri Coalfields (Hampton Residences) Project
	• "Five Star" SHASSIC Achiever for the Serene Heights (Eugenia 1) Project
2020	• "Five Star" SHASSIC Achiever for the Bandar Tasik Puteri (Acacia Park) Project
	• "Five Star" SHASSIC Achiever for the City of Elmina (Elmina Valley 5A) Project
	• "Five Star" SHASSIC Achiever for the City of Elmina (Elmina Valley 5B) Project
	• "Five Star" SHASSIC Achiever for the Serene Heights (Dahlia 2) Project
2022	• "Five Star" SHASSIC Excellence Award for the Elmina East (Ilham Residence) Project

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

The SHASSIC scores for our other projects from 2018 up to the LPD are as follows:

<b>Year</b>	<b>Project</b>	<b>Rating</b>	<b>Score</b>
2018	• Bandar Seri Putra (SP Retail Centre) Project	3 Star <sup>(1)</sup>	57%
	• Taman Indah Puteri (The Jervis) Project	4 Star <sup>(1)</sup>	75%
	• Tropicana Aman (Sinaria) Project	3 Star <sup>(1)</sup>	63%
	• Eco Majestic (Mellowood) Project	4 Star <sup>(1)</sup>	84%
	• Setia EcoHill2 (Frossa) residential project	3 Star <sup>(1)</sup>	63%
2019	• Bandar Bukit Raja (3 Avenue) Project	4 Star <sup>(1)</sup>	84%
	• Bandar Seri Putra (Putra Sentral) Project	2 Star <sup>(2)</sup>	66%
	• Setia Alam (Castana) Project	4 Star <sup>(2)</sup>	87%
	• Eco Forest (Ebony Lane - Phase 4) Project	3 Star <sup>(2)</sup>	78%
	• Eco Forest (Lindenway) Project	3 Star <sup>(2)</sup>	74%
	• Eco Forest (Ebony Lane - Phase 2) Project	3 Star <sup>(1)</sup>	68%
	• Emerald West (Chloe Residence) Project	3 Star <sup>(1)</sup>	60%
	• Bangi (Residensi Purun) Project	4 Star <sup>(2)</sup>	86%
	• Bandar Universiti Pagoh (Sarjana Promenade) Project	5 Star <sup>(2)</sup>	96%
2020	• Emerald West (Garland Residence) Project	4 Star <sup>(2)</sup>	85%
	• Bukit Bandaraya (Dillenia) Project	3 Star <sup>(2)</sup>	79%
2021	• Setia Eco Park (Arundina - Phase 1A) Project	4 Star <sup>(3)</sup>	83%
	• Eco Forest (Hazelton) Project	2 Star <sup>(3)</sup>	68%
	• Elmina East (Temu) Project	4 Star <sup>(3)</sup>	85%
	• Setia Safiro (Rosario) Project	4 Star <sup>(3)</sup>	83%
	• Serene Heights (Eugenia 2) Project	5 Star <sup>(3)</sup>	90%
	• Tropicana Aman (Elemen Residences) Project	3 Star <sup>(3)</sup>	76%
2022	• Serene Heights (Frischia) Project	5 Star <sup>(3)</sup>	91%
	• Setia Eco Park (Arundina - Phase 1B) Project	5 Star <sup>(3)</sup>	95%
	• Bandar Bukit Raja (Rumah Selangorku) Project	5 Star <sup>(3)</sup>	95%
	• Saujana Perdana (Dahlia Sari) Project	5 Star <sup>(3)</sup>	96%
	• Elmina Business Park (The Twin Factories) Project	5 Star <sup>(3)</sup>	98%
	• Taman Putra Prima (Diamond) Project	5 Star <sup>(3)</sup>	97%
	• Tropicana Aman (Freesia Residences) Project	4 Star <sup>(3)</sup>	89%
	• Tamansari (Dahlia) Project	5 Star <sup>(3)</sup>	96%
	• Serene Heights (Verna) Project	5 Star <sup>(3)</sup>	96%

**Notes:**

- (1) Based on the CIS 10:2008 standard, which was introduced by CIDB in 2008.
- (2) Based on the CIS 10:2018 standard, which was effective from 1 June 2019.
- (3) Based on the CIS 10:2020 standard, which was effective from 4 January 2021.

## 6. INFORMATION ON OUR GROUP (CONT'D)

SHASSIC is a system introduced by CIDB to assess and evaluate the safety and health performance of contractors in construction works/projects based on the Construction Industry Standard (CIS 10:2020). It serves as a benchmark for the level of occupational safety and health performance of the construction industry in Malaysia using a scoring system.

The star rating system based on CIS 10:2018 and CIS 10:2020 standards is as set out below:

- (i) 49% and below = certificate of participation
- (ii) 50% to 59.9% = 1 star
- (iii) 60% to 69.9% = 2 star
- (iv) 70% to 79.9% = 3 star
- (v) 80% to 89.9% = 4 star
- (vi) 90% to 100% = 5 star

Meanwhile, the star rating system based on CIS 10:2008 standard is set out below:

- (i) 39% and below = 1 star
- (ii) 40% to 54% = 2 star
- (iii) 55% to 69% = 3 star
- (iv) 70% to 84% = 4 star
- (v) 85% to 100% = 5 star

### 6.5 INFORMATION ON OUR SUBSIDIARY

The details of our subsidiary are as follows:

<u>Name and registration no.</u>	<u>Date and place of incorporation</u>	<u>Principal place of business</u>	<u>Issued share capital (RM)</u>	<u>Effective equity interest (%)</u>	<u>Principal activities</u>
KSB (199001003572 (195139-D))	19 March 1990/ Malaysia	Malaysia	30,000,000	100.0	Provision of construction services

We do not have any joint venture or associated company.

#### 6.5.1 KSB

##### (a) Background and principal activities

KSB was incorporated in Malaysia under the Companies Act 1965 on 19 March 1990 as a private limited company under the name of Aqua Gourmet Sdn Bhd and is deemed registered under the Act. It assumed its present name on 26 October 1990.

KSB is principally involved in the provision of construction services. KSB commenced operations in 1990 with its principal place of business in Malaysia.

##### (b) Share capital

As at the LPD, the issued share capital of KSB is RM30,000,000 comprising 30,000,000 ordinary shares. Save as disclosed below, there has been no change in the issued share capital of KSB for the Financial Years/Period Under Review up to the LPD:

<u>Date of allotment</u>	<u>No. of ordinary shares allotted</u>	<u>Consideration</u>	<u>Cumulative issued share capital (RM)</u>
1 November 2021	10,000,000	Cash	30,000,000

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

There are also no outstanding warrants, options, convertible securities or uncalled capital in respect of the ordinary shares in KSB as at the LPD.

**(c) Substantial shareholder**

The details of the substantial shareholders of KSB and their respective shareholdings in KSB before the Acquisition of KSB and as at the LPD / after the Acquisition of KSB are as follows:

**Before the Acquisition of KSB**

<b>Substantial Shareholder</b>	<b>Nationality/ Country of Incorporation</b>	<b>Direct</b>		<b>Indirect</b>	
		<b>No. of shares</b>	<b>%</b>	<b>No. of shares</b>	<b>%</b>
Tan Ah Kee	Malaysian	6,900,000	23.0	11,100,000 <sup>(1)</sup>	37.0
Teow Choo Hing	Malaysian	12,000,000	40.0	-	-
Suan Neo Capital	Malaysia	10,200,000	34.0	-	-

**As at the LPD / After Acquisition of KSB**

<b>Substantial Shareholder</b>	<b>Nationality/ Country of Incorporation</b>	<b>Direct</b>		<b>Indirect</b>	
		<b>No. of shares</b>	<b>%</b>	<b>No. of shares</b>	<b>%</b>
Kitacon	Malaysia	30,000,000	100.0	-	-
Tan Ah Kee	Malaysian	-	-	30,000,000 <sup>(2)</sup>	100.0
Teow Choo Hing	Malaysian	-	-	30,000,000 <sup>(2)</sup>	100.0
Suan Neo Capital	Malaysia	-	-	30,000,000 <sup>(2)</sup>	100.0

**Notes:**

- (1) Deemed interested by virtue of his shareholdings in Lembah Reka and Suan Neo Capital pursuant to Section 8 of the Act.
- (2) Deemed interested by virtue of his/its shareholding in Kitacon pursuant to Section 8 of the Act.

**(d) Directors**

As at the LPD, the directors of KSB are Tan Ah Kee and Teow Choo Hing.

**(e) Subsidiary, associate and joint venture**

KSB does not have any subsidiary, associate or joint venture.

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**6. INFORMATION ON OUR GROUP (CONT'D)****6.6 MATERIAL INVESTMENTS AND DIVESTITURES**

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

	<b>FYE 2019 (RM'000)</b>	<b>FYE 2020 (RM'000)</b>	<b>FYE 2021 (RM'000)</b>	<b>FPE 2022 (RM'000)</b>	<b>1 July 2022 up to the LPD (RM'000)</b>
<b><u>Material investments</u></b>					
Properties <sup>(1)</sup>	7,252	6,368	10,585	2,163	1,191
Aluminium formwork systems <sup>(2)</sup>	2,959	2,928	4,438	3,433	3,023
Unit trusts <sup>(3)</sup>	-	41,912	45,892	-	20,000
	<b>10,211</b>	<b>51,208</b>	<b>60,915</b>	<b>5,596</b>	<b>24,214</b>
<b><u>Material divestitures</u></b>					
Properties <sup>(1)</sup>	-	6,550	37,702	24,638	-
Unit trusts <sup>(3)</sup>	8,385	14,000	49,824	25,500	10,000
Disposal of QLBS <sup>(4)</sup>	-	-	-	2,418	-
<b>Total</b>	<b>8,385</b>	<b>20,550</b>	<b>87,526</b>	<b>52,556</b>	<b>10,000</b>

**Notes:**

- (1) During the Financial Years/Period Under Review, we had entered into transactions with our customers to purchase residential, commercial and industrial properties from their development projects as and when opportunities arose. These properties were either directly related to the construction projects undertaken by us, or from other property projects developed by our customers. They were financed by surplus funds which were in excess of our working capital requirements.

We had acquired these properties primarily as an investment for capital appreciation purposes and rental income. The acquisitions would also support the long term business relationship with our customers, provided that the properties fulfil our criteria for investment such as the location and accessibility of the identified property, the prevailing conditions of the local property market, population growth in the area in which the property is located and the potential capital appreciation rate of the said property upon realisation. In some cases, we had purchased the properties from our customers to fulfil the terms of the letter of award from our customers. These terms stipulated in the letters of award with our customers are normal commercial terms which required us to purchase properties of specified value under their property development projects within a stipulated period.

To the best of our knowledge, it is a practice in the construction industry for property developers to seek the mutual business support of contractors for their property development projects. This is practised to ensure that contractors, being property buyers, deliver the project and adhere to the high standards and quality expected by a property buyer.

Such purchase of properties is usually agreed upfront with our customers during the tender negotiation stage, provided the properties fulfill our criteria for investment such as strategic location, accessibility and potential capital appreciation, and the agreed term will be stipulated in the letter of award to be issued by our customers.

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

For the avoidance of doubt, we acquired these properties by cash and none of these properties were acquired as a result of contra arrangement with our customers in respect of outstanding progress payments due from them, save for 2 units of commercial property which were acquired in 2001 and 2005 for approximately RM0.6 million and RM2.2 million respectively. These properties were acquired as part of the terms and conditions of the letters of award from our customers, whereby the progress payments from our customers shall be deducted against the purchase prices for the properties.

During the Financial Years/Period Under Review, the total cost of properties acquired from the customers as compared to the contract value of the projects that were awarded to our Group is set out below:

	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FPE 2022</b>
No. of properties acquired	3	8	1	-
Total cost <sup>(1)</sup> of properties acquired (RM'000)	5,052	16,690	762	-
Contract value <sup>(2)</sup> (RM'000)	188,004	575,131	47,350	-
% of cost of properties acquired over the contract value	2.7%	2.9%	1.6%	-

**Sub-notes:**

- (1) Based on the total purchase consideration stipulated in the respective sale and purchase agreements which were to be paid progressively based on the stages of completion for the respective projects.
- (2) Based on the contract value of the construction projects awarded to us. We generally purchase properties under the construction projects that are awarded to us, save for 2 industrial properties which were acquired during the FYE 2020 from other property projects developed by the Eco World Development Group for capital appreciation purposes, rather than a fulfilment of the terms of the letter of award from our customer. These properties meet our criteria for investment such as strategic location, accessibility and potential capital appreciation.

During the Financial Years/Period Under Review, we had also agreed with some of our customers for the outstanding progress payments to be set off against part of the purchase consideration for certain properties that we had acquired from our customers prior to the respective Financial Years/Period Under Review, as set out below. This was intended to expedite collection of the outstanding progress payments and had no material impact on the cash flows requirements for our operations. While there was no settlement agreement entered into with the customers, such set off arrangements were agreed either through exchange of letters or application forms.

	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FPE 2022</b>
Total amount of progress payments set off against purchase prices of properties (RM'000)	(i)4,700	(ii)1,239	(iii)6,186	-
Amount of set-off as a percentage of revenue	0.8%	0.3%	1.4%	-

**Sub-notes:**

- (i) Set off against 3 residential properties and 1 commercial property which were acquired from Eco World Development Group between 2017 and 2018. These properties had been disposed of during the FYE 2021.

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

- (ii) Set off against 1 commercial property which was acquired from Eco World Development Group in 2017. This property had been disposed of during the FYE 2021.
- (iii) Set off against 2 residential properties and 2 industrial properties which were acquired from Worldwide Group and Eco World Development Group respectively in 2020. The 2 residential properties had been disposed of in May 2022, while the construction of the 2 industrial properties has been completed as at the LPD.

In conjunction with our Listing, we have decided to dispose of our investment properties to focus solely on our construction business. We had disposed of a total of 3 units, 25 units and 8 units of properties (which were acquired during the period between 1999 and 2020) during the FYE 2020, FYE 2021 and FPE 2022 respectively. As at the LPD, the carrying value of our remaining investment properties, comprising 4 units of properties (of which 2 out of 4 properties are under construction), stood at approximately RM6.5 million, representing approximately 1.6% of our total assets as at 30 June 2022. We intend to hold the properties for capital appreciation purposes.

Future investment in properties, if any, will be undertaken only if there are commercial benefits in support of the long term growth of our Group and where required, will be subject to deliberation by our Board in accordance with our investment policy to ensure that the total cost of our investment properties does not exceed 20% of our Group's NA.

- (2) We acquire aluminium formwork system from time to time for use in our construction projects. As at the LPD, we have a total of 29,017 sq m of aluminium formwork systems. We will continue to purchase aluminium formwork systems, and have allocated part of the proceeds from our IPO for the said purchase to support our expansion of the scale of construction work using aluminium formwork systems and to replace our formwork systems which were damaged due to wear and tear.
- (3) We place our surplus cash in unit trusts in Malaysia with bank backed-fund management companies licensed under the CMSA. These unit trusts are redeemable on demand at a redemption value based on the share of net assets of the unit trust. As at the LPD, the fair value of our investment in these unit trusts amounted to approximately RM30.8 million.
- (4) KSB entered into a conditional share sale agreement dated 6 May 2022 with Pembinaan Lembah Reka Sdn Bhd and Lim Peng Hong for the disposal of 49.0% and 51.0% equity interest in QLB by KSB and Pembinaan Lembah Reka Sdn Bhd respectively, to Lim Peng Hong. The share sale agreement was completed on 14 June 2022 and QLB ceased to be an associate of KSB thereafter.

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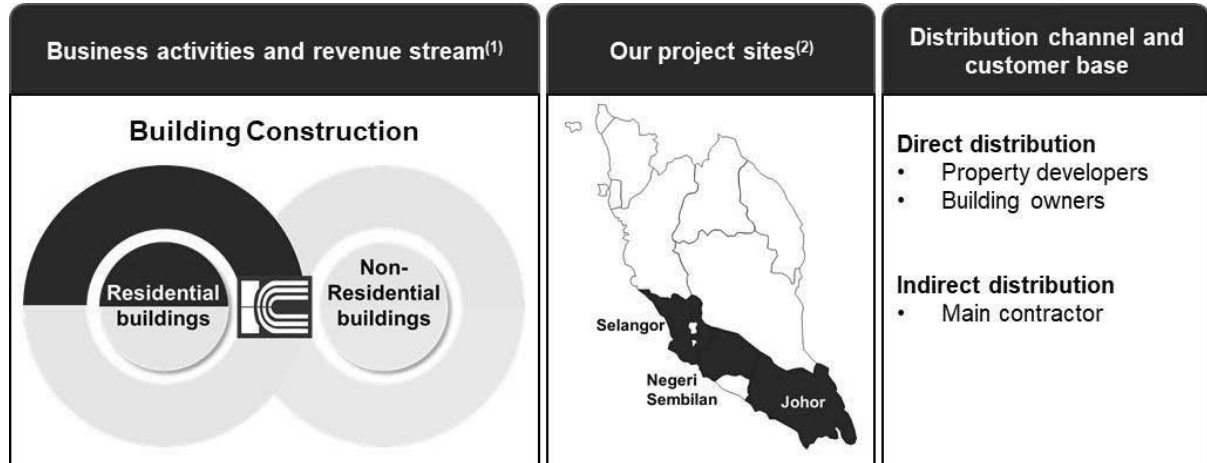


## 7. BUSINESS OVERVIEW

### 7.1 OVERVIEW OF OUR BUSINESS

#### 7.1.1 Our business model

Our business model is depicted in the following diagram:



**Notes:**

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

#### 7.1.2 Business activities and revenue streams

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

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

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

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

### Notes:

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

### 7.1.3 Principal market

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

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

### 7.1.4 Distribution channels and customers

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

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

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

### Notes:

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

## 7.2 MODE OF OPERATION

### 7.2.1 Securing contracts/projects

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

### 7.2.2 Retention sum and performance bond

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

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

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## **7. BUSINESS OVERVIEW (CONT'D)**

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### **7.2.3 Project contract period obligation**

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

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

### **7.2.4 Progressive claims**

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

### **7.2.5 Post construction commitment**

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

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

## **7.3 COMPETITIVE STRENGTHS**

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

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

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

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

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

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

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

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## 7. BUSINESS OVERVIEW (CONT'D)

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

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

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

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## **7. BUSINESS OVERVIEW (CONT'D)**

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

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

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

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

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

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

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

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

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

### **7.3.5 We have experienced Executive Directors and Key Senior Management**

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

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

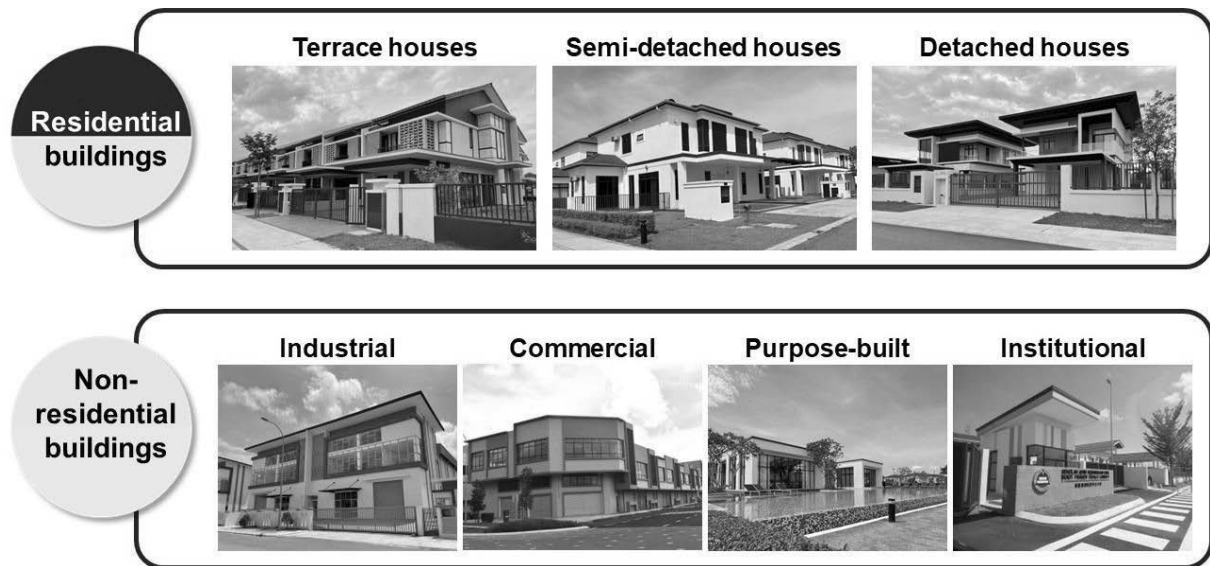
## 7. BUSINESS OVERVIEW (CONT'D)

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

### 7.4 OUR PRODUCTS AND SERVICES

#### 7.4.1 Overview of our business activities

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



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

#### 7.4.2 Building construction

##### 7.4.2.1 Overview

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

##### (i) Project management

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



## 7. BUSINESS OVERVIEW (CONT'D)

Our roles as a project manager include the following:

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

### (ii) Project planning

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

### (iii) Construction

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

- **Earthworks and site preparation**

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

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

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

- **Building construction**

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

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

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

### Structural works



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

## 7. BUSINESS OVERVIEW (CONT'D)

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

### Construction using aluminium formwork system



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

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

#### (iv) Completion and handover

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

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

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**7.4.2.2 Types of building construction**

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

**(i) Residential buildings**

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

**(ii) Non-residential buildings**

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

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

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

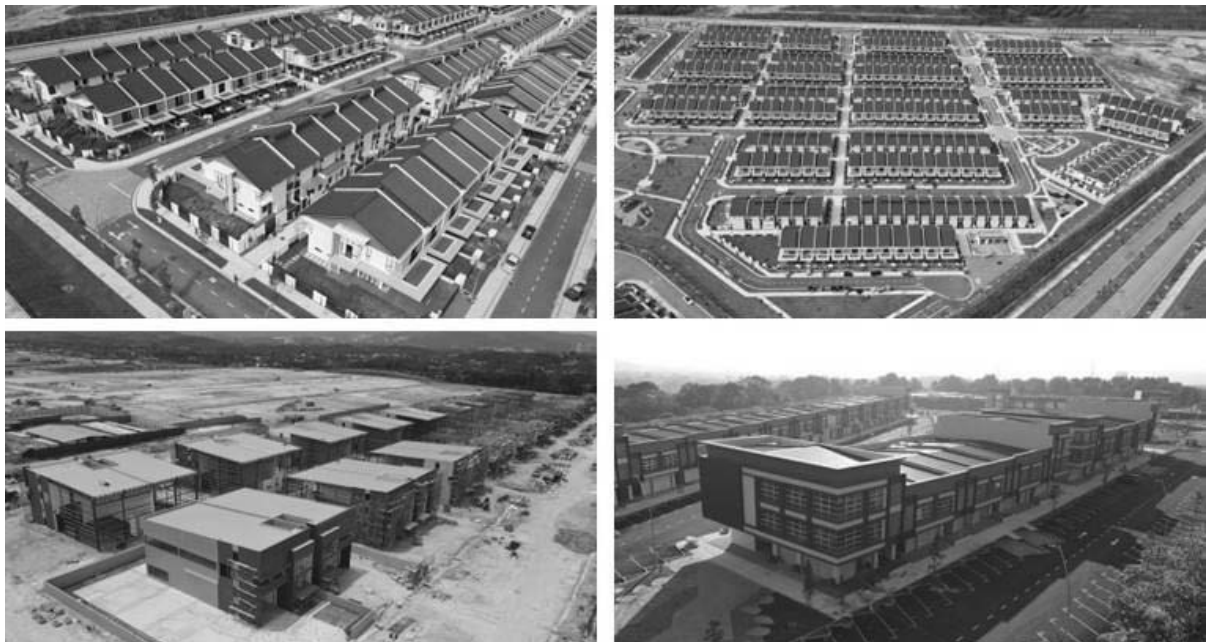
Some of our notable township construction projects that we have carried out during the Financial Years/Period Under Review are as follows:

**Tropicana Aman Project**



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

**City of Elmina Project**



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

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

**Serene Heights Project**



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

**Setia Eco Park Project**



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

**Eco Majestic Project**



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

## 7. BUSINESS OVERVIEW (CONT'D)

### 7.4.2.3 Our building construction projects

#### (a) Completed building construction projects

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

#### (i) Residential buildings

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

#### (i) Residential buildings (cont'd)

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



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

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

#### (i) Residential buildings (cont'd)

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

#### (i) Residential buildings (cont'd)

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

#### (i) Residential buildings (cont'd)

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

#### (i) Residential buildings (cont'd)

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

#### (i) Residential buildings (cont'd)

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

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

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

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

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



## 7. BUSINESS OVERVIEW (CONT'D)

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

#### (i) Residential buildings (cont'd)

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

## 7. BUSINESS OVERVIEW (CONT'D)

### Notes:

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

### (ii) Non-residential buildings

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

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

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

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

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

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

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

## 7. BUSINESS OVERVIEW (CONT'D)

### Notes:

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

### (iii) Other related services

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

#### (iii) Other related services (cont'd)

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

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

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**Notes:**

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

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**7. BUSINESS OVERVIEW (CONT'D)**
**(b) Ongoing building construction projects**

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

**(i) Residential buildings**

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

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

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

#### (i) Residential buildings (cont'd)

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

#### (i) Residential buildings (cont'd)

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

#### (i) Residential buildings (cont'd)

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

#### (i) Residential buildings (cont'd)

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

#### (i) Residential buildings (cont'd)

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

#### Notes:

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

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

**7. BUSINESS OVERVIEW (CONT'D)**
**(b) Ongoing building construction projects (cont'd)**
**(ii) Non-residential buildings**

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



## 7. BUSINESS OVERVIEW (CONT'D)

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

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

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

## 7. BUSINESS OVERVIEW (CONT'D)

### Notes:

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

### (iii) Other related services

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

### Notes:

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

## 7. BUSINESS OVERVIEW (CONT'D)

### 7.5 OPERATIONAL FACILITY

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

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

### 7.6 KEY MACHINERY AND EQUIPMENT

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

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

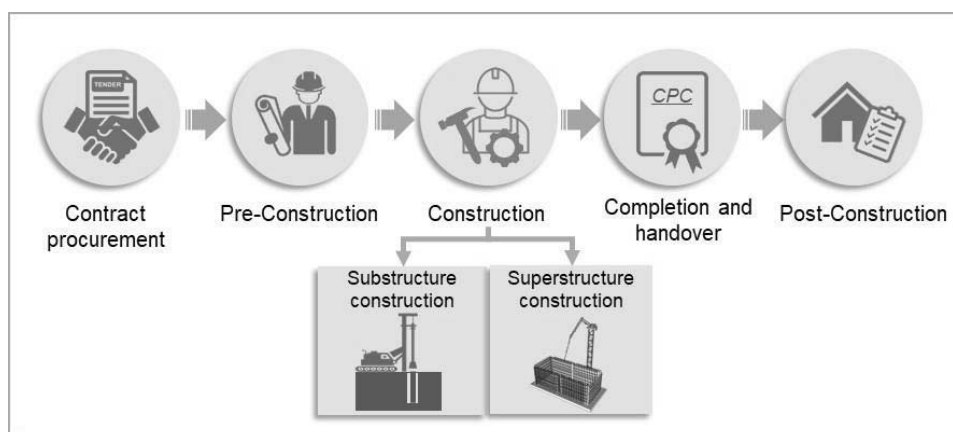
For information purposes, scaffoldings are not part of our main equipment and we do not own any other machinery. Other construction equipment that we rent from external parties include backhoe loaders, excavators, cranes, forklifts and tractors.

### 7.7 CAPACITY AND UTILISATION

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

### 7.8 PROCESS FLOW

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



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

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

**7.8.1 Contract Procurement**

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

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

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

**7.8.2 Pre-construction**

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

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

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

**7.8.3 Construction**

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

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

## **7. BUSINESS OVERVIEW (CONT'D)**

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

### **7.8.4 Completion and handover**

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

### **7.8.5 Post-construction**

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

## **7.9 RESEARCH AND DEVELOPMENT**

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

## **7.10 TECHNOLOGY USED**

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

## **7.11 SEASONALITY**

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

## **7.12 MARKETING STRATEGIES AND POSITIONING**

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

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

### 7.13 TYPE AND SOURCES OF INPUT MATERIALS AND SERVICES

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

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

#### Notes:

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

## 7. BUSINESS OVERVIEW (CONT'D)

### Subcontracted services

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

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

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

### Materials

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

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

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

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

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

### 7.14 INTERRUPTIONS TO OUR BUSINESS AND OPERATIONS

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

## 7. BUSINESS OVERVIEW (CONT'D)

### 7.14.1 Various MCO measures in 2020

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

#### **MCO 1.0**

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

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

#### **Conditional MCO and Recovery MCO periods**

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

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

### 7.14.2 Various MCO measures in 2021

#### **MCO 2.0**

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

#### **MCO 3.0**

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



## 7. BUSINESS OVERVIEW (CONT'D)

### Full MCO and NRP

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

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

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

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

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

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

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

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

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

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

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

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

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

**(ii) FYE 2021**

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

**(iii) FPE 2022**

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

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

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

## 7. BUSINESS OVERVIEW (CONT'D)

### 7.14.5 Impact on our business operations

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

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

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

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

**Notes:**

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

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

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**7.14.6 Impact on our supply chain**

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

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

**7.14.7 Impact on our business and earning prospects**

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

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

**7.15 MATERIAL DEPENDENCY CONTRACTS**

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

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## 7. BUSINESS OVERVIEW (CONT'D)

### 7.16 INTELLECTUAL PROPERTY RIGHTS

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

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

**Note:**

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

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

**7.17 MAJOR APPROVALS, LICENCES AND PERMITS**

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

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

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

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



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

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

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

<b>No.</b>	<b>Company</b>	<b>Description of certificate/licence/permit</b>	<b>Approving authority</b>	<b>Certificate No./ Registration No./ Licence No./ Permit No.</b>	<b>Issuance date/ Validity period</b>	<b>Major conditions imposed</b>	<b>Status of compliance</b>
						<p>11. All workers at the construction site must have a valid construction personnel card.</p> <p><u>Disciplinary actions</u> The registration of the company shall be cancelled or suspended if:</p> <ol style="list-style-type: none"> <li>1. KSB fails to comply with the requirement of any other written law;</li> <li>2. KSB has been adjudicated bankrupt;</li> <li>3. KSB has been served a winding up petition;</li> <li>4. KSB contravenes or fails to comply with any provision of the CIDB Act;</li> </ol>	<p>Noted and complied</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p>

## 7. BUSINESS OVERVIEW (CONT'D)

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

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

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

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


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



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

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

## 7. BUSINESS OVERVIEW (CONT'D)

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



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


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

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

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

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

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

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

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

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

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

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

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

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

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

## 7. BUSINESS OVERVIEW (CONT'D)

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



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

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

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

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

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

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

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

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

## 7. BUSINESS OVERVIEW (CONT'D)

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



## 7. BUSINESS OVERVIEW (CONT'D)

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

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

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

## 7. BUSINESS OVERVIEW (CONT'D)

<u>No.</u>	<u>Company</u>	<u>Description of certificate/licence/permit</u>	<u>Approving authority</u>	<u>Certificate No./ Registration No./ Licence No./ Permit No.</u>	<u>Issuance date/ Validity period</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
14.	KSB	Scheduled controlled articles permits under Regulation 18, Control of Supplies Act (Amendment) 2021 for purchasing and storing 2,000 litres of diesel at Lot 23, Elmina East, Phase F4 (Phase 1), Seksyen U16, 40160 Shah Alam, Selangor	Ministry of Domestic Trade and Consumer Affairs of Malaysia	<u>Serial No.</u> P B004935	<u>Issue date</u> -  <u>Validity period</u> 13 September 2022 to 12 September 2025	<p>1. KSB is subject to the Control of Supplies Act 1961 and its subsidiary legislations thereunder.</p> <p>2. KSB is allowed to purchase and store 2,000 litres of diesel oil supplied from licensed wholesaler.</p> <p>3. Failure to comply with any of the conditions contained in this permit may be subject to action taken under the Control of Supplies Act 1961 and its subsidiary legislations thereunder.</p>	<p>Noted and complied</p> <p>Complied</p> <p>Noted</p>

## 7. BUSINESS OVERVIEW (CONT'D)

<u>No.</u>	<u>Company</u>	<u>Description of certificate/licence/permit</u>	<u>Approving authority</u>	<u>Certificate No./ Registration No./ Licence No./ Permit No.</u>	<u>Issuance date/ Validity period</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
15.	KSB	Scheduled controlled articles permits under Regulation 18, Control of Supplies Act (Amendment) 2021 for purchasing and storing 2,000 litres of diesel at Lot 16748 (PT 7718) Phase 2G, Seksyen U13, Setia Alam, 40170 Shah Alam, Selangor	Ministry of Domestic Trade and Consumer Affairs of Malaysia	<u>Serial No.</u> P B004937	<u>Issue date</u> -  <u>Validity period</u> 13 September 2022 to 12 September 2025	1. KSB is subject to the Control of Supplies Act 1961 and its subsidiary legislations thereunder.  2. KSB is allowed to purchase and store 2,000 litres of diesel oil supplied from licensed wholesaler.  3. Failure to comply with any of the conditions contained in this permit may be subject to action taken under the Control of Supplies Act 1961 and its subsidiary legislations thereunder.	Noted and complied  Complied  Noted

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

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

## 7. BUSINESS OVERVIEW (CONT'D)

<u>No.</u>	<u>Company</u>	<u>Description of certificate/licence/permit</u>	<u>Approving authority</u>	<u>Certificate No./ Registration No./ Licence No./ Permit No.</u>	<u>Issuance date/ Validity period</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
17.	KSB	Scheduled controlled articles permits under Regulation 18, Control of Supplies Act (Amendment) 2021 for purchasing and storing 2,000 litres of diesel at Lot 89292, No. 21, Jalan Frekuensi U16/110, Elmina, Seksyen U16, 40160 Shah Alam, Selangor	Ministry of Domestic Trade and Consumer Affairs of Malaysia	<u>Serial No.</u> P B004939	<u>Issue date</u> -  <u>Validity period</u> 13 September 2022 to 12 September 2025	1. KSB is subject to the Control of Supplies Act 1961 and its subsidiary legislations thereunder.  2. KSB is allowed to purchase and store 2,000 litres of diesel oil supplied from licensed wholesaler.  3. Failure to comply with any of the conditions contained in this permit may be subject to action taken under the Control of Supplies Act 1961 and its subsidiary legislations thereunder.	Noted and complied  Complied  Noted

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

<u>No.</u>	<u>Company</u>	<u>Description of certificate/licence/permit</u>	<u>Approving authority</u>	<u>Certificate No./ Registration No./ Licence No./ Permit No.</u>	<u>Issuance date/ Validity period</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
18.	KSB	Scheduled controlled articles permits under Regulation 18, Control of Supplies Act (Amendment) 2021 for purchasing and storing 2,000 litres of diesel at Lot PT 49875 - PT 49914, PT 50201 and PT 50200, Taman Perdagangan Elmina, Mukim of Rawang, 48020 Selayang, Selangor	Ministry of Domestic Trade and Consumer Affairs of Malaysia	<u>Serial No.</u> P B004987	<u>Issue date</u> -  <u>Validity period</u> 21 September 2022 to 20 September 2025	<ol style="list-style-type: none"> <li>1. KSB is subject to the Control of Supplies Act 1961 and its subsidiary legislations thereunder.</li> <li>2. KSB is allowed to purchase and store 2,000 litres of diesel oil supplied from licensed wholesaler.</li> <li>3. Failure to comply with any of the conditions contained in this permit may be subject to action taken under the Control of Supplies Act 1961 and its subsidiary legislations thereunder.</li> </ol>	<p>Noted and complied</p> <p>Complied</p> <p>Noted</p>



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

<b>No.</b>	<b>Company</b>	<b>Description of certificate/licence/permit</b>	<b>Approving authority</b>	<b>Certificate No./ Registration No./ Licence No./ Permit No.</b>	<b>Issuance date/ Validity period</b>	<b>Major conditions imposed</b>	<b>Status of compliance</b>
19.	KSB	Scheduled controlled articles permits under Regulation 18, Control of Supplies Act (Amendment) 2021 for purchasing and storing 2,000 litres of diesel at Lot 2576 and 2577, Jalan Seruling, Klang Selatan, Mukim of Klang, 41200 Klang, Selangor	Ministry of Domestic Trade and Consumer Affairs of Malaysia	<u>Serial No.</u> P B004988	<u>Issue date</u> -  <u>Validity period</u> 21 September 2022 to 20 September 2025	<ol style="list-style-type: none"> <li>1. KSB is subject to the Control of Supplies Act 1961 and its subsidiary legislations thereunder.</li> <li>2. KSB is allowed to purchase and store 2,000 litres of diesel oil supplied from licensed wholesaler.</li> <li>3. Failure to comply with any of the conditions contained in this permit may be subject to action taken under the Control of Supplies Act 1961 and its subsidiary legislations thereunder.</li> </ol>	<p>Noted and complied</p> <p>Complied</p> <p>Noted</p>

## 7. BUSINESS OVERVIEW (CONT'D)

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

## 7. BUSINESS OVERVIEW (CONT'D)

### 7.18 MATERIAL PROPERTIES

#### 7.18.1 Material properties owned by our Group

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

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

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

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


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**Notes:**

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

## 7. BUSINESS OVERVIEW (CONT'D)

### 7.18.2 Material properties rented by our Group

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

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

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

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



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

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

**Note:**

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

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

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

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

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

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

**7.20 MAJOR CUSTOMERS**

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

**FYE 2019**

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

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

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

**FYE 2021**

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

**FPE 2022**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Notes:**

\* Negligible.

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

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

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

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

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

### 7.21 MAJOR SUPPLIERS

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

#### **FYE 2019**

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

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

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

**FYE 2021**

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

**FPE 2022**

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



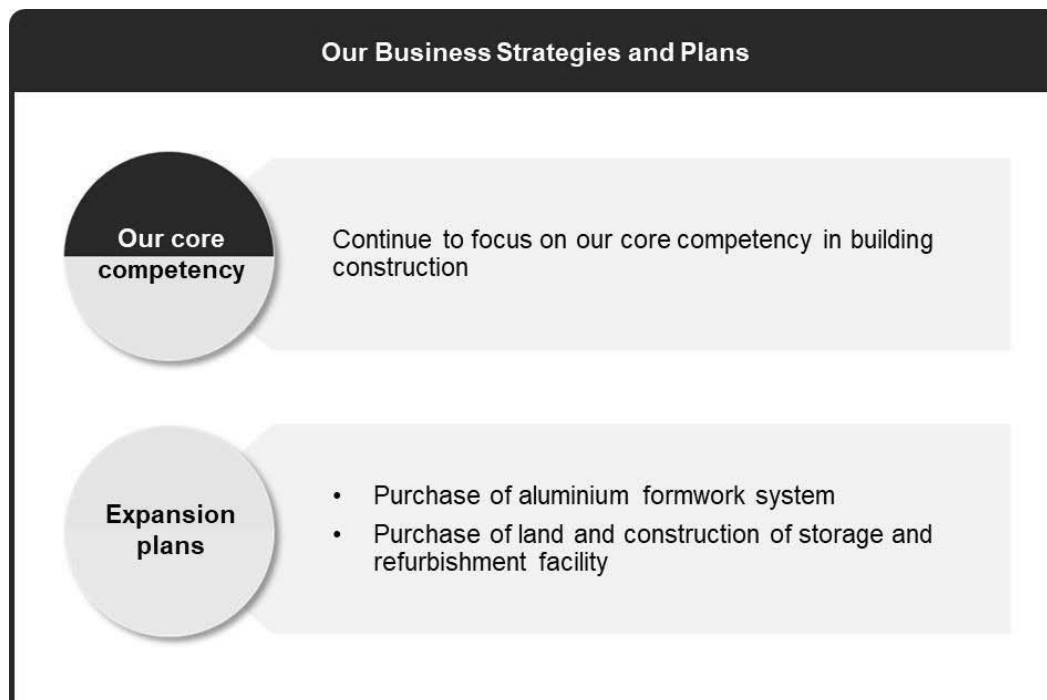
## 7. BUSINESS OVERVIEW (CONT'D)

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

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

### 7.22 STRATEGIES AND PLANS

Our strategies and plans are summarised in the following diagram:



#### 7.22.1 Continue to focus on our core competency in building construction

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

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

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

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**7.22.2 Purchase of aluminium formwork system**

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

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

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

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

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

**7.22.3 Purchase of land and construction of storage and refurbishment facility**

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

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

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

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

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

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

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

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

### 7.23 REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES

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

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

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

### 7.24 ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES

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

#### (i) Environmental

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

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

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

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

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

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**(ii) Social**

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

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

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

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

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

**(iii) Governance**

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

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

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

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

### 7.25 ADDITIONAL DISCLOSURES/OTHER MATTERS

#### 7.25.1 Certificate for Accommodation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

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

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

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

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

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

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

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

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



## 7. BUSINESS OVERVIEW (CONT'D)

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

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

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

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

### 7.25.4 Disciplinary action taken by CIDB against KSB

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

#### (i) CIDB Green Cards

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

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

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

## 7. BUSINESS OVERVIEW (CONT'D)

### (ii) Payment of levy to CIDB for contracts awarded

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

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

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

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

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

### 7.25.5 Charges brought against KSB at the court

#### (i) Project at Serene Heights

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

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

#### (ii) Project at Setia Safiro

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

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

## 7. BUSINESS OVERVIEW (CONT'D)

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

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

### 7.25.6 Fatal accident at site

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

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

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

### 7.25.7 Tax penalty

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

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

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

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

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

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**7.26 COMPETITION LAW**

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

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

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

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

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

**8. INDUSTRY OVERVIEW**

2 December 2022

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

**Vital Factor Consulting Sdn Bhd**  
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Dear Sirs and Madam

**Independent Assessment of the Construction Industry in Malaysia**

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

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

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

Yours sincerely

Wooi Tan  
Managing Director

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

## 8. INDUSTRY OVERVIEW (CONT'D)



Date of Report: 2 December 2022

### INDEPENDENT ASSESSMENT OF THE CONSTRUCTION INDUSTRY IN MALAYSIA

#### 1. INTRODUCTION

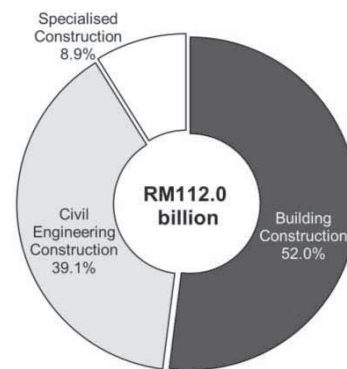
- Kumpulan Kitacon Berhad, together with its subsidiary, Kitacon Sdn Bhd, (herein referred to as Kitacon Group) is mainly involved in the construction of residential and non-residential buildings mainly in Selangor, which will form the focus of this report. The majority of Kitacon Group's revenue for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

#### 2. OVERVIEW OF THE CONSTRUCTION INDUSTRY

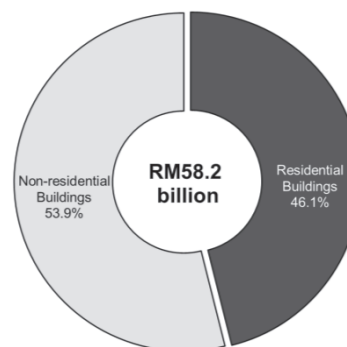
##### 2.1 Structure of the Construction Industry

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

Construction Industry - 2021



Building Construction - 2021



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

##### 2.2 Building Construction Segmentation

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

## 8. INDUSTRY OVERVIEW (CONT'D)

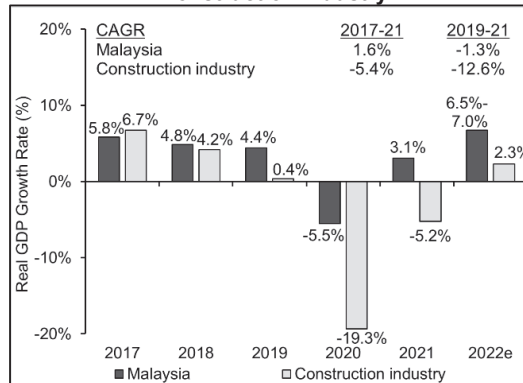


### 3. PERFORMANCE OF THE CONSTRUCTION INDUSTRY

#### 3.1 Malaysia's Economy and the Construction Industry

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

**Real GDP Growth of Malaysia's Economy and Construction Industry**



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

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

#### 3.2 Construction Work

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

**Value of Building Construction Work Completed by Sectors**

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

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

## 8. INDUSTRY OVERVIEW (CONT'D)



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

### 4. PERFORMANCE OF THE PROPERTY DEVELOPMENT INDUSTRY

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

#### 4.1 Residential Property Transactions

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

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

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



## 8. INDUSTRY OVERVIEW (CONT'D)



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

### 4.2 Commercial Property Transactions

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

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

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

### 4.3 Industrial Property Transactions

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

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

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

## 8. INDUSTRY OVERVIEW (CONT'D)



### 4.4 Future Supply

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

#### Future Supply of Residential, Commercial and Industrial Properties

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

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

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

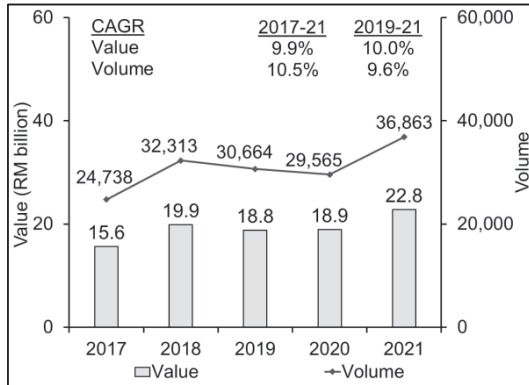
### 4.5 Overhang Properties

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

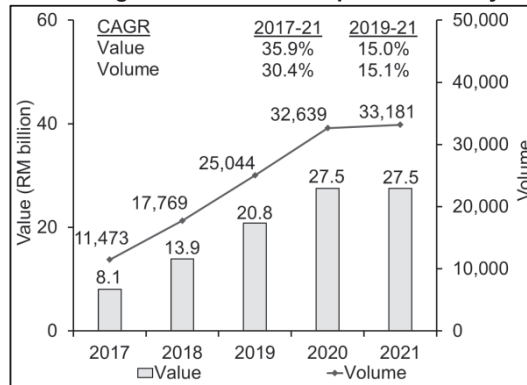
8. INDUSTRY OVERVIEW (CONT'D)



Overhang of Residential Properties in Malaysia



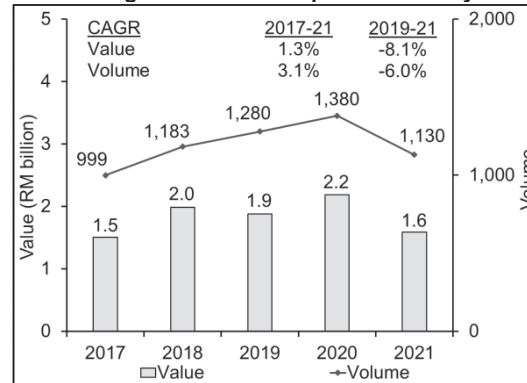
Overhang of Commercial\* Properties in Malaysia



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

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

Overhang of Industrial Properties in Malaysia



(Source: NAPIC)

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

5. DEMAND DEPENDENCIES

5.1 Monetary and fiscal policies

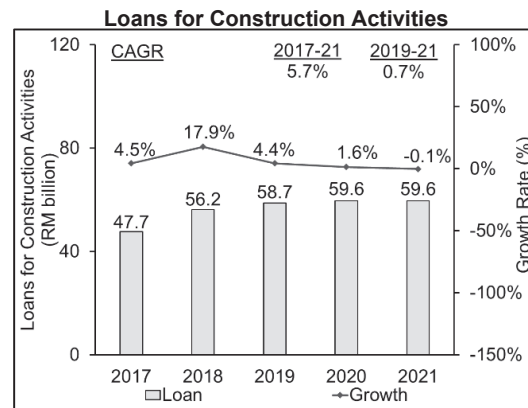
- Monetary and fiscal policies include interest rates, money supply, lending policies, balance of payments, and consumer price index, where low-interest rates and favourable lending policies will stimulate the development and purchases of properties. In 2020, BNM had reduced the Overnight Policy Rate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

8. INDUSTRY OVERVIEW (CONT'D)



5.2 Availability of Loans for Construction

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

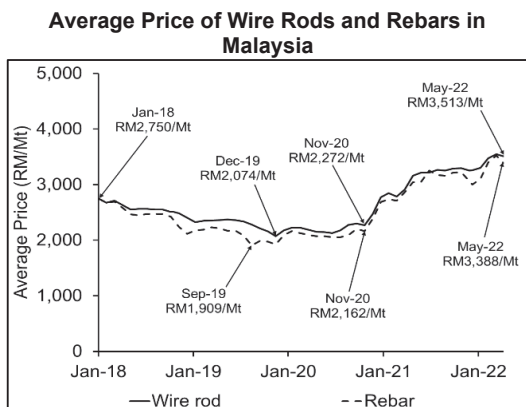


(Source: BNM)

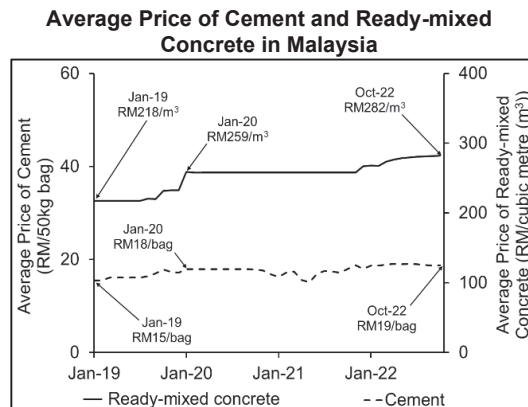
6. SUPPLY DEPENDENCIES

6.1 Building Materials

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



Latest available statistics. (Source: Malaysia Steel Institute)



Latest available statistics. (Source: CIDB)

- Long steel products including bars, wire rods and sections are commonly used in the construction industry. Based on the latest available statistics in May 2022, the average price of wire rods increased to RM3,513/Mt from a low of RM2,074/Mt in December 2019. Meanwhile, the average price of rebars increased to RM3,388/Mt in May 2022 compared to RM1,909/Mt in September 2019 based on the latest available statistics. In November 2020, the average price of wire rods and rebars was RM2,272/Mt and RM2,162/Mt respectively. The surge in the average price of wire rods and rebars since November 2020 was mainly contributed by the increase in the prices of raw materials such as iron ore and steel scrap. In 2021, the average price of wire rods and rebars continued to rise mainly due to the demand arising from the global economic recovery and increasing raw material prices.
- Meanwhile, the average price of cement remained relatively stable with minimal fluctuations as cement is listed as part of controlled goods. As cement serves as an input for the production of ready-mixed concrete, the average price movement of ready-mixed concrete is largely aligned with that of cement. As of October 2022, the average price of cement was RM19/bag (50kg bag), while the average price of ready-mixed concrete was RM282/m<sup>3</sup>.

## 8. INDUSTRY OVERVIEW (CONT'D)



### 6.2 Labour supply

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

## 7. COMPETITIVE ANALYSIS

### 7.1 Factors of competition

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

### 7.2 Industry Players

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

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

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

## 8. INDUSTRY OVERVIEW (CONT'D)



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

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

### 7.3 Market Size and Share

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

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

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

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

## 8. INDUSTRY CONSIDERATION FACTORS

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

## 8. INDUSTRY OVERVIEW (CONT'D)



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

## 9. RISK FACTORS

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

### 9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

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

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

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

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

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

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

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

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



**9. RISK FACTORS (CONT'D)**

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

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

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

**Note:**

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

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

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

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

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

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**9. RISK FACTORS (CONT'D)**

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

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

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

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

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

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

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

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**9. RISK FACTORS (CONT'D)**

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

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

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

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

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

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

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

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

## 9. RISK FACTORS (CONT'D)

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

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

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

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

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

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

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

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

#### Impact on our business and financial conditions for the FYE 2020

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

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**9. RISK FACTORS (CONT'D)**

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**Impact on our business and financial conditions for the FYE 2021**

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

**Impact on our supply chain**

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

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

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

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

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

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

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

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**9. RISK FACTORS (CONT'D)**

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

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

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

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

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

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

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

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

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

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

## 9. RISK FACTORS (CONT'D)

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

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

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

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

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

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

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

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

## 9. RISK FACTORS (CONT'D)

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

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

### 9.1.14 We are subject to regulatory requirements for our business operations

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

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

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

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

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

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

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



## 9. RISK FACTORS (CONT'D)

### 9.2 RISKS RELATING TO OUR INDUSTRY

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

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

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

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

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

#### 9.2.2 We are subject to competition from other construction companies

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

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

## 9. RISK FACTORS (CONT'D)

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

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

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

## 9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

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

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

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

### 9.3.2 Our Share price and trading volume may be volatile

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

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

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

## 9. RISK FACTORS (CONT'D)

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

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

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

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

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

### 9.3.4 Failure or delay in our Listing

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

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

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

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

## 9. RISK FACTORS (CONT'D)

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

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

### 9.3.5 Uncertainty of dividend payments

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

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

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

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

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

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

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**10. RELATED PARTY TRANSACTIONS**

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**10.1 RELATED PARTY TRANSACTIONS**

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

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

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## 10. RELATED PARTY TRANSACTIONS (CONT'D)

### 10.1.1 Material related party transactions

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

Transacting parties	Nature of relationship	Nature of transaction	Transaction value				1 July 2022 up to the LPD
			FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FPE 2022 (RM'000)	
Kitacon and the following parties:	Tan Ah Kee and Teow Choo Hing are our Directors and major shareholders.	Acquisition of KSB.	-	-	-	184,401	-
<ul style="list-style-type: none"> <li>Tan Ah Kee</li> <li>Teow Choo Hing</li> <li>Suan Neo Capital</li> <li>Lembah Reka</li> </ul>	Tan Ah Kee is also a director and substantial shareholder of Suan Neo Capital and Lembah Reka.	(This is a one-off transaction pursuant to our internal reorganisation for our Listing)				(Represents 87.6% of our Group's NA for the FPE 2022)	
KSB and QLB	Tan Ah Kee and Teow Choo Hing, who are our Directors and major shareholders, were also directors of QLB <sup>(1)</sup> .	Provision of construction services by KSB to QLB.	43,599	7,704	35,282	26,803	17,265
			(Represents 7.5% of our Group's revenue for the FYE 2019)	(Represents 1.6% of our Group's revenue for the FYE 2020)	(Represents 7.7% of our Group's revenue for the FYE 2021)	(Represents 11.4% of our Group's revenue for the FPE 2022)	
KSB and Resources	Kireka Tan Ah Kee is our Managing Director and major shareholder. He and his spouse, Gan Bee King, are directors and substantial shareholders of Kireka Resources.	(i) Provision of construction services by KSB to Kireka Resources for a residential project <sup>(2)</sup> .	868	-	-	-	-
			(Represents 0.1% of our Group's revenue for the FYE 2019)				

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

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

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

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



**10. RELATED PARTY TRANSACTIONS (CONT'D)**

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

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

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

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

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

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

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

**Notes:**

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

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

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

## 10. RELATED PARTY TRANSACTIONS (CONT'D)

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

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

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

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

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

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

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

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

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

**Notes:**

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

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

## **10. RELATED PARTY TRANSACTIONS (CONT'D)**

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

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

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

## **10.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS**

### **10.2.1 Audit and Risk Management Committee's review**

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

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

### **10.2.2 Our Group's policy on related party transactions**

Related party transactions by their very nature, involve conflicts of interest between our Group and the related parties with whom our Group has entered into such transactions. As disclosed in this Prospectus, some of our Directors and/or major shareholders are also directors and in some cases, shareholders of the related parties of our Group, and with respect to these related party transactions, may individually and in aggregate have conflicts of interest. It is the policy of our Group that all related party transactions must be reviewed by our Audit and Risk Management Committee to ensure that they are negotiated and agreed upon in the best interest of our Company, on an arm's length basis and are based on normal commercial terms which are not more favourable to the related party than those generally available to third parties, and are not detrimental to our minority shareholders.

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

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

## 11. CONFLICTS OF INTEREST

### 11.1 INTEREST IN SIMILAR BUSINESS

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

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

#### 11.1.1 Interest in corporations that are customers of our Group

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

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

#### Notes:

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



**11. CONFLICTS OF INTEREST (CONT'D)**

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

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

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

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

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

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

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

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

**11. CONFLICTS OF INTEREST (CONT'D)**

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

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

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

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

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

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

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

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**11. CONFLICTS OF INTEREST (CONT'D)**

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

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

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

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

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

**11.2.2 Declaration by Christopher & Lee Ong**

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

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**11. CONFLICTS OF INTEREST (CONT'D)**

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**11.2.3 Declaration by Crowe Malaysia PLT**

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

**11.2.4 Declaration by Vital Factor Consulting Sdn Bhd**

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

## 12. FINANCIAL INFORMATION

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

#### 12.1.1 Historical financial performance

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

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

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

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**12. FINANCIAL INFORMATION (CONT'D)****Notes:**

- (1) Computed as GP divided by revenue.
- (2) Computed as follows:

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

- (3) Computed as EBITDA divided by revenue.
- (4) Computed as PBT divided by revenue.
- (5) Computed as PAT divided by revenue.
- (6) Computed as PAT divided by the enlarged total number of 500,000,000 Shares after our IPO.

**12.1.2 Historical combined statements of financial position**

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

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

**12. FINANCIAL INFORMATION (CONT'D)****12.2 CAPITALISATION AND INDEBTEDNESS**

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

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

**Notes:**

\* Less than 0.1 times.

(1) Comprises total borrowings and contingent liabilities.

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

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

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

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

## 12. FINANCIAL INFORMATION (CONT'D)

### 12.3.1 Review of operations

We are an investment holding company. Through our subsidiary, we are principally involved in the provision of construction services involving residential and non-residential buildings. Residential buildings mainly consist of landed properties such as terrace, semi-detached and detached houses, cluster houses as well as townhouses, while non-residential buildings include commercial buildings (such as shop offices and shopping mall), industrial buildings, purpose-built buildings (such as show village and recreational hub), as well as institutional buildings. We also provide other related services such as, among others, earthworks, roadworks, hoarding works, rectification works, piling works and infrastructure works. Please refer to Section 7 of this Prospectus for further information on our business activities.

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

#### (i) Revenue

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

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

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

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

#### (a) Revenue by business segments

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

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



**12. FINANCIAL INFORMATION (CONT'D)****Notes:**

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

**(b) Revenue by geographical locations**

The table below sets out our revenue by the geographical locations of our projects for the Financial Years/Period Under Review:

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

**(c) Commentaries on revenue****Comparison between FYE 2019 and FYE 2020**

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

During the 1<sup>st</sup> half of the FYE 2020, our revenue was impacted by the implementation of the MCO where our revenue declined by 35.9% from the preceding month to RM29.5 million in March 2020 (February 2020: RM46.0 million) and no revenue was recorded in April 2020. This was a result of slower construction progress for all our Group's construction projects due to temporary suspension of our ongoing construction projects as well as having to operate at reduced capacity.

**Residential**

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

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

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

**12. FINANCIAL INFORMATION (CONT'D)**

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

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

- (iii) we completed the Setia Eco Glades (Jewels of Gramsere) Project in December 2019 (FYE 2018: 42.0% completed) which contributed RM19.4 million to our revenue for the FYE 2019, leaving a balance of RM0.3 million which was billed during the FYE 2020 upon finalisation of the payment certificate by the architect; and
- (iv) we completed 2 projects under the Sime Darby Property Group, namely City of Elmina (Liana) Project in November 2019 (FYE 2018: 47.8% completed) and Bandar Bukit Raja (Azira) Project in January 2020 (FYE 2019: 90.7% completed). These 2 projects collectively contributed to a decrease in revenue of RM32.6 million to RM1.4 million for the FYE 2020 (FYE 2019: RM34.0 million). The revenue recorded for the FYE 2020 was for the remaining works performed for the Bandar Bukit Raja (Azira) Project mainly in respect of infrastructure works such as roads, pavements and street lightings.

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

- (i) the Emerald West (Garland Residence) Project, for which we recorded an increase in revenue of RM31.2 million to RM41.1 million for the FYE 2020 (FYE 2019: RM9.9 million). We commenced construction work for this project in August 2019 and only carried out piling and foundation works during the FYE 2019. Substantial construction works involving building and structural works were carried out during the FYE 2020 and the project was 71.2% (FYE 2019: 13.9%) completed cumulatively at the end of the FYE 2020;
- (ii) the Bandar Seri Coalfields (Hampton Residences) Project, for which we recorded an increase in revenue of RM25.1 million to RM44.9 million for the FYE 2020 (FYE 2019: RM19.8 million). Construction work for this project began in March 2019 and the project was 22.0% (FYE 2018: nil) completed cumulatively at the end of the FYE 2019. We carried out a higher level of construction activities during the FYE 2020 involving building and structural works, and the project was 71.7% (FYE 2019: 22.0%) completed cumulatively at the end of the FYE 2020; and
- (iii) we also recorded higher revenue from the projects under the Sime Darby Property Group, namely the City of Elmina (Elmina Valley 5A and 5B) Projects, amounting to RM62.6 million for the FYE 2020 (FYE 2019: RM30.9 million), representing an increase of RM31.7 million. Work on these projects started in April 2019 and we carried out substantial building and structural works during the FYE 2020, and the projects were 75.3% (FYE 2019: 24.9%) completed cumulatively at the end of FYE 2020.

**12. FINANCIAL INFORMATION (CONT'D)***Non-residential*

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

*Commercial*

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

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

*Industrial*

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

- (i) the Welloyd Industrial Park Project, for which we recorded a lower revenue of RM16.7 million for the FYE 2020 (FYE 2019: RM27.3 million) as substantial construction works involving building and structural works had been completed during the FYE 2019. This project was 65.8% (FYE 2018: 25.0%) completed cumulatively at the end of the FYE 2019. Overall construction progress for this project slowed down during the FYE 2020 due to the implementation of the MCO as a result of the COVID-19 pandemic and the project was only completed in October 2021 after 7 rounds of EOT from the original completion date in May 2019, with no penalty imposed; and
- (ii) the Temasya Glenmarie (Alpine) Project, for which we recorded a lower revenue of RM2.5 million for the FYE 2020 (FYE 2019: RM12.5 million). The project was completed in October 2020 (FYE 2019: 83.4% completed), and the revenue recorded during the financial year was mainly for balance of works performed such as mechanical, electrical and infrastructure works.

**12. FINANCIAL INFORMATION (CONT'D)**Others

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

Other related services

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

Geographical locations

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

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

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

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

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

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

**12. FINANCIAL INFORMATION (CONT'D)**

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

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

**Comparison between FYE 2020 and FYE 2021**

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

The temporary suspension and the reduced operating capacity during these periods had affected our business operations and were also reflected by the lower revenue of RM13.8 million in June 2021 and RM14.8 million in July 2021, as compared to RM43.5 million in May 2021. Subsequently, our revenue recovered by 78.6% to RM26.4 million in August 2021 and 47.9% to RM39.0 million in September 2021.

**Residential**

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

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

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

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

**12. FINANCIAL INFORMATION (CONT'D)**

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

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

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

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

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

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

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

**Non-residential**

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

**12. FINANCIAL INFORMATION (CONT'D)**Commercial

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

- (i) the completion of the Bandar Seri Putra (Putra Sentral) Project in July 2021 (FYE 2020: 91.1% completed), which contributed RM9.8 million to our revenue for the FYE 2020, leaving a balance of RM0.5 million which was billed during the FYE 2021 mainly for mechanical and electrical works;
- (ii) the completion of the Bandar Universiti Pagoh (Sarjana Promenade) Project in May 2021 (FYE 2020: 75.2% completed), which recorded a decrease in revenue of RM6.7 million to RM6.5 million for the FYE 2021 (FYE 2020: RM13.2 million). The revenue recorded for the FYE 2021 was for remaining works performed such as building, mechanical, electrical and infrastructure works;
- (iii) the completion of the Bandar Bukit Raja (3 Avenue) Project in October 2020 (FYE 2019: 79.0% completed), and no further revenue was generated for this project for the FYE 2021 (FYE 2020: RM3.3 million); and
- (iv) lower level of construction activities for the Eco Majestic Mall Project, for which we recorded a decrease in revenue of RM4.1 million to RM3.3 million for the FYE 2021 (FYE 2020: RM7.4 million). The project was 97.6% (FYE 2020: 92.6%) completed cumulatively at the end of the FYE 2021 and the revenue recorded for the FYE 2021 was mainly for the balance of works performed and additional building works pursuant to variation orders.

Industrial

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

- (i) the completion of the Welloyd Industrial Park Project in October 2021 (FYE 2020: 86.0% completed), which recorded a lower revenue of RM7.9 million for the FYE 2021 (FYE 2020: RM16.7 million); and
- (ii) the completion of the Temasya Glenmarie (Alpine) Project in October 2020 (FYE 2019: 83.4% completed), and no further revenue was generated from this project for the FYE 2021 (FYE 2020: RM2.5 million).

Others

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

**12. FINANCIAL INFORMATION (CONT'D)**Other related services

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

Geographical locations

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

This was mainly due to the following reasons:

- (i) lower revenue from our commercial segment (in particular Bandar Seri Putra (Putra Sentral) Project, Bandar Bukit Raja (3 Avenue) Project and Eco Majestic Mall Project) which collectively decreased by RM16.7 million; and
- (ii) lower revenue from our residential segment (in particular, the Bandar Seri Coalfields (Hampton Residences) Project, Emerald West (Garland Residence) Project and City of Elmina (Elmina Valley 5A and 5B) Projects) due to the reasons explained above. The decrease of RM88.9 million from these projects for the FYE 2021 was, however, partly offset by the increase in revenue from other projects under our residential segment (in particular, the Tropicana Aman (Elemen Residences and Freesia Residences) Projects, Taman Putra Prima (Diamond) Project and City of Elmina (Ilham Residence) Project) which collectively increased by RM67.6 million during the financial year.

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

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

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

**Comparison between FPE 2021 and FPE 2022**

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

Residential

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

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



**12. FINANCIAL INFORMATION (CONT'D)**

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

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

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

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

- (i) we completed the Emerald West (Garland Residence) Project in September 2021, from which we generated revenue of RM15.5 million for the FPE 2021. We did not generate any further revenue from this project for the FPE 2022; and
- (ii) we completed the Bandar Seri Coalfields (Hampton Residences) Project in August 2021, from which we generated revenue of RM14.6 million for the FPE 2021. We did not generate any further revenue from this project for the FPE 2022.

*Non-residential*

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

*Commercial*

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

- (i) we completed the Tropicana Aman (Triana) Project in February 2022, from which we generated revenue of RM10.1 million from this project for the FPE 2021. During the FPE 2022, no further revenue was generated from this project and we reversed revenue of RM0.2 million due to the reduction in the contract sum as a result of reduced scope of work upon re-measurement of the estimated quantities of work done by us during the process of closing the final account of this project with our customer;
- (ii) we completed the Bandar Universiti Pagoh (Sarjana Promenade) Project in May 2021, from which we generated revenue of RM6.5 million for the FPE 2021. We did not generate any further revenue from this project for the FPE 2022; and

**12. FINANCIAL INFORMATION (CONT'D)**

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

Industrial

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

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

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

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

The increase in revenue from the above projects was partly offset by the Welloyd Industrial Park Project from which we generated revenue of RM5.0 million for the FPE 2021. We did not generate any further revenue from this project for the FPE 2022 as it was completed in October 2021.

Others

During the FPE 2022, we recorded a decrease of RM5.5 million in revenue to RM0.7 million (FPE 2021: RM6.2 million) from this segment. Such decrease in revenue was mainly attributed to the completion of the Tropicana Aman Clubhouse Project in August 2021, from which we generated revenue of RM5.6 million for the FPE 2021, leaving a balance of RM0.1 million which was billed during the FPE 2022 upon finalisation of the payment certificate by the architect.

Other related services

During the FPE 2022, we recorded a revenue of RM6.5 million (FPE 2021: nil) from our other related services segment. This was mainly generated from earthwork, infrastructure and piling works in respect of the Kiharta Development Warehouse (Infrastructure and Piling) Projects and Kiharta Development Facility (Infrastructure) Project. The Kiharta Development Warehouse Project is one of our industrial project which commenced construction works in April 2022.

## 12. FINANCIAL INFORMATION (CONT'D)

### Geographical locations

In terms of revenue by geographical locations, 98.1% (FPE 2021: 95.7%) of our revenue for the FPE 2022 was generated from our projects in Selangor. The revenue contribution from these projects increased by RM1.8 million to RM230.2 million for the FPE 2022 (FPE 2021: RM228.4 million). This was mainly due to higher revenue from the Tropicana Aman (Freesia Residences) Project and PNB Telok Datok Project, which was partly offset by lower revenue from the Emerald West (Garland Residence) Project and Bandar Seri Coalfields (Hampton Residences) Project from our residential segment as explained above.

We also recorded higher revenue from our projects in Negeri Sembilan of RM3.0 million for the FPE 2022 (FPE 2021: RM2.7 million), mainly attributed to higher level of construction activities for the Bandar Enstek (Pristine 3) Project during the FPE 2022, as compared to the construction progress during the FPE 2021 which was affected by the implementation of the MCO.

Revenue contribution from our project in Johor decreased by RM6.0 million to RM1.5 million for the FPE 2022 (FPE 2021: RM7.5 million), mainly attributed to the completion of the Bandar Universiti Pagoh (Sarjana Promenade) Project in May 2021 from which we generated revenue of RM6.5 million for the FPE 2021. We did not generate any further revenue from this project for the FPE 2022.

### (ii) **Cost of sales**

Our cost of sales comprises 4 main components, namely subcontractor costs, construction materials, direct labour costs as well as project overhead and related costs as follows:

- **Subcontractor costs**

For the Financial Years/Period Under Review, subcontractor costs are the largest component of our cost of sales. For our construction projects, we engage various subcontractors for building and structural works as well as mechanical and electrical works. Building and structural works include constructing and erecting columns, beams, walls, floors, ceilings stairs and roofs, while mechanical and electrical works include installation of power supply and communication system, water supply and drainage, sewerage system and fire protection system. We also engage subcontractors for architectural and finishing works such as installation of doors, windows, grills, gates and fencing as well as waterproofing, flooring, tiling, cladding, painting and coatings.

After securing a project, we would negotiate and agree upfront with our subcontractors on the costs and scope of works, including the labour charges and workmanship involved in delivering the outsourced construction works. We select subcontractors for our construction projects via closed tenders after taking into consideration their track record, financial strength, workmanship, efficiency, reliability, capacity and pricing.

- **Construction materials**

The major construction materials used for our projects are, among others, steel materials, cement, concrete, brick, sand and quarry products.

We purchase construction materials based on the requirements of each of our projects and the construction materials purchased are usually delivered directly to the construction sites. These construction materials are sourced locally from our pool of approved suppliers. We select suppliers for our construction materials based on the pricing, availability and lead time for delivery.

## 12. FINANCIAL INFORMATION (CONT'D)

Our main construction materials, such as steel and concrete materials, are subject to price fluctuations as a result of supply and demand conditions in the market. Please refer to Section 7.13 of this Prospectus for further information on the fluctuations of prices of construction materials for our projects.

- **Direct labour costs**

Our direct labour cost comprises salaries, wages, bonuses and other staff-related costs for workers who participate directly in our projects. These include workers who are employed directly by us and those outsourced from general worker service providers.

- **Project overhead and related costs**

Project overhead and related costs include general preliminary and project related expenses which are miscellaneous in nature. These include expenses such as, among others, rental of machinery and equipment, hiring of vehicles, fuel, insurances, utilities, duties, levies and bank charges.

Subcontractor costs and construction materials collectively accounted for approximately 86.8%, 87.5%, 86.7% and 89.0% of our cost of sales for the Financial Years/Period Under Review respectively. Our cost of sales for the Financial Years/Period Under Review were mainly attributed to projects under our residential segment which made up approximately 79.1%, 78.4%, 85.3% and 85.4% of our cost of sales respectively.

Our cost of sales is recognised based on the percentage of completion achieved for each project applied to its respective total budgeted cost. The percentage of completion is based on the stage of construction activities certified and approved by the architects at the end of reporting period. In addition to the application of percentage of completion in the recognition of cost of sales, we also ensure that all the contract costs incurred for the present performance obligation has been fully recognised as cost of sales to ensure its completeness.

We estimate our cost of sales at the beginning of our construction project based on our cost estimates in our tender bid, which take into consideration quotations from our suppliers and subcontractors, and a profit mark-up which varies depending on various factors such as, among others, the scale, complexity and duration of the project, and the price trend of the construction materials.

Throughout the construction period, the cost estimates for each project are reviewed and revised periodically based on actual costs incurred. Commencing 2022, we undertake such review at 4 different stages of the project (i.e. upon commencement of the project, upon completion of 35% of the project, upon completion of 70% of the project and upon obtaining CPC). We revise our cost estimates when actual costs incurred are lower than our budgeted costs, which are usually achieved through, among others, more favourable negotiated terms from our suppliers such as early payment discounts, bulk discount for purchase of building materials and lower subcontractors' pricing. As and when the cost estimates of our project are revised downwards, we will reverse our accrued contract costs for these projects and as a result, we will be able to recognise a higher GP and GP margin. However, if the actual costs incurred are higher than our budgeted costs due to, among others, unanticipated increase in cost of building materials and labour, our cost estimates of our project will be revised upwards and as a result, we will recognise a lower GP and GP margin.

**12. FINANCIAL INFORMATION (CONT'D)****(a) Cost of sales by cost components**

The table below sets out our cost of sales by cost components for the Financial Years/Period Under Review:

	<-----Audited----->						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Subcontractor costs	231,295	48.1	192,339	47.2	182,842	48.8	79,187	40.3	82,577	43.2
Construction materials	186,025	38.7	164,495	40.3	141,825	37.9	90,759	46.2	87,458	45.8
Direct labour costs	22,278	4.6	18,589	4.6	20,447	5.4	7,788	4.0	3,746	2.0
Project overhead and related costs	41,628	8.6	32,384	7.9	29,526	7.9	18,739	9.5	17,271	9.0
<b>Total</b>	<b>481,226</b>	<b>100.0</b>	<b>407,807</b>	<b>100.0</b>	<b>374,640</b>	<b>100.0</b>	<b>196,473</b>	<b>100.0</b>	<b>191,052</b>	<b>100.0</b>

**(b) Cost of sales by business segments**

The table below sets out our cost of sales by business segments for the Financial Years/Period Under Review:

	<-----Audited----->						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Residential	380,726	79.1	319,736	78.4	319,731	85.3	171,773	87.4	163,224	85.4
Non-residential										
• Commercial	57,356	11.9	58,540	14.4	29,850	8.0	15,065	7.7	5,824	3.1
• Industrial	39,931	8.3	16,140	4.0	19,645	5.2	4,337	2.2	16,101	8.4
• Others	2,720	0.6	12,873	3.1	5,241	1.4	5,261	2.7	449	0.2
	100,007	20.8	87,553	21.5	54,736	14.6	24,663	12.6	22,374	11.7
Other related services	493	0.1	518	0.1	173	0.1	37	*	5,454	2.9
<b>Total</b>	<b>481,226</b>	<b>100.0</b>	<b>407,807</b>	<b>100.0</b>	<b>374,640</b>	<b>100.0</b>	<b>196,473</b>	<b>100.0</b>	<b>191,052</b>	<b>100.0</b>

**(c) Cost of sales by geographical locations**

The table below sets out our cost of sales by the geographical locations of our projects for the Financial Years/Period Under Review:

	<-----Audited----->						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Selangor	454,782	94.5	395,679	97.0	368,150	98.3	192,426	97.9	188,918	98.9
Negeri Sembilan	12,455	2.6	(13) <sup>(1)</sup>	*	5,243	1.4	2,775	1.4	846	0.4
Johor	13,989	2.9	12,141	3.0	1,247	0.3	1,272	0.7	1,288	0.7
<b>Total</b>	<b>481,226</b>	<b>100.0</b>	<b>407,807</b>	<b>100.0</b>	<b>374,640</b>	<b>100.0</b>	<b>196,473</b>	<b>100.0</b>	<b>191,052</b>	<b>100.0</b>

**Notes:**

\* Negligible.

(1) Negative cost of sales due to overprovision of accrued contract costs in the previous financial year for a project which was completed during the FYE 2020 as explained below.

**12. FINANCIAL INFORMATION (CONT'D)****(d) Commentaries on cost of sales****Comparison between FYE 2019 and FYE 2020**

For the FYE 2020, our cost of sales decreased by RM73.4 million or approximately 15.3% to RM407.8 million (FYE 2019: RM481.2 million) in line with our revenue, which decreased by 15.8% during the financial year.

**Cost components**

The overall decrease in our cost of sales was mainly due to the following reasons:

- (i) our subcontractor costs decreased by RM39.0 million to RM192.3 million for the FYE 2020 (FYE 2019: RM231.3 million) and our construction material costs decreased by RM21.5 million to RM164.5 million for the FYE 2020 (FYE 2019: RM186.0 million). These were mainly attributed to lower amount of subcontracted works and construction materials used for the Tropicana Aman (Dalia Residences) Project, which decreased by RM52.9 million, as the project was at the stage of nearing completion which required lower costs for subcontracted works and usage of construction materials as compared to higher building and structural works during the previous financial year;
- (ii) we incurred lower direct labour costs, which decreased by RM3.7 million to RM18.6 million for the FYE 2020 (FYE 2019: RM22.3 million), due to lower number of workers required for our residential projects, as several projects had been completed during the FYE 2019, including the Eco Ardence (Aeres) Project, Setia Eco Glades (Jewels of Grasmere) Project, Eco Grandeur (Avenham Garden) Project and Bukit Puchong (Andira Park) Project; and
- (iii) our project overhead and related costs decreased by RM9.2 million to RM32.4 million for the FYE 2020 (FYE 2019: RM41.6 million) mainly due to lower cost of hiring of vehicles and rental of machinery and equipment, which decreased by RM7.4 million to RM19.2 million (FYE 2019: RM26.6 million). We also recorded a lower project overhead for our Tropicana Aman (Dalia Residences) Project of RM0.4 million due to lower construction activities as explained above.

**Business segments**

In terms of our cost of sales by business segments, the decrease in cost of sales for our residential segment for the FYE 2020 was in line with lower revenue recorded from such segment. However, cost of sales for this segment decreased less than the decrease in revenue for the FYE 2020. This was mainly due to the award of 4 major residential projects as explained in Section 12.3.1(i)(c) of this Prospectus between March 2019 and August 2019, where higher amount of subcontracted works and construction materials was used during the FYE 2020.

The lower cost of sales for our non-residential segment also corresponded to the lower revenue from such segment, save for the increase in cost of sales for our 'others' segments of RM10.2 million to RM12.9 million (FYE 2019: RM2.7 million). This was mainly attributed to higher subcontracted building works and construction materials used for the Tropicana Aman Clubhouse Project and SJK(C) Bukit Fraser Project for which we commenced construction in August 2019 and September 2019 respectively.

In addition, cost of sales for our non-residential segment decreased more than the decrease in revenue from this segment for the FYE 2020 mainly due to the completion of the Temasya Glenmarie (Alpine) Project under our industrial segment in October 2020 at below our budgeted costs due to the following:

**12. FINANCIAL INFORMATION (CONT'D)**

- (i) lower actual purchase price of building materials used for this project as compared to budgeted costs after factoring in bulk purchase and early payment discounts given by the suppliers; and
- (ii) lower subcontractors' pricing as compared to initial budget price mainly for mechanical and electrical works as a result of our cost reduction efforts.

For our other related services segment, cost of sales remained relatively consistent at RM0.5 million for the FYE 2020 as compared to the FYE 2019.

Geographical locations

Approximately 97.0% of our cost of sales for the FYE 2020 was incurred in Selangor (FYE 2019: 94.5%), which was in line with the revenue contribution from our projects in Selangor.

For the FYE 2020, we recorded negative cost of sales in Negeri Sembilan as we reversed accrued contract costs of approximately RM0.9 million (which were overprovided in the previous financial year) in respect of the Bandar Enstek (Pristine 2) Project in Negeri Sembilan which was completed in March 2020. The overprovision of cost for this project was due to actual costs incurred being lower than budgeted costs as a result of the following:

- (i) bulk purchase of building materials used for this project and the Bandar Enstek (Pristine) Project during the FYE 2019, whereby actual costs were lower than the budgeted costs after factoring in bulk purchase and early payment discounts given by the suppliers; and
- (ii) lower overall subcontractor costs for this project as a result of our cost reduction efforts throughout the project period in obtaining lower pricing from subcontractors by inviting more subcontractors to bid for the job.

**Comparison between FYE 2020 and FYE 2021**

For the FYE 2021, our cost of sales decreased by RM33.2 million or approximately 8.1% to RM374.6 million (FYE 2020: RM407.8 million) in line our lower revenue, which decreased by 7.0% for the financial year.

Cost components

The overall decrease in our cost of sales was mainly due to the following reasons:

- (i) our subcontractor costs decreased by RM9.5 million to RM182.8 million for the FYE 2021 (FYE 2020: RM192.3 million) and our construction materials decreased by RM22.7 million to RM141.8 million for the FYE 2021 (FYE 2020: RM164.5 million).

This was mainly attributed to lower amount of subcontracted works and construction materials used for the City of Elmina (Elmina Valley 5A and 5B) Projects and Bandar Seri Coalfields (Hampton Residences) Project, which collectively decreased by RM57.2 million as these projects were at the stage of mechanical, electrical and internal works which required a lower level of construction activities and usage of construction materials. However, this was partly offset by the increase in subcontracted works and construction materials used for the Tropicana Aman (Elemen Residences) Project of RM19.2 million due to higher level of construction activities involving building and structural works; and

**12. FINANCIAL INFORMATION (CONT'D)**

- (ii) our project overhead and related costs decreased by RM2.9 million to RM29.5 million for the FYE 2021 (FYE 2020: RM32.4 million) as we incurred lower cost of hiring of vehicles and rental of machinery and equipment, which decreased by RM2.1 million to RM17.1 million (FYE 2020: RM19.2 million).

The above decrease in our cost of sales was partly offset by an increase in our direct labour costs of RM1.9 million to RM20.4 million for the FYE 2021 (FYE 2020: RM18.6 million). This was mainly due to higher number of workers required for our ongoing residential projects such as the Tropicana Aman (Freesia Residences) Project and Tropicana Aman (Elemen Residences) Project and Taman Putra Prima (Diamond) Project, which recorded higher level of construction activities during the financial year, as well as higher provision of labour and building material costs to be incurred during the DLP in line with higher number of completed projects as compared to the previous financial year.

**Business segments**

In terms of our cost of sales by business segments, the decrease in cost of sales for our residential segment for the FYE 2021 was in line with our lower revenue from such segment. The lower cost of sales for our non-residential segment also corresponded to the lower revenue from our non-residential segment, save for the increase in cost of sales for our industrial segment of RM3.5 million to RM19.6 million (FYE 2020: RM16.1 million).

The increase in cost of sales for our industrial segment was mainly attributed to higher volume of subcontracted building and structural works as well as construction materials used following the commencement of the Elmina Business Park (The Twin Factories) Project in January 2021. However, this was partly offset by lower subcontracted buildings works and construction materials used for the Welloyd Industrial Park Project which was completed in October 2021.

In addition, cost of sales for our non-residential segment decreased more than the decrease in revenue from this segment mainly due to reversal of accrued contract costs for the Bandar Universiti Pagoh (Sarjana Promenade) Project of approximately RM3.9 million during the FYE 2021 (which were overprovided for in the previous financial year). This project was completed in May 2021 at below our budgeted costs as a result of our cost saving measures undertaken throughout the project period. These include cost savings throughout from bulk purchase of building materials and lower subcontractors' pricing mainly for architectural and electrical works due to our cost reduction efforts.

For our other related services, we incurred cost of sales of RM0.2 million for the FYE 2021 (FYE 2020: RM0.5 million) mainly due to subcontractors and direct labour costs for the outstanding works performed for turfing lot and roadworks in respect of one of our residential projects.

**Geographical locations**

Approximately 98.3% of our cost of sales for the FYE 2021 was incurred by our projects in Selangor, which was in line with the revenue contribution of 96.8% from these projects.

**Comparison between FPE 2021 and FPE 2022**

For the FPE 2022, our cost of sales decreased by RM5.4 million or approximately 2.7% to RM191.1 million (FPE 2021: RM196.5 million) in line with our lower revenue, which decreased by 1.6% for the financial period.



**12. FINANCIAL INFORMATION (CONT'D)**Cost components

The overall decrease in our cost of sales was mainly due to the following reasons:

- (i) our construction materials costs decreased by RM3.3 million to RM87.5 million for the FPE 2022 (FPE 2021: RM90.8 million) and we incurred lower direct labour costs of RM3.7 million for the FPE 2022 (FPE 2021: RM7.8 million). These were mainly attributed to lower amount of construction materials used and workers required for the Bandar Seri Coalfields (Hampton Residences) Project and Emerald West (Garland Residence) Project, which collectively decreased by RM8.0 million, as the projects were completed in August 2021 and September 2021 respectively.

However, the above was partly offset by the increase of RM10.9 million in construction materials costs and direct labour costs incurred for the Tropicana Aman (Freesia Residences) Project as we commenced construction for this project in June 2021 and substantial construction activities were carried out during the FPE 2022 involving building and structural works where the project was 22.1% (FYE 2021: 8.3%) completed cumulatively at the end of the FPE 2022; and

- (ii) our project overhead and related costs decreased by RM1.4 million to RM17.3 million for the FPE 2022 (FPE 2021: RM18.7 million) as we incurred lower cost of hiring of vehicles and rental of machinery and equipment, which decreased by RM1.0 million to RM9.6 million (FPE 2021: RM10.6 million). This was in line with the overall lower cost of sales for the FPE 2022, where our construction activities were generally lower during the financial period. Such cost component also remained relatively consistent at approximately 9.0% of the total cost of sales for the FPE 2022 (FPE 2021: 9.5%).

The above decrease in our cost of sales was partly offset by an increase in our subcontractor costs of RM3.4 million to RM82.6 million for the FPE 2022 (FPE 2021: RM79.2 million). This was mainly due to higher amount of subcontracted works for the Tropicana Aman (Freesia Residences) Project, which increased by RM6.1 million, as explained above.

Business segments

In terms of our cost of sales by business segments, although we recorded an increase in revenue for our residential segment, our cost of sales for this segment decreased by RM8.6 million to RM163.2 million for the FPE 2022 (FPE 2021: RM171.8 million). The decrease in cost of sales was not in line with the increase in our revenue for this segment, due to the completion of the Bukit Bandaraya (Dillenia) Project in April 2022 at below our budgeted costs mainly as a result of the following:

- (i) lower actual purchase price of building materials used for this project as compared to budgeted costs after factoring in bulk purchase and early payment discounts given by the suppliers; and
- (ii) lower subcontractors' pricing for earthwork, piling and infrastructural works as compared to initial budgeted costs as a result of our cost reduction efforts.

The lower cost of sales for our non-residential segment corresponded to the lower revenue from our non-residential segment, save for the increase in cost of sales for our industrial segment of RM11.8 million to RM16.1 million (FPE 2021: RM4.3 million). This was mainly attributed to higher volume of subcontracted building and structural works as well as construction materials used for the Elmina Business Park (The Twin Factories) Project which recorded higher level of construction activities during the FPE 2022 as well as the commencement of the Benteng Etika Warehouse Project in December 2021.

**12. FINANCIAL INFORMATION (CONT'D)**

For our other related services segment, we incurred cost of sales of RM5.5 million for the FPE 2022 (FPE 2021: less than RM0.1 million) mainly due to subcontractors and building material costs for earthwork, infrastructure and piling works performed for the Kiharta Development Warehouse (Infrastructure and Piling) Projects and Kiharta Development Facility (Infrastructure) Project.

*Geographical locations*

Approximately 98.9% (FPE 2021: 97.9%) of our cost of sales for the FPE 2022 was incurred by our projects in Selangor, which was in line with the revenue contribution of 98.1% from these projects.

Although we recorded higher revenue for our projects in Negeri Sembilan, our cost of sales incurred by these projects decreased by RM2.0 million to RM0.8 million for the FPE 2022 (FPE 2021: RM2.8 million) as we reversed accrued contract costs of approximately RM1.2 million (which were overprovided in the prior years) in respect of 2 residential projects, namely the Kota Seriemas (Cempaka Suria 3) Project and Bandar Ainsdale Project, upon finalising the sum to be paid to all of our subcontractors for the works performed. The value of work performed was agreed progressively with our subcontractors upon completion of these projects in 2015, whereby the last payment to our subcontractor was finalised in 2021.

Our cost of sales incurred by our project in Johor remained relatively unchanged at RM1.3 million for the FPE 2022 (FPE 2021: RM1.3 million) despite lower revenue recorded. This was mainly due to reversal of accrued contract costs for the Bandar Universiti Pagoh (Sarjana Promenade) Project during the FYE 2021 as explained in Section 12.3.1(ii)(d) of this Prospectus.

**(iii) GP and GP margin**

We price our construction projects based on cost estimates which depend on various factors such as, among others, scale, complexity, duration, construction materials price trend as well as the quotations from our suppliers and subcontractors. As such, our GP and GP margin are dependent on the accuracy of our pricing during the tender and/or negotiation stage of our project, and may fluctuate on a yearly basis as each project differs in terms of project duration, profit margin, costs and stages of the construction. Typically, we will allocate higher cost estimates during the initial stage of our projects due to higher uncertainties of cost savings realisation, which are subject to factors such as, among others, fluctuations in the prices and availability of construction materials or subcontracted services which are not within our control.

As part of our cost management strategy, we practise just-in-time purchasing (where orders for our construction materials are made as and when they are required at different construction stages) and negotiate with our suppliers and subcontractors at different stages of construction. In the event we obtain more favourable negotiated terms from our suppliers or subcontractors leading to lower costs to our Group, our GP margin will improve compared to that initially budgeted. As we are mainly involved in township construction projects for different group of customers, the GP margin for each of our project varies depending on the scope of work, technical specifications, project duration and costs. We generally do not ascribe a lower margin to any particular type of project.

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**12. FINANCIAL INFORMATION (CONT'D)****(a) GP and GP margin by business segments**

The table below sets out our GP and GP margin by business segments for the Financial Years/Period Under Review:

<b>GP</b>	<b>&lt;-----Audited-----&gt;</b>						<b>Unaudited</b>		<b>Audited</b>	
	<b>FYE 2019</b>		<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FPE 2021</b>		<b>FPE 2022</b>	
	<b>(RM'000)</b>	<b>(%)</b>	<b>(RM'000)</b>	<b>(%)</b>	<b>(RM'000)</b>	<b>(%)</b>	<b>(RM'000)</b>	<b>(%)</b>	<b>(RM'000)</b>	<b>(%)</b>
Residential	88,464	88.2	67,927	83.0	63,393	78.4	29,707	70.5	39,952	91.5
Non-residential										
• Commercial	9,192	9.2	7,979	9.8	12,832	15.9	10,878	25.8	353	0.8
• Industrial	847	0.8	4,769	5.8	2,712	3.4	675	1.6	2,106	4.8
• Others	640	0.6	564	0.7	1,915	2.3	942	2.2	201	0.5
	<u>10,679</u>	<u>10.6</u>	<u>13,312</u>	<u>16.3</u>	<u>17,459</u>	<u>21.6</u>	<u>12,495</u>	<u>29.6</u>	<u>2,660</u>	<u>6.1</u>
Other related services	1,154	1.2	599	0.7	10	*	(37)	(0.1)	1,069	2.4
<b>Total</b>	<b><u>100,297</u></b>	<b><u>100.0</u></b>	<b><u>81,838</u></b>	<b><u>100.0</u></b>	<b><u>80,862</u></b>	<b><u>100.0</u></b>	<b><u>42,165</u></b>	<b><u>100.0</u></b>	<b><u>43,681</u></b>	<b><u>100.0</u></b>

<b>GP Margin</b>	<b>&lt;-----Audited-----&gt;</b>			<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FPE 2021</b>	<b>FPE 2022</b>
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
Residential	18.9	17.5	16.5	14.7	19.7
Non-residential					
• Commercial	13.8	12.0	30.1	41.9	5.7
• Industrial	2.1	22.8	12.1	13.5	11.6
• Others	19.0	4.2	26.8	15.2	30.9
Other related services	70.0	53.7	5.5	-	16.4
<b>Overall GP margin</b>	<b><u>17.2</u></b>	<b><u>16.7</u></b>	<b><u>17.8</u></b>	<b><u>17.7</u></b>	<b><u>18.6</u></b>

**Note:**

\* Negligible.

**(b) GP and GP margin by geographical locations**

The table below sets out our GP and GP margin by the geographical locations of our projects for the Financial Years/Period Under Review:

	<b>&lt;-----Audited-----&gt;</b>						<b>Unaudited</b>		<b>Audited</b>	
	<b>FYE 2019</b>		<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FPE 2021</b>		<b>FPE 2022</b>	
	<b>(RM'000)</b>	<b>(%)</b>	<b>(RM'000)</b>	<b>(%)</b>	<b>(RM'000)</b>	<b>(%)</b>	<b>(RM'000)</b>	<b>(%)</b>	<b>(RM'000)</b>	<b>(%)</b>
Selangor	92,632	92.4	79,370	97.0	72,685	89.9	36,013	85.4	41,330	94.6
Negeri Sembilan	7,118	7.1	1,407	1.7	1,941	2.4	(59)	(0.1)	2,174	5.0
Johor	547	0.5	1,061	1.3	6,236	7.7	6,211	14.7	177	0.4
<b>Total</b>	<b><u>100,297</u></b>	<b><u>100.0</u></b>	<b><u>81,838</u></b>	<b><u>100.0</u></b>	<b><u>80,862</u></b>	<b><u>100.0</u></b>	<b><u>42,165</u></b>	<b><u>100.0</u></b>	<b><u>43,681</u></b>	<b><u>100.0</u></b>

<b>GP Margin</b>	<b>&lt;-----Audited-----&gt;</b>			<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FPE 2021</b>	<b>FPE 2022</b>
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
Selangor	16.9	16.7	16.6	15.8	18.0
Negeri Sembilan	36.4	101.0 <sup>(1)</sup>	27.0	(2.2)	72.0
Johor	3.8	8.0	83.3	83.0	12.1
<b>Overall GP margin</b>	<b><u>17.2</u></b>	<b><u>16.7</u></b>	<b><u>17.8</u></b>	<b><u>17.7</u></b>	<b><u>18.6</u></b>

**12. FINANCIAL INFORMATION (CONT'D)****Note:**

- (1) GP margin exceeded 100% as a result of negative cost of sales due to overprovision of accrued contract costs in the previous financial year for a project which was completed during the FYE 2020, as explained in Section 12.3.1(ii)(d) of this Prospectus.

**(c) Commentaries on GP****Comparison between FYE 2019 and FYE 2020**

Our GP decreased by RM18.5 million or approximately 18.4% to RM81.8 million for the FYE 2020 (FYE 2019: RM100.3 million) mainly due to the decrease in GP from our residential segment of RM20.6 million as a result of lower revenue from our residential segment for the FYE 2020. Our GP were also affected generally due to the implementation of the MCO as a result of the COVID-19 pandemic, which resulted in delayed progress billings for work performed and the certification of amount of work done by the architect.

The decrease in GP for the FYE 2020 from our residential segment of RM20.6 million to RM67.9 million for the FYE 2020 (FYE 2019: RM88.5 million) was largely due to the completion of our major projects in 2019, namely City of Elmina (Liana) Project and Eco Ardence (Aeres) Project, which collectively contributed RM20.5 million to our GP for the FYE 2019.

Our non-residential segment recorded an increase in GP of RM2.6 million to RM13.3 million for the FYE 2020 (FYE 2019: RM10.7 million), which was mainly contributed by the increase in GP from the Temasya Glenmarie (Alpine) Project under our industrial segment of RM2.4 million which was completed in October 2020. Although revenue from this project was lower for the FYE 2020, GP improved as we incurred lower actual costs than budgeted costs due to cost savings from the purchase of building materials and subcontractors' pricing, as explained in Section 12.3.1(ii)(d) of this Prospectus.

In terms of GP by geographical locations, we recorded a decrease in GP of RM19.0 million from our projects in Selangor and Negeri Sembilan for the FYE 2020, which was in line with the lower revenue from both states during the financial year. Although we recorded a decline in revenue from our project in Johor, namely the Bandar Universiti Pagoh (Sarjana Promenade) Project, our GP from Johor improved by RM0.6 million to RM1.1 million during the FYE 2020 (FYE 2019: RM0.5 million) as construction material costs were lower during the FYE 2020 as compared to the previous financial year, due to cost savings from the bulk purchase of building materials used for this project and early payment discounts given by the suppliers.

**Comparison between FYE 2020 and FYE 2021**

Our GP decreased by RM0.9 million or approximately 1.1% to RM80.9 million for the FYE 2021 (FYE 2020: RM81.8 million) mainly due to the decrease in GP from our residential segment of RM4.5 million in line with the lower revenue from the said segment for the FYE 2021. This was partly offset by the increase in GP from our non-residential segment of RM4.1 million.

The decrease in GP for the FYE 2021 for our residential segment was mainly due to the completion of the Eco Forest (Ebony Lane - Phase 4) Project in October 2020, which contributed RM10.6 million to our GP for the FYE 2020.

**12. FINANCIAL INFORMATION (CONT'D)**

Such decrease was partly offset by higher GP from the Emerald West (Garland Residence) Project and the Tropicana Aman (Elemen Residences) Project, which collectively increased by RM6.6 million for the FYE 2021, mainly due to lower overall costs as a result of discounts for bulk purchase of building materials and lower pricing from negotiation with subcontractors who had worked with us for a few projects within the vicinity, namely the Tropicana Aman Project and Emerald West Project.

Our non-residential segment recorded an increase in GP of RM4.2 million to RM17.5 million for the FYE 2021 (FYE 2020: RM13.3 million), which was mainly contributed by the Bandar Universiti Pagoh (Sarjana Promenade) Project for which we recorded an increase in GP of RM4.2 million due to reversal of accrued contract costs as explained in Section 12.3.1(ii)(d) of this Prospectus.

In terms of GP by geographical locations, we recorded a decrease in GP of RM6.7 million from our projects in Selangor for the FYE 2021, which was in line with lower revenue from Selangor during the financial year. The increase in our GP of RM0.5 million from Negeri Sembilan to RM1.9 million (FYE 2020: RM1.4 million) was also in line with the higher revenue from our projects in Negeri Sembilan during the financial year. Although we recorded a decline in revenue from Johor, our GP improved by RM5.2 million to RM6.3 million during the FYE 2021 (FYE 2020: RM1.1 million) due to the improvement in margin from our Bandar Universiti Pagoh (Sarjana Promenade) Project as explained above.

**Comparison between FPE 2021 and FPE 2022**

Our GP increased by RM1.5 million or approximately 3.6% to RM43.7 million for the FPE 2022 (FPE 2021: RM42.2 million) mainly due to the increase in GP from our residential segment of RM10.3 million in line with the higher revenue and lower cost of sales from the said segment for the FPE 2022. This was partly offset by the decrease in GP from our non-residential segment of RM9.8 million for the FPE 2022.

The increase in GP for the FPE 2022 for our residential segment was mainly due to higher GP from the Bukit Bandaraya (Dillenia) Project, which increased by RM10.9 million for the FPE 2022, due to the completion of this project at below budgeted costs as explained in Section 12.3.1(ii)(d) of this Prospectus.

Our non-residential segment recorded a decrease in GP of RM9.8 million to RM2.7 million for the FPE 2022 (FPE 2021: RM12.5 million), which was mainly contributed by the decrease in GP from our commercial segment of RM10.5 million to RM0.4 million (FPE 2021: RM10.9 million) for the FPE 2022 following the completion of the Tropicana Aman (Triana) Project and Bandar Universiti Pagoh (Sarjana Promenade) Project as explained in Section 12.3.1(i)(c) of this Prospectus.

The above decrease in GP from our commercial segment was partly offset by higher GP from our industrial segment mainly due to higher revenue from the substantial construction works carried out for the Elmina Business Park (The Twin Factories) Project and Benteng Etika Warehouse Project as explained in Section 12.3.1(i)(c) of this Prospectus. As for our other related services segment, the increase in GP was generated from earthwork, infrastructure and piling works in respect of the Kiharta Development Warehouse (Infrastructure and Piling) Projects and Kiharta Development Facility (Infrastructure) Project.

**12. FINANCIAL INFORMATION (CONT'D)**

In terms of GP by geographical locations, we recorded an increase in GP of RM5.3 million to RM41.3 million for the FPE 2022 (FPE 2021: RM36.0 million) from Selangor, which was in line with higher revenue and lower cost of sales from Selangor during the financial period as explained in Section 12.3.1(ii)(d) of this Prospectus. For the FPE 2022, we recorded GP of RM2.2 million from Negeri Sembilan which was also in line with higher revenue and lower cost of sales from these projects during the financial period. We recorded a gross loss of RM0.1 million for the FPE 2021 from our projects in Negeri Sembilan, namely the Kota Seriemas (Mawar Indah) Project and Bandar Enstek (Pristine 2) Project due to additional cost incurred during the DLP for these projects.

The decrease in GP of RM6.0 million from Johor to RM0.2 million for the FPE 2022 (FPE 2021: RM6.2 million) was in line with lower revenue from Johor during the financial period.

**(d) Commentaries on GP margin****Comparison between FYE 2019 and FYE 2020**

Our overall GP margin decreased by 0.5% to 16.7% for the FYE 2020 (FYE 2019: 17.2%) mainly attributed to the lower GP margin from our residential segment of 17.5% for the FYE 2020 (FYE 2019: 18.9%).

The lower GP margin for our residential segment for the FYE 2020 was mainly attributed to the completion of the Eco Ardence (Aeres) Project in October 2019 which had a higher margin due to cost savings achieved throughout the project period from bulk purchase of building materials and lower overall subcontractors' pricing due to our cost reduction efforts.

The decrease in GP margin from our residential segment for the FYE 2020 was partly offset by the improved margin under our industrial segment of 22.8% (FYE 2021 (2.1%) mainly from the Temasya Glenmarie (Alpine) Project due to cost savings from lower actual purchase price of building materials and lower subcontractors' pricing, as explained in Section 12.3.1(ii)(d) of this Prospectus.

As for our commercial segment, the decrease in GP margin for the FYE 2020 was due to overall lower margin projects during the financial year. Compared to the FYE 2019, during which we completed 2 commercial projects, namely Tropicana Aman (Sinaria) Project and Alam Impian (Nadi Niaga Project), at total cost which was lower than that budgeted due to cost saving measures undertaken throughout the project period, only 1 commercial project, namely Bandar Bukit Raja (3 Avenue) Project, was completed at a total cost which was below our budget cost during the FYE 2020. Our 'others' segment also recorded a decrease in GP margin due to low margin for the construction of a show village under the Tamansari Show Village Project, which typically has lower margin as compared to the project for the construction of residential buildings under the Tamansari Project.

We recorded a GP margin of 70.0% for our other related services segment for the FYE 2019 mainly as a result of the reversal of accrued subcontractor and construction material costs amounting to approximately RM0.3 million (which had been overprovided for in the previous FYE 2018) for rectification works in respect of one of our residential projects. For the FYE 2020, our GP margin of 53.7% from the segment resulted mainly from outstanding works for turfing lots and roadworks in respect of one of our residential projects which had higher GP margin due to smaller contract sum and shorter project duration.

**12. FINANCIAL INFORMATION (CONT'D)**

In terms of the geographical locations of our projects, GP margin for our projects in Selangor remained relatively unchanged at 16.7% for the FYE 2020 (FYE 2019: 16.9%). While we recorded lower GP margin for our residential project in Selangor due to the completion of the Eco Ardence (Aeres) Project in the previous financial year as explained above, this was offset by the improvement in GP margin from the Temasya Glenmarie (Alpine) Project under our industrial segment.

The GP margin for our projects in Negeri Sembilan was above 100% due to negative cost of sales as we reversed accrued contract costs (which were overprovided for in the previous financial year) during the FYE 2020 in respect of the Bandar Enstek (Pristine 2) Project, as explained in Section 12.3.1(ii)(d) of this Prospectus. The higher GP margin from our project in Johor for the FYE 2020 was due to lower construction material costs for the Bandar Universiti Pagoh (Sarjana Promenade) Project as explained in Section 12.3.1(iii)(c) of this Prospectus.

**Comparison between FYE 2020 and FYE 2021**

Our overall GP margin increased by 1.1% to 17.8% for the FYE 2021 (FYE 2020: 16.7%) mainly attributed to the higher GP margin from our commercial segment of 30.1% for the FYE 2021 (FYE 2020: 12.0%). This was mainly attributed to the completion of our Bandar Universiti Pagoh (Sarjana Promenade) Project in May 2021 which has a higher margin due to reversal of accrued contract costs as a result of lower cost incurred, as explained in Section 12.3.1(iii)(c) of this Prospectus.

The above increase in our GP margin was partly offset by the decrease in GP margin from our residential and industrial segments due to overall lower margin projects during the FYE 2021. The relatively lower GP margin from our residential segment was mainly due to 2 major projects, namely Tropicana Aman (Freesia Residences) Project and PNB Telok Datok Project, which were in the initial stages of construction where higher cost estimates were allocated (due to higher uncertainties of cost savings realisation) resulting in lower GP margin.

The relatively lower GP margin from our industrial segment was mainly due to higher volume of subcontracted building and structural works as well as construction materials used subsequent to the commencement of the Elmina Business Park (The Twin Factories) Project in January 2021. Higher cost estimates were allocated (due to higher uncertainties of cost savings realisation) for the Elmina Business Park (The Twin Factories) Project which was in the initial stage of construction, partly offset by lower subcontracted building works and construction materials used for the Welloyd Industrial Park Project which was completed in October 2021.

We also recorded lower GP margin for our other related services mainly due to lower margin for rectification and hoarding works in respect of two of our residential projects. Our 'others' segment, however, registered an improvement in GP margin due to better margin for the construction of a show village.

In terms of the geographical locations of our projects, GP margin for our projects in Selangor remained relatively unchanged at 16.6% for the FYE 2021 (FYE 2020: 16.7%). We recorded a lower GP margin for our projects in Negeri Sembilan for the FYE 2021 following the completion of the Bandar Enstek (Pristine 2) Project in the previous financial year which recorded negative cost of sales as explained in Section 12.3.1(ii)(d) of this Prospectus, while the GP margin for our project in Johor improved mainly due higher margin from the Bandar Universiti Pagoh (Sarjana Promenade) Project as explained above.

During the FYE 2021, we have 3 ongoing affordable housing projects which contributed RM22.5 million or approximately 4.9% to our revenue and had an average GP margin of 6.0%. Due to the low revenue contribution, these projects had not materially affected our overall GP margin for the FYE 2021.

**12. FINANCIAL INFORMATION (CONT'D)****Comparison between FPE 2021 and FPE 2022**

Our overall GP margin increased by 0.9% to 18.6% for the FPE 2022 (FPE 2021: 17.7%) mainly attributed to higher GP margin from our residential segment of 19.7% for the FPE 2022 (FPE 2021: 14.7%).

The higher GP margin for our residential segment for the FPE 2022 was mainly attributed to the completion of the Bukit Bandaraya (Dillenia) Project in April 2022 which had a higher margin due to completion of this project at below budgeted costs as explained in Section 12.3.1(ii)(d) of this Prospectus.

As for our commercial segment, the decrease in GP margin for the FPE 2022 was due to the following reasons:

- (i) we completed the Bandar Universiti Pagoh (Sarjana Promenade) Project in May 2021, which contributed to a higher GP margin for the FPE 2021 due to the reversal of accrued contract costs as a result of lower cost incurred, as explained in Section 12.3.1(ii)(d) of this Prospectus; and
- (ii) we completed the Tropicana Aman (Triana) Project in February 2022 and recorded a gross loss of RM2.2 million during the FPE 2022 mainly due to the provision of additional cost as the actual costs incurred for this project during the financial period were higher than budgeted cost due to the increase in prices of construction materials such as aggregates and concrete. We recorded a negative revenue of RM0.2 million for this project for the FPE 2022 due to the reduction in the contract sum as a result of reduced scope of work as explained in Section 12.3.1(i)(c) of this Prospectus. Although we recorded a gross loss margin for this project during the FPE 2022, the overall gross margin for this project is profitable at 4.8%.

GP margin from our industrial segment decreased to 11.6% for the FPE 2022 (FPE 2021: 13.5%) due to the completion of the Welloyd Industrial Park Project in October 2021, which recorded a higher GP margin in the previous financial period. Our 'others' segment also recorded an increase in GP margin to 30.9% for the FPE 2022 (FPE 2021: 15.2%) due to better margin for the construction of a purpose-built building.

In terms of the geographical locations of our projects, GP margin for our projects in Selangor increased to 18.0% for the FPE 2022 (FPE 2021: 15.8%) due to the completion of the Bukit Bandaraya (Dillenia) Project at below budgeted costs as explained above.

We recorded higher GP margin for our project in Negeri Sembilan for the FPE 2022 mainly due to higher margin for the Bandar Enstek (Pristine 3) Project which was completed in June 2022. This was mainly attributed to lower amount of construction materials used for this project as the project was at the stage of nearing completion which required lower usage of construction materials as compared to higher building and structural works during the previous financial period.

The GP margin for our project in Johor decreased for the FPE 2022 due to the completion of the Bandar Universiti Pagoh (Sarjana Promenade) Project in May 2021, which recorded a higher GP margin in the previous financial period.

During the FPE 2022, we have 3 ongoing affordable housing projects which contributed a total of RM23.9 million or approximately 10.2% to our revenue and had an average GP margin of 10.5%. Due to the low revenue contribution, these projects had not materially affected our overall GP margin for the FPE 2022.



**12. FINANCIAL INFORMATION (CONT'D)****(iv) Other income**

The table below sets out our other income for the Financial Years/Period Under Review:

	<-----Audited----->						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Interest income	3,072	59.1	2,977	48.7	2,379	26.8	1,194	50.6	802	9.6
Rental income	1,546	29.8	1,724	28.2	1,736	19.6	758	32.1	317	3.8
Gain on disposal of investment properties	-	-	569	9.3	4,207	47.5	269	11.4	6,915	83.0
Gain on disposal of property and equipment	84	1.6	769	12.6	389	4.4	34	1.4	5	0.1
Others <sup>(1)</sup>	492	9.5	74	1.2	153	1.7	107	4.5	289	3.5
<b>Total</b>	<b>5,194</b>	<b>100.0</b>	<b>6,113</b>	<b>100.0</b>	<b>8,864</b>	<b>100.0</b>	<b>2,362</b>	<b>100.0</b>	<b>8,328</b>	<b>100.0</b>

**Note:**

- (1) Others include, among others, gain on foreign exchange, fair value gain on unit trusts as well as dividend income from quoted shares listed on Bursa Securities.

**Commentaries on other income****Comparison between FYE 2019 and FYE 2020**

For the FYE 2020, our other income increased by RM0.9 million or approximately 17.3% to RM6.1 million (FYE 2019: RM5.2 million), mainly attributed to the following reasons:

- (i) we disposed of 3 properties and recorded a gain on disposal amounting to a total of RM1.4 million. We had acquired these properties from our customers in 2008, 2013 and 2014 for capital appreciation purposes and these properties were part of our customers' property development projects. For the avoidance of doubt, we acquired these properties by cash and none of these properties were acquired as a result of contra arrangement with our customers in respect of outstanding progress payments due from them; and
- (ii) our rental income increased by RM0.2 million to RM1.7 million for the FYE 2020 (FYE 2019: RM1.5 million) mainly due to new tenants taking occupancy for certain shop offices and increase in monthly rent.

**Comparison between FYE 2020 and FYE 2021**

For the FYE 2021, our other income increased by RM2.8 million or approximately 45.9% to RM8.9 million (FYE 2020: RM6.1 million), mainly attributed to gain on disposal of properties amounting to a total of RM4.6 million (FYE 2020: RM1.4 million).

During the financial year, we disposed of 25 properties comprising 12 units of residential property, 9 units of commercial property and 4 parcels of vacant land. We acquired these properties from our customers between 2001 and 2020 for capital appreciation purposes.

**12. FINANCIAL INFORMATION (CONT'D)**

For the avoidance of doubt, these properties disposed of during the Financial Years/Period Under Review were acquired by us in cash and none of these properties were acquired as a result of contra arrangement with our customers in respect of outstanding progress payments due from them save for 2 units of commercial property which were acquired in 2001 and 2005 for approximately RM0.6 million and RM2.2 million respectively. These properties were acquired as part of the terms and conditions of the letters of award from the customers, whereby the progress payments from the customers were deducted against the purchase prices for the properties. Please refer to Section 6.6 of this Prospectus for further details of our investment in properties as well as details of the set off of outstanding progress payments from some of our customers against part of the purchase consideration for certain properties that we had acquired from our customers prior to the respective Financial Years/Period Under Review.

**Comparison between FPE 2021 and FPE 2022**

For the FPE 2022, our other income increased by RM5.9 million to RM8.3 million (FPE 2021: RM2.4 million), mainly attributed to gain on disposal of properties amounting to a total of RM6.9 million (FPE 2021: RM0.3 million).

During the FPE 2022, we disposed of 8 properties comprising 4 units of residential property, 3 units of commercial property and an industrial property. We acquired these properties from our customers between 1999 and 2020 for capital appreciation purposes. For the avoidance of doubt, we acquired these properties by cash and none of these properties were acquired as a result of contra arrangement with our customers in respect of outstanding progress payments due from them, save for 2 units of residential property which were acquired in 2020 for approximately RM1.5 million each. We had agreed with our customer for the outstanding progress payments to be set off against part of the purchase consideration for these properties to expedite collection of the outstanding progress payments.

**(v) Administrative and other operating expenses**

The table below sets out a breakdown of our administrative and other operating expenses for the Financial Years/Period Under Review:

	<-----Audited----->						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Staff remuneration	19,823	58.0	19,366	56.3	19,796	52.8	8,459	50.3	9,270	49
Directors' remuneration	7,844	23.0	7,776	22.6	9,538	25.5	4,322	25.7	1,944	10
Depreciation	3,585	10.5	4,077	11.9	4,513	12.0	2,367	14.1	2,081	11
Utilities costs	778	2.3	659	1.9	670	1.8	290	1.7	345	1
Staff welfare	348	1.0	233	0.6	463	1.2	148	0.9	209	1
Upkeep and maintenance	344	1.0	446	1.3	506	1.3	206	1.2	606	3
Office supplies and postage	306	0.9	469	1.4	296	0.8	77	0.4	141	0
Marketing expenses	241	0.7	292	0.8	182	0.5	109	0.6	98	0
Legal and professional fees	164	0.5	164	0.5	121	0.3	76	0.5	1,842	9
Rental	95	0.3	99	0.3	51	0.1	56	0.3	-	-
Impairment losses on trade receivables	-	-	-	-	516	1.4	-	-	-	-
Loss on disposal of associate	-	-	-	-	-	-	-	-	782	4
Insurance	400	1.2	380	1.1	349	0.9	288	1.7	354	1
Others <sup>(1)</sup>	226	0.6	441	1.3	522	1.4	432	2.6	1,182	6
<b>Total</b>	<b>34,154</b>	<b>100.0</b>	<b>34,402</b>	<b>100.0</b>	<b>37,523</b>	<b>100.0</b>	<b>16,830</b>	<b>100.0</b>	<b>18,854</b>	<b>100</b>

**Note:**

- (1) 'Others' include, among others, loss on disposal of other investments, quit rent and assessments, transportation and travelling expenses, tender documentation fees, licencing and registration fees, sundry wages and road tax.

**12. FINANCIAL INFORMATION (CONT'D)****Commentaries on administrative and other operating expenses****Comparison between FYE 2019 and FYE 2020**

For the FYE 2020, our administrative and other expenses increased by RM0.2 million to RM34.4 million (FYE 2019: RM34.2 million), mainly due to higher depreciation of equipment, which increased by RM0.5 million, as we purchased more aluminium formworks during the financial year.

Such increase was partly offset by lower expenses for staff welfare (such as annual dinner and staff refreshment expenses) and utilities (such as electricity and water) as we observed movement restriction and temporary closure of office during the implementation of the MCO.

**Comparison between FYE 2020 and FYE 2021**

For the FYE 2021, our administrative and other expenses increased by RM3.1 million to RM37.5 million (FYE 2020: RM34.4 million), mainly attributed to the following reasons:

- (i) the increase in payment for directors' bonus of RM1.6 million to RM5.1 million (FYE 2020: RM3.5 million) due to our resilient financial performance despite interruptions to our business operations during the implementation of MCO;
- (ii) the increase in staff remuneration of RM0.4 million to RM19.8 million (FYE 2020: RM19.4 million); and
- (iii) the impairment losses on trade receivables amounting to a total of RM0.5 million as the recovery was uncertain and subject to performance of additional work. RM0.4 million of the trade receivables had been overdue for more than 2 years as we were unable to perform the required work pending rectification of slope failure issue by the customer. The remaining RM0.1 million is in respect of defect works which we did not perform as the repair cost was estimated to exceed the said outstanding amount.

**Comparison between FPE 2021 and FPE 2022**

For the FPE 2022, our administrative and other operating expenses increased by RM2.1 million to RM18.9 million (FPE 2021: RM16.8 million), mainly attributed to the following reasons:

- (i) the increase in legal and professional fees of RM1.7 million to RM1.8 million (FPE 2021: RM0.1 million) incurred in relation to our Listing;
- (ii) the loss on disposal of associate amounting to RM0.8 million following the completion of the Disposal of QLB; and
- (iii) the increase in upkeep and maintenance of RM0.4 million to RM0.6 million (FPE 2021: RM0.2 million) mainly due to renovation costs incurred for our head office.

The above increase was partly offset by lower expenses for the remuneration of staff and directors which decreased by RM1.6 million to RM11.2 million (FPE 2021: RM12.8 million) mainly due to the decrease in directors' bonus of RM2.2 million.

**12. FINANCIAL INFORMATION (CONT'D)****(vi) Finance costs**

The table below sets out our finance costs for the Financial Years/Period Under Review:

	<-----Audited----->						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Interest expenses on:										
• term loans	131	91.6	89	52.4	196	74.2	35	44.9	74	69.2
• banker's acceptances	-	-	67	39.4	63	23.9	40	51.3	27	25.2
• others <sup>(1)</sup>	12	8.4	14	8.2	5	1.9	3	3.8	6	5.6
<b>Total</b>	<b>143</b>	<b>100.0</b>	<b>170</b>	<b>100.0</b>	<b>264</b>	<b>100.0</b>	<b>78</b>	<b>100.0</b>	<b>107</b>	<b>100.0</b>

**Note:**

- (1) Others include bank overdrafts, bank guarantees, bank charges and late payment interest.

**Commentaries on finance costs**

During the Financial Years/Period Under Review, we have maintained low finance costs of between RM0.1 million and RM0.3 million. We mainly incurred interest expenses on term loans and banker's acceptances, which were utilised for our working capital purposes.

**(vii) Share of profit/(loss) of associate**

During the FYE 2019 to FYE 2021, we accounted for our investment in QLB, our former 49%-owned associate, using the equity method. QLB has ceased to be our associated company after the completion of the Disposal of QLB on 14 June 2022.

**Commentaries on share of profit/(loss) on associate****Comparison between FYE 2019 and FYE 2020**

For the FYE 2020, we suffered a share of loss from QLB of RM0.6 million as opposed to a share of profit of RM1.0 million for the FYE 2019. This was mainly due to the decrease in the revenue and GP of QLB following the completion of most of its construction projects during the FYE 2019 and the deferment of new project launch by its customers. QLB secured 2 new contracts towards the end of the FYE 2020.

The GP for the FYE 2020 was not enough to cover the administrative expenses of QLB such as staff remuneration of RM1.6 million for the FYE 2020 (FYE 2019: RM3.0 million), resulting in QLB incurring a loss after taxation of approximately RM1.3 million for the FYE 2020 (FYE 2019: PAT of RM2.0 million).

**Comparison between FYE 2020 and FYE 2021**

For the FYE 2021, we recorded a share of profit from QLB of RM0.4 million due to the increase in the revenue and GP of QLB during the financial year. This was due to the commencement of construction work involving building and structural works for the projects secured in the FYE 2020 as explained above, as well as 2 other projects secured during the 1<sup>st</sup> half of the FYE 2021.

**12. FINANCIAL INFORMATION (CONT'D)****Comparison between FPE 2021 and FPE 2022**

For the FPE 2022, we recorded a share of profit from QLB of RM0.8 million due to the increase in the revenue and GP of QLB during the financial period. This was due to the higher level of construction activities involving building and structural works for its ongoing projects during the financial period.

**(viii) Taxation**

Our tax expenses together with the comparison between our effective and statutory tax rates for the Financial Years/Period Under Review are set out below:

	<-----Audited----->			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Income tax expenses					
- current year	17,260	12,553	14,727	6,482	6,031
- under/(over) provision in prior year	(44)	814	(197)	-	47
	<u>17,216</u>	<u>13,367</u>	<u>14,530</u>	<u>6,482</u>	<u>6,078</u>
Deferred tax					
- current year	22	135	(3,301)	(80)	1,147
- under/(over) provision in prior year	155	4	(1,308)	2	7
	<u>177</u>	<u>139</u>	<u>(4,609)</u>	<u>(78)</u>	<u>1,154</u>
Real property gains tax	-	55	582	75	471
<b>Total tax expenses</b>	<b>17,393</b>	<b>13,561</b>	<b>10,503</b>	<b>6,479</b>	<b>7,703</b>
Effective tax rate (%)	24.1	25.7	20.1	23.3	22.8
Statutory tax rate (%)	24.0	24.0	24.0	24.0	24.0

For the Financial Years/Period Under Review, we do not have any outstanding or provision for withholding tax.

**Commentaries on taxation**

Our effective tax rate for the FYE 2019 of 24.1% was consistent with the statutory tax rate.

Our effective tax rate for the FYE 2020 of 25.7% was higher than the statutory tax rate mainly due to the following reasons:

- (i) depreciation of non-qualifying property and equipment which were not deductible for income tax purposes; and
- (ii) under-provision of income tax expenses in prior year due to our provision of labour and building material costs during the FYE 2019 which were not deductible for income tax purposes.

Our effective tax rate for the FYE 2021 of 20.1% was lower than the statutory tax rate mainly due to the following reasons:

- (i) interest income from unit trusts and gain on disposal of investment properties which were not subject to income tax; and
- (ii) under-provision of deferred tax assets in prior years in respect of our provision of labour and building materials costs which were not deductible for income tax purposes.

**12. FINANCIAL INFORMATION (CONT'D)**

Our effective tax rate for the FPE 2022 of 22.8% was lower than the statutory tax rate mainly due to interest income from unit trusts and gain on disposal of investment properties which were not subject to income tax.

**(ix) PBT, PBT margin, PAT and PAT margin**

Our PBT and PBT margin as well as PAT and PAT margin for the Financial Years/Period Under Review are set out below:

	←-----Audited----->			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
PBT	72,187	52,762	52,336	27,818	33,831
PBT margin (%)	12.4	10.8	11.5	11.7	14.4
PAT	54,794	39,201	41,833	21,339	26,127
PAT margin (%)	9.4	8.0	9.2	8.9	11.1

**Commentaries on PBT, PBT margin, PAT and PAT margin****Comparison between FYE 2019 and FYE 2020**

For the FYE 2020, our PBT decreased by RM19.4 million or approximately 26.9% to RM52.8 million (FYE 2019: RM72.2 million) mainly due to the decrease in our GP of RM18.5 million during the financial year as explained above.

Although we recorded a lower GP for the FYE 2020, our administrative and other expenses for the FYE 2020 had remained relatively unchanged as compared to the FYE 2019. In addition, we recorded a share in the loss of our associate of RM0.6 million for the FYE 2020, compared to a share in the profit of our associate of RM1.0 million for the FYE 2019. As a result, our PBT margin decreased to 10.8% for the FYE 2020 (FYE 2019: 12.4%).

As a result of the above, we recorded lower PAT and PAT margin for the FYE 2020 of RM39.2 million and 8.0% respectively (FYE 2019: RM54.8 million; 9.4%).

**Comparison between FYE 2020 and FYE 2021**

For the FYE 2021, our PBT decreased by RM0.5 million to RM52.3 million (FYE 2020: RM52.8 million) mainly due to the decrease in GP of RM0.9 million during the financial year as explained above.

We incurred higher administrative and other operating expenses which increased by RM3.1 million. The higher expenses were partly offset by higher other income which increased by RM2.8 million, and a share in the profit of our associate of RM0.4 million for the FYE 2021.

Notwithstanding the above, our PBT margin for the FYE 2021 increased to 11.5% (FYE 2020: 10.8%) mainly due to higher overall GP margin of 17.8% (FYE 2020: 16.7%) as explained in Section 12.3.1(iii)(d) of this Prospectus.

As a result of the above, coupled with lower tax expenses for the FYE 2021 as explained in Section 12.3.1(viii) of this Prospectus, we recorded higher PAT and PAT margin for the FYE 2021 of RM41.8 million and 9.2% respectively (FYE 2020: RM39.2 million; 8.0%).

**Comparison between FPE 2021 and FPE 2022**

For the FPE 2022, our PBT increased by RM6.0 million to RM33.8 million (FPE 2021: RM27.8 million) mainly due to the increase in GP and other income of RM1.5 million and RM5.9 million respectively during the financial period as explained above. These have also resulted in the improvement of our PBT margin for the FPE 2022 to 14.4% (FPE 2021: 11.7%).

**12. FINANCIAL INFORMATION (CONT'D)**

As a result of the above, we recorded higher PAT and PAT margin for the FPE 2022 of RM26.1 million and 11.1% respectively (FPE 2021: RM21.3 million; 8.9%).

**12.3.2 Significant factors affecting our financial condition and results of operations**

Our financial condition and results of operations have been, and are expected to be, affected by the following significant factors:

**(i) Continuity of our order book**

Our financial performance depends on our ability to secure new projects to sustain our order book. If we are not able to secure new projects on a continuous basis such that there is a significant decline in our order book or if the new projects that we secure are not commercially favourable to us, our business growth and financial performance will be adversely affected.

Our order book is also subject to unexpected project cancellations, delays or postponement of the project which may occur from time to time. Any such delays, cancellations or postponement would reduce the value of our order book which will adversely affect our prospects and financial performance.

**(ii) Unanticipated delay in the completion of projects**

We may be subject to external factors that are beyond our control, and which may affect the timely completion of our projects. This includes, among others, timely receipt of regulatory approvals and permits required, satisfactory performance of subcontractors appointed, and continuous supply of foreign labour.

Any delays in the completion of a project may affect our revenue recognition and billings and in turn, adversely affect our financial performance. Project delays could also lead to cost overrun and/or result in liquidated ascertained damages being imposed on us by our customers, which will further affect our financial performance. Our reputation and future business opportunities may also be detrimentally affected by project delays caused by us. Please refer to Section 9.1.6 of this Prospectus for further details of the risks relating to our projects which may be subject to delays resulting in the risk of claims relating to LAD.

**(iii) Delay in collections of trade receivables**

We are exposed to risk of delays in the collection of our trade receivables. An extended delay in payment from our customers or failure to collect our retention fees, may have a material and adverse effect on our cash flow. Please refer to Section 12.4.8(i) of this Prospectus for further information on the increase of our trade receivables turnover period for the Financial Years/Period Under Review.

**(iv) Fluctuations in the prices of construction materials**

Our building material costs, such as steel and concrete materials are influenced by commodity prices and subjected to price fluctuations. As such, any fluctuation in the prices of building materials, which are beyond our control, could result in increased costs and may adversely impact our financial performance.

**(v) Government, economic, fiscal or monetary policies**

Any unfavourable change in government, economic, fiscal or monetary policies may materially affect our business operations and financial performance. For the Financial Years/Period Under Review, our results were not adversely affected by any unfavourable changes relating to these policies. Nonetheless, there is no assurance that our financial performance will not be adversely affected by the impact of changes in government, economic, fiscal or monetary policies in the future.

## 12. FINANCIAL INFORMATION (CONT'D)

### (vi) Impact of inflation

Our business, financial condition or results of operations for the Financial Years/Period Under Review were not materially affected by the impact of inflation. Nonetheless, there can be no assurance that future inflation, such as future increases in construction materials, subcontractor's cost and labour's cost, would not have any impact on our business operations and financial performance.

### (vii) Impact of foreign exchange

For the Financial Years/Period Under Review, our transactions were solely denominated in RM. As such, there is no impact on foreign exchange fluctuations on our operating results.

### (viii) Impact of outbreaks or diseases such as the COVID-19 pandemic

Please refer to Section 7.14 of this Prospectus for further details of the effects of the COVID-19 pandemic on our business operations. As at the LPD, we do not foresee any material adverse effect on our financial position or business arising from the MCO and the COVID-19 pandemic in view of our healthy financial position. Further, our Directors consider that the disruption caused by and the impact of the COVID-19 pandemic is temporary and is not expected to be long-lasting. Therefore, it is expected that the overall impact caused by the COVID-19 pandemic on our business, results of operations and/or financial performance will not be material, and that we will be able to discharge our obligations under all ongoing projects.

As at the LPD, we have not encountered any cancellation of contracts from our customers, as well as disruption in supply or services by our suppliers or subcontractors. However, there can be no assurance that there will be no cancellation of projects or interruptions to our business operations.

### 12.3.3 Significant changes on the financial position

Save for the prolonged COVID-19 pandemic and as disclosed in this Prospectus, there is no significant changes that have occurred which may have a material effect on the financial position and results of our Group subsequent to the FYE 2021, being our most recent annual financial statements, up to the LPD. Please refer to Section 7.14 of this Prospectus for further details of the impact of the prolonged COVID-19 pandemic on our business and financial performance.

## 12.4 LIQUIDITY AND CAPITAL RESOURCES

### 12.4.1 Working capital

Our working capital is funded through cash generated from our operating activities, credit extended by our suppliers and subcontractors, various credit facilities extended to us by financial institutions as well as our existing cash and bank balances.

As at 30 June 2022, we have:

- (i) cash and bank balances (less term deposits pledged as security) of RM76.2 million; and
- (ii) working capital of RM168.6 million, being the difference between current assets of RM358.2 million and current liabilities of RM189.6 million.

After taking into consideration the funding requirements for our expected capital expenditures, our existing level of cash and bank balances, expected cash flows to be generated from our operations, credit facilities available, payment of interim dividend amounting to RM10.0 million for the FYE 2022 in October 2022 (as set out in Sections 2.10 and 12.7 of this Prospectus) and the estimated net proceeds from the Public Issue, our Board is of the view that we will have sufficient working capital for a period of 12 months from the date of this Prospectus.



**12. FINANCIAL INFORMATION (CONT'D)****12.4.2 Cash flows summary**

The table below sets out the summary of our combined statements of cash flows for the Financial Years/Period Under Review:

	<-----Audited----->			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Net cash from operating activities	32,208	44,775	80,597	29,715
Net cash (for)/from investing activities	36,005	(25,515)	2,058	30,201
Net cash for financing activities	(78,663)	(21,758)	(44,526)	(27,724)
Net (decrease)/increase in cash and cash equivalents	(10,450)	(2,498)	38,129	32,192
Cash and cash equivalents at beginning of the financial year/period	18,830	8,380	5,882	44,011
Cash and cash equivalents at end of the financial year/period <sup>(1)</sup>	8,380	5,882	44,011	76,203

**Note:**

- (1) For the purposes of the combined statements of cash flows for the Financial Years/Period Under Review, the cash and cash equivalents at the end of the respective financial year/period are presented net of pledged deposits as follows:

	<-----Audited----->			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Cash and cash equivalents	48,365	43,998	82,917	114,544
Term deposits pledged as security	(39,985)	(38,116)	(38,906)	(38,341)
	<b>8,380</b>	<b>5,882</b>	<b>44,011</b>	<b>76,203</b>

**Commentaries on cash flows****FYE 2019****(a) Net cash from operating activities**

For the FYE 2019, our operating cash flow before working capital changes was RM71.7 million. Our net operating cash flow was RM32.2 million after adjusting for the following key items:

- (i) increase in trade receivables of RM4.0 million in line with the increase in progress billings for the City of Elmina (Elmina Valley 5A and 5B) Project and Eco Forest (Ebony Lane - Phase 4) Project during the 4<sup>th</sup> quarter of the FYE 2019;
- (ii) increase in contract assets (which represent the excess of revenue recognised over progress billings) of RM7.8 million mainly attributed to the works performed for the Eco Ardence (Aeres) Project, Eco Majestic (Mellowood) Project and Eco Grandeur (Avenham Garden) Project during the financial year which were not billed to our customers as such works have yet to be certified by the architects;
- (iii) decrease in payables of RM7.1 million. This was mainly due to the decrease in other payables of RM11.1 million as a result of lower accruals for directors' remuneration in respect of the FYE 2019. However, this was partly offset by the increase in trade payables of RM3.9 million due to slower payments to our suppliers and subcontractors; and
- (iv) payment of income taxes amounting to RM23.0 million.

**12. FINANCIAL INFORMATION (CONT'D)**

The above cash outflows were partly offset by the decrease in contract costs of RM2.9 million mainly due to lower accrued contract costs incurred to fulfil 2 of our ongoing residential projects during the financial year for works performed which were not billed to our customers as such works have yet to be certified by the architects.

**(b) Net cash from investing activities**

For the FYE 2019, we recorded net cash from investing activities of RM36.0 million, which was mainly attributed to:

- (i) the repayment of advances and interest accrued thereon by Suan Neo Capital, our Substantial Shareholder, and other related companies, namely Kiharta Development, Kiharta Properties, Kiharta Sdn Bhd, Lembah Reka, QLB, Sawah Bersatu Sdn Bhd and Suan Neo Resources, amounting to a total of RM36.8 million. Such advances, which were repayable on demand, were extended between 2013 and 2017 at an interest rate of 4% per annum and were used for investment in properties;
- (ii) the proceeds of RM8.4 million from the partial disposal of our unit trusts; and
- (iii) the interest received from our fixed deposits of RM3.1 million.

The above cash inflows were partly offset by the purchase of investment properties for RM7.3 million, as well as purchase of equipment (comprising among others, motor vehicles, aluminium formworks, and tools and equipment) for RM5.0 million.

**(c) Net cash for financing activities**

For the FYE 2019, we used RM78.7 million for our financing activities, whereby we paid dividends of RM78.1 million and partly repaid our term loans of RM0.6 million.

**FYE 2020****(a) Net cash from operating activities**

For the FYE 2020, our operating cash flow before working capital changes was RM53.4 million. Our net operating cash flow was RM44.8 million after adjusting for the following key items,

- (i) increase in receivables of RM15.7 million. This was mainly due to the increase in trade receivables of RM14.1 million which was in line with the increase in progress billings for our Emerald West (Garland Residence) Project, Tropicana Aman (Elemen Residences) Project and City of Elmina (Ilham Residence) Project during the 4<sup>th</sup> quarter of the FYE 2020. Our other receivables also increased by RM1.6 million mainly due to higher purchases of building materials on behalf of subcontractors; and
- (ii) payment of income taxes amounting to RM16.1 million.

The above cash outflows were partly offset by:

- (i) increase in payables of RM18.3 million. This was mainly due to the increase in trade payables of RM22.3 million due to slower payments to our suppliers and subcontractors as a result of slower collection from our customers, which was in line with the overall increase in our trade receivables. This was partly offset by the decrease in other payables of RM2.8 million mainly as a result of lower accruals of staff remuneration for bonus and incentives as at 31 December 2020 due to the uncertainty of the COVID-19 pandemic; and
- (ii) decrease in contract assets (which represent the excess of revenue recognised over progress billings) of RM5.2 million. During the financial year, there was a net increase in progress billings issued to our customers for construction works performed during the FYE 2020.

**12. FINANCIAL INFORMATION (CONT'D)****(b) Net cash for investing activities**

For the FYE 2020, we recorded net cash used for investing activities of RM25.5 million, which was mainly attributed to the purchase of unit trusts for RM41.9 million and the purchase of investment properties for RM6.4 million.

Such cash outflows were partly offset by:

- (i) proceeds of RM14.0 million from partial disposal of unit trusts;
- (ii) proceeds of RM6.6 million from the disposal of properties; and
- (iii) interest received from our fixed deposits of RM3.0 million.

**(c) Net cash for financing activities**

For the FYE 2020, we used RM21.8 million for our financing activities, whereby we paid dividends of RM21.5 million and partly repaid our term loans of RM0.3 million.

**FYE 2021****(a) Net cash from operating activities**

For the FYE 2021, our operating cash flow before working capital changes was RM50.3 million. Our net operating cash flow was RM80.6 million after adjusting for the following key items:

- (i) decrease in payables of RM18.8 million. This was mainly due to the decrease in trade payables of RM32.3 million as a result of payments to our suppliers and subcontractors. However, this was partly offset by the increase in provision of contract cost for construction materials and labour amounting to RM13.1 million due to higher estimated cost to be incurred during the DLP in line with the increase in the number of completed projects as at 31 December 2021;
- (ii) increase in contract costs of RM3.8 million which were incurred to fulfil our ongoing projects during the financial year, namely Bukit Jelutong (Trilia) Project, City of Elmina (Elmina Green Five) Project, Kiharta Development Warehouse (Infrastructure) Project and Kiharta Development Warehouse (Piling) Project; and
- (iii) payment of income taxes amounting to RM12.6 million.

The above cash outflows were partly offset by:

- (i) decrease in trade receivables of RM51.8 million mainly due to collections from our customers for our Bandar Seri Coalfields (Hampton Residences) Project, City of Elmina (Elmina Valley 5A and 5B) Projects and Emerald West (Garland Residence) Project during the financial year. Our other receivables also decreased by RM7.9 million mainly due to lower prepayments for the purchase of unit trusts before the effective date in the next financial year; and
- (ii) decrease in contract assets (which represent the excess of revenue recognised over progress billings) of RM6.0 million. During the financial year, there was a net increase in progress billings issued to our customers for construction works performed during the FYE 2021.

**(b) Net cash from investing activities**

For the FYE 2021, we recorded net cash from investing activities of RM2.1 million, which was mainly attributed to the proceeds of RM49.8 million from the partial disposal of unit trusts, partly offset by the purchase of unit trusts of RM45.9 million and the purchase of equipment (comprising mainly aluminium formworks) of RM5.8 million.

**12. FINANCIAL INFORMATION (CONT'D)****(c) Net cash for financing activities**

For the FYE 2021, we recorded net cash used for financing activities of RM44.5 million. This mainly comprised payment of dividends amounting to RM59.5 million and repayment of term loans amounting to RM1.0 million. The outflows were partly offset by the drawdown of our term loan amounting to RM6.0 million and the proceeds from the issuance of new ordinary shares in KSB for RM10.0 million.

**FPE 2022****(a) Net cash from operating activities**

For the FPE 2022, our operating cash flow before working capital changes was RM28.3 million. Our net operating cash flow was RM29.7 million after adjusting for the following key items:

- (i) decrease in payables of RM26.7 million. This was mainly due to the decrease in trade payables of RM19.8 million as a result of payments to our suppliers and subcontractors, as well as decrease in provision of contract cost for construction materials and labour amounting to RM2.9 million due to lower estimated cost to be incurred during the DLP in line with the lower number of completed projects as at 30 June 2022. In addition, our other payables also decreased by RM4.0 million as a result of lower accruals for general administrative expenses in respect of the FPE 2022; and
- (ii) payment of income taxes amounting to RM5.4 million.

The above cash outflows were partly offset by:

- (i) decrease in trade receivables of RM18.6 million mainly due to collections from our customers for the Tropicana Aman (Elemen Residences) Project, Tropicana Aman (Freesia Residences) Project, Taman Putra Prima (Diamond) Project and Eco Forest (Hazelton) Project during the financial period;
- (ii) decrease in contract assets (which represent the excess of revenue recognised over progress billings) of RM10.0 million due to net increase in progress billings issued to our customers for construction works performed during the FPE 2022; and
- (iii) decrease in contract costs of RM4.8 million mainly due to lower contract costs incurred to fulfil our ongoing residential projects during the financial period.

**(b) Net cash from investing activities**

For the FPE 2022, we recorded net cash from investing activities of RM30.2 million, which was mainly attributed to:

- (i) proceeds of RM25.4 million from the partial disposal of unit trusts;
- (ii) dividends of RM4.9 million received from our former associate and the proceeds of RM2.4 million from the Disposal of QLB; and
- (iii) proceeds of RM2.2 million from the disposal of properties.

The above cash inflows were partly offset by the purchase of equipment (comprising mainly aluminium formwork system) for RM4.0 million.

**(c) Net cash for financing activities**

For the FPE 2022, we used RM27.7 million for our financing activities, whereby we paid dividends of RM21.7 million and partly repaid our term loans amounting to RM7.5 million. The cash outflows were partly offset by the drawdown of banker's acceptances amounting to RM1.6 million for payments to our suppliers and subcontractors.

## 12. FINANCIAL INFORMATION (CONT'D)

### 12.4.3 Borrowings

As at 30 June 2022, our total outstanding borrowings stood at approximately RM1.9 million, which comprised:

Type of borrowings	Purpose	Tenure	Interest rate	Balance as at 30 June 2022 (RM'000)
Banker's acceptances	Payment to suppliers and subcontractors	30 days	3.80% per annum	1,603
Lease liabilities	Rental of offices	1 to 5 years	3.27% per annum	260
				<b>1,863</b>

The maturity profile of our total outstanding borrowings as at 30 June 2022 is as follows:

	RM'000
Within 1 year	1,747
1 to 5 years	116
<b>Total</b>	<b>1,863</b>

As at the LPD, we have fully settled our banker's acceptances. We have not defaulted on payments of either interest or principal sums in respect of any borrowings throughout the Financial Years/Period Under Review up to the LPD. We also do not encounter any seasonality in our borrowings trend and there is no restriction on our committed borrowing facilities.

### 12.4.4 Financial instruments, treasury policies and objectives

As at the LPD, save for the borrowings as disclosed in Sections 12.2 and 12.4.3 of this Prospectus, we do not use any other financial instruments.

For clarity purposes, our financial instruments which are used in the ordinary course of business, from an accounting perspective, may include financial assets such as cash and cash equivalents, short-term marketable securities, trade and other receivables, as well as financial liabilities such as borrowings and trade and other payables. As at the LPD, we have not used any financial instruments for hedging purpose.

We have been funding our operations through internally generated funds as well as external sources of funds, such as cash generated from our operation, credit extended by our suppliers and subcontractors as well as credit facilities extended by licensed financial institutions. The primary objective of our capital management is to ensure sustainable shareholders' equity in order to support and grow our business as well as to maximise shareholders' value. We review and manage our capital structure to maintain our debt-to-equity ratio at an optimal level based on the business requirements and prevailing economic conditions.

Our operations were not subject to any material impact arising from interest rate fluctuations throughout the Financial Years/Period Under Review. Accordingly, we have not entered into any financial instrument to hedge against the fluctuations in the interest rate.

### 12.4.5 Material capital commitment

We do not have any material capital commitment as at the LPD.

**12. FINANCIAL INFORMATION (CONT'D)****12.4.6 Material litigation or claims**

Neither we nor our subsidiary are engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our financial position or profitability, in the 12 months immediately preceding the date of this Prospectus.

**12.4.7 Contingent liabilities**

As at the LPD, we do not have any material contingent liabilities which, upon becoming enforceable, may have a material adverse impact on our results of operations or financial position. We have bank guarantees given to our customers as security for performance bonds amounting to approximately RM77.1 million as at the LPD and the associated loss allowances were not material.

**12.4.8 Key financial ratios**

Our key financial ratios for the Financial Years/Period Under Review are as follows:

	<-----Audited----->			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
Trade receivables turnover period <sup>(1)</sup> (days)	86	109	102	70
Trade payables turnover period <sup>(2)</sup> (days)	68	94	101	81
Current ratio <sup>(3)</sup> (times)	1.8	1.7	1.4	1.9
Gearing ratio <sup>(4)</sup> (times)	*	*	*	*

**Notes:**

\* Less than 0.1 times.

(1) Computed based on the average trade receivables over our revenue for the respective financial years/period multiplied by 365 days for the FYE 2019 and FYE 2021, 366 days for the FYE 2020, and 181 days for the FPE 2022.

(2) Computed based on the average trade payables (excluding accrued contract costs and retention sum) over our cost of sales for the respective financial years/period multiplied by 365 days for the FYE 2019 and FYE 2021, 366 days for the FYE 2020, and 181 days for the FPE 2022.

(3) Computed as current assets divided by current liabilities.

(4) Computed as total borrowings divided by shareholders' equity.

We do not keep inventories due to the nature of our construction business and therefore, the inventory turnover computation is not applicable to us.

**(i) Trade receivables turnover period**

The normal credit term granted to our customers is 30 days from the date of our progress billings upon finalisation of payment certificate by the architect. Our credit terms to customers are determined on a case-by-case basis, taking into consideration factors such as our business relationship with our customer, customer creditworthiness, historical payment trend as well as scope and value of the construction project. Although the normal credit period granted to our customers is 30 days, collection from our customers generally takes approximately 90 days due to the customers' lengthy internal process of verifying architect's certification before payments are made.

**12. FINANCIAL INFORMATION (CONT'D)**

Due to the nature of our construction business, our customers are entitled to retain 10% of each billing milestone as retention sum, up to a maximum of 5% of the contract value. Our customers retain the entire retention sum throughout the contract period until the issuance of CPC by the architect, upon which half of the retention sum will be released upon issuance of CPC followed by the remaining half upon issuance of CMGD at the end of the DLP. As we will only raise progress billings for the retention sum of our projects upon the issuance of CPC and CMGD, the retention sum for works completed throughout the project period are presented as part of our contract assets during the Financial Years/Period Under Review.

A summary of our trade receivables turnover period for the Financial Years/Period Under Review is set out below:

	<-----Audited----->			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
Average trade receivables <sup>(1)</sup>	136,570	145,629	126,813	91,350
Revenue	581,523	489,645	455,502	234,733
Trade receivables turnover period <sup>(2)</sup> (days)	86	109	102	70

**Notes:**

- (1) Computed based on the average of trade receivables at the beginning and at the end of each financial year/period. Our trade receivables do not include retention sum, which has been presented as part of our contract assets during the Financial Years/Period Under Review due to reason explained above.
- (2) Computed based on the average trade receivables over our revenue for the respective financial years/period multiplied by 365 days for the FYE 2019 and FYE 2021, 366 days for the FYE 2020, and 181 days for the FPE 2022.

Our trade receivables turnover period for the Financial Years/Period Under Review ranged from 70 days to 109 days, which were higher than the normal credit term granted to our customers. Typically, there is a gap between the contractual credit terms and the actual collections by us due to our customers' lengthy internal process of verifying architect's certification before payments are made. Notwithstanding that some of the outstanding trade receivables are overdue, we will assess the collectability based on our past dealings with our customers. During the Financial Years/Period Under Review, we have not experienced any significant bad debts.

For the FYE 2020, our trade receivables turnover period increased to 109 days (FYE 2019: 86 days) mainly due to slower collections from our customers as a result of the implementation of the MCO. In addition, there were higher progress billings issued during the month of December 2020 amounting to RM80.7 million (December 2019: RM51.8 million), which were not due for payment as at 31 December 2020, in respect of work performed for the Emerald West (Garland Residence) Project and Bandar Seri Coalfields (Hampton Residences) Project. As a result, we recorded a higher trade receivables balance as at 31 December 2020 and this contributed to the increase in trade receivables turnover period for the FYE 2020.

Our trade receivables turnover period improved to 102 days for the FYE 2021 (FYE 2020: 109 days) due to improvement in collection from our customers for the Bandar Seri Coalfields (Hampton Residences) Project, City of Elmina (Elmina Valley 5A and 5B) Projects and Emerald West (Garland Residence) Project during the financial year.

Our trade receivables turnover period further improved to 70 days for the FPE 2022 (FYE 2021: 102 days) mainly due to improvement in collection from our customers as a result of enhanced collection efforts and tightened credit control procedures through close monitoring of overdue trade receivables as well as constant reminders and continuous engagement with our customers on the outstanding amount due.

**12. FINANCIAL INFORMATION (CONT'D)**

The ageing analysis of our trade receivables as at 30 June 2022 and the subsequent collections up to the LPD are as follows:

	<b>Exceeding credit period</b>					<b>Total (RM'000)</b>
	<b>Within credit period (RM'000)</b>	<b>Not more than 30 days overdue (RM'000)</b>	<b>Between 31 to 60 days overdue (RM'000)</b>	<b>Between 61 to 90 days overdue (RM'000)</b>	<b>More than 90 days overdue (RM'000)</b>	
Trade receivables as at 30 June 2022	46,805 (57.2%)	8,163 (10.0%)	11,613 (14.2%)	9,892 (12.1%)	5,284 (6.5%)	81,757 (100.0%)
Subsequent collections up to the LPD	(45,187)	(7,945)	(11,203)	(9,589)	(3,755)	(77,679)
Outstanding trade receivables as at the LPD	1,618 (39.7%)	218 (5.3%)	410 (10.1%)	303 (7.4%)	1,529 <sup>(1)</sup> (37.5%)	4,078 (100.0%)

**Note:**

- (1) Out of the total trade receivables of approximately RM1.5 million which has been overdue for more than 90 days:
- (i) approximately RM0.8 million represents the outstanding progress billing for a residential project which was completed in 2017, including rectification of defects. The said outstanding sum has been withheld by the customer, pending resolution of certain soil-related issue between the customer and its appointed consultant engineer; and
  - (ii) approximately RM0.7 million represents the outstanding progress billing for the Bandar Tasik Puteri (Acacia Park) Project, for which we had sought EOT from the customer due to additional time required to complete our infrastructure works as a result of delay in cabling works by a nominated subcontractor and the delay in obtaining MITI's approval by one of our subcontractor to resume work during the MCO.

The project had been completed in February 2021 after 5 rounds of EOT approved by the customer up to January 2021 from the original completion date in March 2020. The final round of EOT was sought prior to the completion of the project due to reasons set out above, and is pending finalisation and issuance by the customer. As at the LPD, the EOT application is still being assessed and we are not aware of any indication that the EOT will not be approved. However, in the event that the EOT is not granted, this may give rise to a potential LAD claim amounting to RM0.7 million from the said customer.

Having assessed the recoverability of the above trade receivables, we have not made allowance for impairment loss in respect of these amount after taking into consideration the financial position of these customers as well as our good business relationship with them.

As at the LPD, we have collected RM77.7 million or approximately 95.0% of our total trade receivables of RM81.8 million which were outstanding as at 30 June 2022. Our Board is of the opinion that the remaining outstanding trade receivables are recoverable and no provision for impairment is required after taking into consideration our relationship with these customers and their historical payment trend.



**12. FINANCIAL INFORMATION (CONT'D)**

**(ii) Trade payables turnover period**

Our trade payables turnover period is computed after excluding accrued contract costs and retention sum. The provision of accrued contract costs relates mainly to contract cost incurred for work done by our subcontractors which have yet to be certified. In addition, we are entitled to retain part of our subcontractors' billings as retention sum, and we generally release half of the retention sum to our subcontractors upon the issuance of CPC, while the remaining half will be released after the end of the DLP. The normal credit term extended by our suppliers and subcontractors to us ranges from 30 days to 120 days.

A summary of our trade payables turnover period for the Financial Years/Period Under Review is set out below:

	<-----Audited----->			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
Average trade payables <sup>(1)</sup>	89,593	104,631	103,509	85,702
Cost of sales	481,226	407,807	374,640	191,052
Trade payables turnover period <sup>(2)</sup> (days)	68	94	101	81

**Notes:**

- (1) Computed based on the average of trade payables (excluding accrued contract costs and retention sum) at the beginning and at the end of each financial year/period.
- (2) Computed based on the average trade payables (excluding accrued contract costs and retention sum) over our cost of sales for the respective financial years/period multiplied by 365 days for the FYE 2019 and FYE 2021, 366 days for the FYE 2020 and 181 days for the FPE 2022.

For the FYE 2020, our trade payables turnover period increased to 94 days (FYE 2019: 68 days) mainly due to longer period taken for payment to suppliers and subcontractors after taking into consideration the slower collection from our customers during the same financial year as explained above.

For the FYE 2021, our trade payables turnover period further increased to 101 days (FYE 2020: 94 days) notwithstanding an improvement in collection from our customers. This is due to our cash conservation measures to maintain a higher working capital by utilising the credit period granted to us. Notwithstanding the slower payment, we have not experienced any disruptions in supplies during the Financial Years/Period Under Review.

Our trade payables turnover period improved to 81 days for the FPE 2022 (FYE 2021: 101 days) mainly due to prompt payment to our suppliers and subcontractors after taking into consideration improvement in collection from our customers during the financial period.

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**12. FINANCIAL INFORMATION (CONT'D)**

The ageing analysis of our trade payables as at 30 June 2022 and the subsequent payments up to the LPD are as follows:

	<b>Exceeding credit period</b>					<b>Total (RM'000)</b>
	<b>Within credit period (RM'000)</b>	<b>Not more than 30 days overdue (RM'000)</b>	<b>Between 31 to 60 days overdue (RM'000)</b>	<b>Between 61 to 90 days overdue (RM'000)</b>	<b>More than 90 days overdue (RM'000)</b>	
Trade payables as at 30 June 2022	28,675 <sup>(1)</sup> (36.6%)	22,244 (28.4%)	12,576 (16.1%)	7,746 (9.9%)	7,033 (9.0%)	78,274 <sup>(1)</sup> (100.0%)
Subsequent payments up to the LPD	(28,608)	(22,207)	(12,549)	(7,745)	(4,173)	(75,282)
Outstanding trade payables as at the LPD	67 (2.3%)	37 (1.2%)	27 (0.9%)	1 (*)	2,860 (95.6%)	2,992 (100.0%)

**Notes:**

\* Negligible.

(1) Excluding retention sum and accrued contract costs amounting to approximately RM89.2 million.

As at the LPD, we have paid RM75.3 million or approximately 96.2% of our total trade payables of RM78.3 million which were outstanding as at 30 June 2022. For the Financial Years/Period Under Review, there was no matter in dispute with respect to trade payables, or legal action initiated by any of our suppliers and/or subcontractors to demand for payment.

**(iii) Current ratio**

A summary of our current ratio for the Financial Years/Period Under Review is set out below:

	<b>&lt;-----Audited-----&gt;</b>			
	<b>31 December 2019</b>	<b>31 December 2020</b>	<b>31 December 2021</b>	<b>30 June 2022</b>
Current assets	380,481	388,435	361,366	358,221
Current liabilities	215,608	233,959	259,921	189,572
Current ratio <sup>(1)</sup> (times)	1.8	1.7	1.4	1.9

**Note:**

(1) Computed as current assets divided by current liabilities.

As at 31 December 2020, our current ratio decreased to 1.7 times (31 December 2019: 1.8 times) mainly due to the increase in our trade receivables of RM14.1 million to RM152.7 million (31 December 2019: RM138.6 million) as a result of the issuance of progress billings for the Emerald West (Garland Residence) Project, Tropicana Aman (Elemen Residences) Project and City of Elmina (Ilham Residence) Project during the 4<sup>th</sup> quarter of the FYE 2020.

However, we also recorded higher current liabilities arising from an increase in trade payables of RM22.3 million or 11.3% to RM219.5 million (31 December 2019: RM197.2 million). This was due to slower payments to our suppliers and subcontractors as a result of slower collection from our customers.

**12. FINANCIAL INFORMATION (CONT'D)**

As at 31 December 2021, our current ratio decreased to 1.4 times (31 December 2020: 1.7 times) mainly due to the following reasons:

- (i) decrease in our trade receivables of RM51.8 million to RM100.9 million (31 December 2020: RM152.7 million) due to lower progress billings for our Bandar Seri Coalfields (Hampton Residences) Project, City of Elmina (Elmina Valley 5A and 5B) Projects and Emerald West (Garland Residence) Project during the financial year. This was partly offset by the increase in our cash and cash equivalents of RM38.9 million to RM82.9 million for the FYE 2021 (FYE 2020: RM44.0 million); and
- (ii) higher current liabilities due to unpaid dividend amounting to RM44.1 million. This was partly offset by the decrease in trade payables of RM32.3 million as a result of payments to our suppliers and subcontractors.

As at 30 June 2022, our current ratio increased to 1.9 times (31 December 2021: 1.4 times) mainly due to the following reasons:

- (i) higher cash and cash equivalents which increased by RM31.6 million to RM114.5 million (FYE 2021: RM82.9 million) as a result of partial disposal of unit trusts of RM25.4 million and dividends received from our former associate of RM4.9 million. While we have also used RM21.7 million to pay dividends and RM7.5 million to repay our term loans, this was offset by net cash inflow from our operating activities of RM29.7 million; and
- (ii) lower current liabilities as we have fully paid the unpaid dividend amounting to approximately RM44.1 million (of which RM21.7 million was paid via cash and the remaining RM22.4 million was offset against part of the proceeds received from our disposal of properties) as well as the decrease in trade payables of RM19.8 million as a result of payments to our suppliers and subcontractors.

**(iv) Gearing ratio**

A summary of our gearing ratio for the Financial Years/Period Under Review is set out below:

	<-----Audited----->			
	31 December 2019	31 December 2020	31 December 2021	30 June 2022
Total borrowings	2,747	2,489	7,732	1,863
Shareholders' equity	244,367	262,069	184,401	210,529
Gearing ratio <sup>(1)</sup> (times)	*	*	*	*

**Notes:**

\* Less than 0.1 times.

(1) Computed as total borrowings divided by shareholders' equity.

We do not have a policy on managing our gearing ratio. During the Financial Years/Period Under Review, we have maintained a low gearing ratio of less than 0.1 times as we have sufficient cash generated from our operating activities to fund our working capital and capital expenditures.

As at 31 December 2021, our total borrowings increased by RM5.2 million to RM 7.7 million (31 December 2020: RM2.5 million) mainly due to the drawdown of our term loan amounting to RM6.0 million for additional working capital purposes. However, our shareholders' equity decreased by RM77.7 million to RM184.4 million (31 December 2020: RM262.1 million) due to the declaration of dividend of RM129.5 million, which was partly offset by the increase in retained profits for the FYE 2021 of RM41.8 million and the proceeds from the issuance of new ordinary shares in KSB of RM10.0 million.

**12. FINANCIAL INFORMATION (CONT'D)**

As at 30 June 2022, our total borrowings decreased by RM5.8 million to RM1.9 million (31 December 2021: RM7.7 million) mainly due to the repayment of our term loan amounting to RM7.5 million, partly offset by the drawdown of banker's acceptances amounting to RM1.6 million for payments to our suppliers and subcontractors. As we have recorded a PAT of RM26.1 million for the FPE 2022, our shareholders' equity improved to RM210.5 million as at 30 June 2022.

**12.5 ORDER BOOK**

As our revenue from our construction projects is recognised based on the stage of completion method, our order book in respect of ongoing construction projects excludes the value of completed works which have been recognised in revenue. As at the LPD, our order book as represented by the unbilled contract value of our ongoing projects stood at approximately RM853.6 million as follows:

	<u>RM'000</u>	<u>%</u>
Residential	683,421	80.1
Non-residential		
• Commercial	122,981	14.4
• Industrial	45,479	5.3
	<u>168,460</u>	<u>19.7</u>
Other related services	1,728	0.2
<b>Total</b>	<b><u>853,609</u></b>	<b><u>100.0</u></b>

The above unbilled contract value is expected to be realised progressively over the next 2 financial years as set out below:

	<u>RM'000</u>	<u>%</u>
FYE 2022 (from 1 December 2022 up to 31 December 2022)	104,961	12.3
FYE 2023	617,578	72.3
FYE 2024	131,070	15.4
<b>Total</b>	<b><u>853,609</u></b>	<b><u>100.0</u></b>

Please refer to Section 7.4.2.3(b) of this Prospectus for further details of our ongoing building construction projects as at the LPD. There may be variations from the amount awarded as compared to the final works to be performed resulting from, among others, changes in project requirements, which may take place during the implementation of the project.

**12.6 TREND INFORMATION**

As at the LPD, saved as disclosed in this Prospectus, our operations have not been and are not expected to be affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had, or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations, save as set out in Sections 8 and 9 of this Prospectus;
- (ii) unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations;

**12. FINANCIAL INFORMATION (CONT'D)**

- (iii) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits, save for the interruption to business and operations due to COVID-19 pandemic as set out in Section 7.14 of this Prospectus, and our strategies and plans as set out in Section 7.22 of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical combined financial statements not indicative of the future financial performance and position; and
- (v) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our liquidity and capital resources.

**12.7 DIVIDEND POLICY**

It is the intention of our Board to recommend and distribute dividends of at least 25.0% of our annual audited PAT attributable to our shareholders. This will allow our shareholders to participate in the profits of our Group while leaving adequate reserves for the future growth of our Group.

Notwithstanding our intention above, as we are an investment holding company, our income and ability to pay dividends are dependent upon the dividends received from our subsidiary. The payment of dividends by our subsidiary is dependent on their distributable profits, financial performance and cash flow requirements for operations and capital expenditures, the covenants in their existing loan agreements which require prior written consent from the respective financial institutions for the payment of dividends of more than certain percentage of their respective PAT as well as other factors.

In addition to the factors above which may affect the ability of our subsidiary to pay dividends to us, when recommending the actual dividends for approval by shareholders or when declaring any interim dividend, our Board will also consider, among others:

- (i) the level of our cash, gearing, return on equity and retained profits;
- (ii) our expected financial performance;
- (iii) our working capital requirements;
- (iv) our projected levels of expenditure and other investment plans;
- (v) any restrictive covenants contained in our current and future financing arrangements; and
- (vi) any material impact of tax laws and regulatory requirements.

Save for certain banking restrictive covenants which our subsidiary is subject to, there is no other dividend restriction imposed on our subsidiary as at the LPD.

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**12. FINANCIAL INFORMATION (CONT'D)**

For information purposes, the dividends declared and paid by our Group for the Financial Years/Period Under Review are as follows:

	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FPE 2022</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Dividends declared	78,100	21,500	129,500	-
Dividends paid	78,100	21,500	85,370	44,130 <sup>(2)</sup>
PAT attributable to our shareholders	54,794	39,201	41,833	26,127
Dividend payout ratio <sup>(1)</sup>	142.5%	54.8%	309.6%	-

**Notes:**

- (1) Computed as dividends declared divided by PAT attributable to our shareholders.
- (2) Represents payment of balance dividends payable in respect of the FYE 2021. Out of the RM44.1 million, RM21.7 million was paid via cash and the remaining RM22.4 million was offset against part of the proceeds received from the disposal of our properties.

The dividends declared and paid for the Financial Years/Period Under Review were funded via internally generated cash which were in excess of our Group's funding requirements for our business operations. Although the dividends declared and paid for the FYE 2019 and FYE 2021 exceeded our PAT attributable to shareholders during the respective financial years, such distributions are not expected to affect our business strategies and plans moving forward.

On 17 October 2022, we declared an interim dividend amounting to RM10.0 million for the FYE 2022. The said dividend was paid on 19 October 2022 via our internally generated funds which are in excess of our Group's funding requirements for our business operations and not expected to affect our business strategies and plans moving forward. Save as disclosed, there is no other dividend declared by us or our subsidiary to our shareholders.

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our future dividends which are subject to modification (including non-declaration) thereof at our Board's discretion. We cannot assure you that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that further dividends declared by our Board, if any, will not differ materially from historical payouts. Please refer to Section 9.3.5 of this Prospectus for the risk factor which may affect our ability to pay dividends.

No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

**12. FINANCIAL INFORMATION (CONT'D)****12.8 REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022**

09 DEC 2022

The Board of Directors  
**Kumpulan Kitacon Berhad**  
 24, Jalan Rengas,  
 Taman Selatan,  
 41200 Klang,  
 Selangor

**Crowe Malaysia PLT**  
 201906000005 (LLP0018817-LCA) & AF 1018  
 Chartered Accountants  
 Suite 50-3, Setia Avenue  
 No. 2, Jalan Setia Prima S U13/S  
 Setia Alam, Seksyen U13  
 40170 Shah Alam  
 Selangor Darul Ehsan  
 Malaysia  
 Main +6 03 3343 0730  
 +6 03 3343 1846  
 Fax +6 03 3344 3036  
 www.crowe.my

Dear Sirs/Madam,

**KUMPULAN KITACON BERHAD (“KITACON” OR THE “COMPANY”)  
 REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL  
 POSITION AS AT 30 JUNE 2022**

We have completed our assurance engagement to report on the compilation of pro forma combined statements of financial position of Kitacon and its subsidiary (collectively known as the “Group”) as at 30 June 2022 (“Pro Forma Combined Statements of Financial Position”) and the related notes (which we have stamped for the purpose of identification). The Pro Forma Combined Statements of Financial Position have been prepared by the Board of Directors of the Company for inclusion in the prospectus to be issued in connection with the listing of and quotation for the entire issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad (“Prospectus”).

The applicable criteria on the basis of which the Board of Directors of the Company has compiled the Pro Forma Combined Statements of Financial Position are described in the notes thereon to the Pro Forma Combined Statements of Financial Position, and are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia (“Prospectus Guidelines”).

The Pro Forma Combined Statements of Financial Position have been compiled by the Board of Directors of the Company to illustrate the impact of the events or transactions as set out in the notes thereon to the Pro Forma Combined Statements of Financial Position as at 30 June 2022. As part of this process, information about the Group’s financial position has been extracted by the Board of Directors of the Company from the audited combined statements of financial position as at 30 June 2022 as set out in the Accountants’ Report of the Company.

**THE BOARD OF DIRECTORS’ RESPONSIBILITIES**

The Board of Directors of the Company is solely responsible for compiling the Pro Forma Combined Statements of Financial Position on the basis as described in the notes thereon to the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

**12. FINANCIAL INFORMATION (CONT'D)****REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL**

We have complied with the independence and other ethical requirement of the *By-Laws (on Professional Ethics, Conduct and Practice)* of the *Malaysian Institute of Accountants and International Code of Ethics for Professional Accountants* issued by the International Ethics Standard Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The Firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

**REPORTING ACCOUNTANTS' RESPONSIBILITIES**

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, by the Board of Directors of the Company on the basis as described in the notes thereon of the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of the Company has compiled, in all material respects, the Pro Forma Combined Statements of Financial Position on the basis as described in the notes thereon of the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the Pro Forma Combined Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Combined Statements of Financial Position.

The purpose of the Pro Forma Combined Statements of Financial Position included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.



**12. FINANCIAL INFORMATION (CONT'D)****REPORTING ACCOUNTANTS' RESPONSIBILITIES (CONT'D)**

A reasonable assurance engagement to report on whether the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors of the Company in the compilation of the Pro Forma Combined Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Combined Statements of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Combined Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Combined Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**OPINION**

In our opinion, the Pro Forma Combined Statements of Financial Position of the Company has been compiled, in all material respects, on the basis as described in the notes thereon to the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

**OTHER MATTER**

Our report on the Pro Forma Combined Statements of Financial Position has been prepared for inclusion in the Prospectus. As such, this report should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully

**Crowe Malaysia PLT**  
201906000005 (LLP0018817-LCA) & AF 1018  
Chartered Accountants

Shah Alam

**Ong Beng Chooi**  
03155/05/2023 J  
Chartered Accountant

**12. FINANCIAL INFORMATION (CONT'D)****KUMPULAN KITACON BERHAD****PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION****1. Introduction**

The Pro Forma Combined Statements of Financial Position of Kumpulan Kitacon Berhad ("Kitacon") and its subsidiary (collectively referred to as "Kitacon Group" or "the Group") as at 30 June 2022 has been prepared for inclusion in the prospectus in connection with the initial public offering of ordinary shares in the Company and the listing of and quotation for the entire issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Listing").

The Pro Forma Combined Statements of Financial Position have been prepared based on the assumption that the Material Subsequent Event and the Listing Scheme as described in Notes 2 and 3 respectively, were effected on 30 June 2022. The Pro Forma Combined Statements of Financial Position may not, because of their nature, give a true picture of the Group's actual financial position. Further, such financial information does not purport to predict the future financial position of the Group.

**2. Material Subsequent Event****2.1 Distribution of Dividend**

Subsequent to 30 June 2022 and prior to the Listing, the Directors of the Company had on 17 October 2022 to declared an interim dividend of RM10,000,000 for the financial year ending 31 December 2022. The said dividend was subsequently paid on 19 October 2022.

**3. Listing Scheme****3.1 Acquisition of Kitacon Sdn. Bhd. ("KSB")**

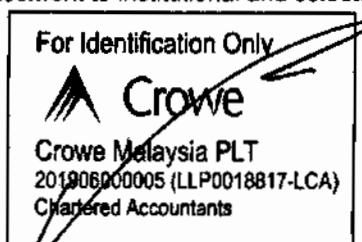
On 11 May 2022, the Company entered into a conditional share sale agreement to acquire the entire issued share capital of KSB comprising 30,000,000 ordinary shares from Tan Ah Kee, Teow Choo Hing, Suan Neo Capital Sdn. Bhd. and Lembah Reka Sdn. Bhd. for a purchase consideration of RM184,401,459 which will be fully satisfied via the issuance of 423,911,400 new ordinary shares in Kitacon ("Shares") at an issue price of RM0.435 per Share, to the vendors ("Acquisition of KSB"). The Acquisition of KSB was subsequently completed on 21 October 2022.

The Acquisition of KSB will be accounted for using book value accounting. Under book value accounting, the difference between the consideration paid and the share capital of the acquiree is accounted for as merger reserve.

**3.2 Initial Public Offering ("IPO")**

In conjunction with the Listing, Kitacon will undertake an IPO of 138,588,500 Shares, comprising public issue of 76,088,500 new Shares and offer for sale of 62,500,000 existing Shares, at an issue /offer price of RM0.68 each, to be allocated in the following manner:

- (a) 10,000,000 new Shares, representing 2.0% of the enlarged number of issued Shares, will be made available for application by the Malaysian Public via balloting, of which 50% will be set aside for Bumiputera investors;
- (b) 8,588,500 new Shares, representing approximately 1.7% of the enlarged number of issued Shares, will be reserved for application by the eligible directors, employees and persons who have contributed to the success of the Group; and
- (c) 57,500,000 new Shares, representing 11.5% of the enlarged number of issued Shares, will be made available by way of private placement to institutional and selected investors.



**12. FINANCIAL INFORMATION (CONT'D)****KUMPULAN KITACON BERHAD****PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION****3.2 Initial Public Offering ("IPO") (Cont'd)**

Concurrently with the public issue, the offerors, namely Tan Ah Kee and Teow Choo Hing, will offer 62,500,000 existing Shares for sale, representing 12.5% of the enlarged number of issued Shares, by way of private placement to Bumiputera investors approved by the Ministry of International Trade and Industry.

**3.3 Listing**

Upon completion of the IPO, the Company's entire enlarged issued share capital of RM235,161,689 comprising 500,000,000 Shares shall be listed on the Main Market of Bursa Securities.

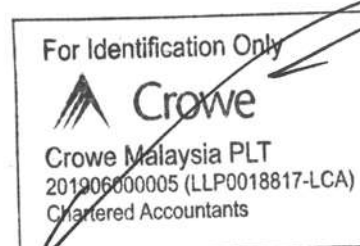
**3.4 Employees' share option scheme**

In conjunction with the Listing, Kitacon intends to establish an employees' share option scheme ("ESOS") of up to 15% of the total number of issued Shares (excluding treasury shares, if any), to be granted to the eligible directors and employees of the Group.

The ESOS shall be administered by the ESOS Committee and governed by the By-Laws.

The ESOS is not illustrated in the Pro Forma Combined Statements of Financial Position as the ESOS have yet to be granted as of the date of this report.

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**12. FINANCIAL INFORMATION (CONT'D)****KUMPULAN KITACON BERHAD****PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION****4. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022**

The Pro Forma Combined Statements of Financial Position as set out below have been prepared for illustrative purposes only to show the effects of the transactions referred in Notes 2 and 3 had these transactions been effected on 30 June 2022 and should be read in conjunction with the said notes.

		Pro Forma I		Pro Forma II		Pro Forma III		Pro Forma IV	
	Audited Combined Statement of Financial Position of the Group as at 30 June 2022*	Distribution of Dividend	After Distribution of Dividend	Acquisition of KSB	After After Pro Forma I and Acquisition of KSB	Public Issue	After Pro Forma II and Public Issue	Use of Proceeds	After Pro Forma III and Use of Proceeds
Note	RM	RM	RM	RM	RM	RM	RM	RM	RM
<b>ASSETS</b>									
<b>NON-CURRENT ASSETS</b>									
	11,554,058		11,554,058		11,554,058		11,554,058		11,554,058
Property and equipment									
Investment properties	5,364,901		5,364,901		5,364,901		5,364,901		5,364,901
Right-of-use assets	257,015		257,015		257,015		257,015		257,015
Other investments	21,762,356		21,762,356		21,762,356		21,762,356		21,762,356
Investment in club membership, at cost	85,003		85,003		85,003		85,003		85,003
Deferred tax asset	3,867,000		3,867,000		3,867,000		3,867,000		3,867,000
	<u>42,890,333</u>		<u>42,890,333</u>		<u>42,890,333</u>		<u>42,890,333</u>		<u>42,890,333</u>
<b>CURRENT ASSETS</b>									
Receivables	86,054,587		86,054,587		86,054,587		86,054,587		86,054,587
Contract costs	269,707		269,707		269,707		269,707		269,707
Contract assets	155,627,517		155,627,517		155,627,517		155,627,517		155,627,517
Current tax assets	1,725,743		1,725,743		1,725,743		1,725,743		1,725,743
Cash and cash equivalents	114,544,108	(10,000,000)	104,544,108		104,544,108	51,740,180	156,284,288	(4,460,000)	151,824,288
	<u>358,221,662</u>		<u>348,221,662</u>		<u>348,221,662</u>		<u>399,961,842</u>		<u>395,501,842</u>
<b>TOTAL ASSETS</b>	<u>401,111,995</u>		<u>391,111,995</u>		<u>391,111,995</u>		<u>442,852,175</u>		<u>438,392,175</u>

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201906000005 (LLP0018817-LCA)  
Chartered Accountants

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**12. FINANCIAL INFORMATION (CONT'D)****KUMPULAN KITACON BERHAD****PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION****4. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022**

		Pro Forma I	Pro Forma II	Pro Forma III	Pro Forma IV		
	Audited Combined Statement of Financial Position of the Group as at 30 June 2022*	After Distribution of Dividend	After Acquisition of KSB	After Pro Forma I and Acquisition of KSB	After Pro Forma II and Public Issue	After Pro Forma III and Use of Proceeds	After Pro Forma IV and Use of Proceeds
Note	RM	RM	RM	RM	RM	RM	RM
<b>EQUITY AND LIABILITIES</b>							
<b>EQUITY</b>							
Share capital	6(b) 50	50	184,401,459	184,401,509	51,740,180	236,141,689	(980,000) 235,161,689
Invested equity	6(c) 30,000,000	30,000,000	(30,000,000)	-	-	-	-
Merger deficit	6(d) -	-	(154,401,459)	(154,401,459)	(154,401,459)	(154,401,459)	(154,401,459)
Retained profits	6(e) 180,528,840	(10,000,000) 170,528,840	170,528,840	170,528,840	170,528,840	(3,480,000) 167,048,840	167,048,840
<b>TOTAL EQUITY</b>	<b>210,528,890</b>	<b>200,528,890</b>	<b>200,528,890</b>	<b>200,528,890</b>	<b>252,269,070</b>	<b>247,809,070</b>	<b>247,809,070</b>
<b>NON-CURRENT LIABILITIES</b>							
Lease liabilities	116,222	116,222	116,222	116,222	116,222	116,222	116,222
Deferred tax liability	895,000	895,000	895,000	895,000	895,000	895,000	895,000
	<u>1,011,222</u>	<u>1,011,222</u>	<u>1,011,222</u>	<u>1,011,222</u>	<u>1,011,222</u>	<u>1,011,222</u>	<u>1,011,222</u>
<b>CURRENT LIABILITIES</b>							
Payables	187,825,360	187,825,360	187,825,360	187,825,360	187,825,360	187,825,360	187,825,360
Banker's acceptance	1,603,000	1,603,000	1,603,000	1,603,000	1,603,000	1,603,000	1,603,000
Lease liabilities	143,523	143,523	143,523	143,523	143,523	143,523	143,523
	<u>189,571,883</u>	<u>189,571,883</u>	<u>189,571,883</u>	<u>189,571,883</u>	<u>189,571,883</u>	<u>189,571,883</u>	<u>189,571,883</u>
<b>TOTAL LIABILITIES</b>	<b>190,583,105</b>	<b>190,583,105</b>	<b>190,583,105</b>	<b>190,583,105</b>	<b>190,583,105</b>	<b>190,583,105</b>	<b>190,583,105</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>401,111,995</b>	<b>391,111,995</b>	<b>391,111,995</b>	<b>391,111,995</b>	<b>442,852,175</b>	<b>438,392,175</b>	<b>438,392,175</b>
No. of shares in issue	100	100	423,911,500	423,911,500	500,000,000	500,000,000	500,000,000
Net assets (RM)	210,528,890	200,528,890	200,528,890	200,528,890	252,269,070	247,809,070	247,809,070
Net assets per share (RM)	2,105,289	2,005,289	0.473	0.473	0.505	0.496	0.496

Notes:-

\* Extracted from Kumpulan Kitacon Berhad's audited combined financial statements for the 6-month financial period ended 30 June 2022.

For Identification Only


**Crowe**

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 201906000005 (LLP0018817-LCA)  
 Chartered Accountants

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**12. FINANCIAL INFORMATION (CONT'D)****KUMPULAN KITACON BERHAD****PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION****5. Notes to the Pro Forma Combined Statements of Financial Position as at 30 June 2022****5.1 Basis of Preparation**

The Pro Forma Combined Statements of Financial Position is prepared based on the audited combined statements of financial position as at 30 June 2022 as set out in the Accountants' Report of the Group as at 30 June 2022 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with the format of financial statements and accounting policies of the Group.

The Pro Forma Combined Statements of Financial Position has been prepared solely for illustrative purposes only to show the effects of the transactions as disclosed below had the transactions been effected on 30 June 2022.

The Pro Forma Combined Statements of Financial Position are not necessarily indicative of the financial position that would have been attained had the Listing actually occurred at the respective dates.

The financial statements used in the preparation of this Pro Forma Combined Statements of Financial Position were not subject to any audit qualification or emphasis of matter.

**5.2 Pro Forma I**

Pro Forma I incorporates the effects of the material subsequent event on the distribution of dividend as set out in Note 2.1 of this report.

**5.3 Pro Forma II**

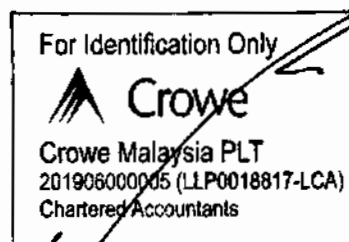
Pro Forma II incorporates Pro Forma I and the effects of the Acquisition of KSB as set out in Note 3.1 of this report.

**5.4 Pro Forma III**

Pro Forma III incorporates the effects of Pro Forma I, Pro Forma II and the effects of the public issue under the IPO as set out in Note 3.2 of this report ("Public Issue").

**5.5 Pro Forma IV**

Pro Forma IV incorporate the effects of Pro Forma I, Pro Forma II, Pro Forma III and the effects of the use of proceeds from the Public Issue.



**12. FINANCIAL INFORMATION (CONT'D)****KUMPULAN KITACON BERHAD****PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION****5. Notes to the Pro Forma Combined Statements of Financial Position as at 30 June 2022****5.5 Pro Forma IV (Cont'd)**

The proceeds from the Public Issue will be used in the following manner:

Purpose	Amount proceeds		Estimated time frame for utilisation (from listing date)
	RM	%	
Purchase of construction equipment <sup>(1)</sup>			Within 36 months
- Aluminium formwork systems	18,000,000	34.8	
- Scaffoldings and cabins	6,000,000	11.6	
Purchase of land and construction of a storage and refurbishment facility <sup>(1)</sup>	20,000,000	38.7	Within 36 months
Working capital <sup>(2)</sup>	3,280,180	6.3	Within 24 months
Estimated listing expenses <sup>(3)</sup>	4,460,000	8.6	Within 1 month
	<u>51,740,180</u>	<u>100.0</u>	

(1) As at 30 November 2022, being the latest practicable date prior to the registration of the prospectus with the Securities Commission Malaysia ("LPD"), the Group has yet to enter into any purchase orders, sales and purchase agreement or contractual binding agreements for the purchase of lands, construction of a storage and refurbishment facility, and purchase of aluminum formwork systems, scaffoldings and cabins. Accordingly, such use of proceeds is not reflected in the Pro Forma Combined Statements of Financial Position.

(2) Proceeds which are earmarked for working capital are estimated to be used for payment to subcontractors and purchase of construction materials. As at the LPD, the Group has yet to issue any purchase order or enter into any other contractual binding arrangement for payment to subcontractors and purchase of construction materials. Accordingly, the use of proceeds earmarked for working capital purposes is not reflected in the Pro Forma Combined Statements of Financial Position.

(3) The estimated listing expenses comprise the following:

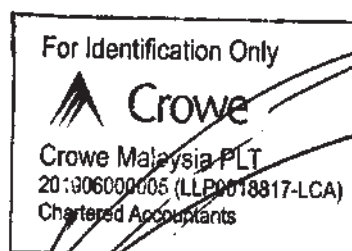
	RM
Professional fees	2,711,000
Fees to authorities	395,000
Underwriting, placement and brokerage fees	980,000
Miscellaneous expenses and contingencies	374,000
	<u>4,460,000</u>

From the estimated listing expenses of RM4,460,000, RM980,000 will be set-off against equity and the remaining RM3,480,000 will be charged out to profit or loss and this represents a one-off expenditure in conjunction with the Listing.



**12. FINANCIAL INFORMATION (CONT'D)****KUMPULAN KITACON BERHAD****PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION****6. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION**

<b>a) Movement in cash and cash equivalents</b>	<b>RM</b>
Balance as at 30 June 2022	114,544,108
Effects of Pro Forma I:-	
- Distribution of dividend	(10,000,000)
<b>Pro Forma I and II</b>	<u>104,544,108</u>
Effects of Pro Forma III:-	
- Shares issued under the Public Issue	51,740,180
<b>Pro Forma III</b>	<u>156,284,288</u>
Effects of Pro Forma IV:-	
- Estimated listing expenses	(4,460,000)
<b>Pro Forma IV</b>	<u><u>151,824,288</u></u>
<b>b) Movement in share capital</b>	<b>RM</b>
Balance as at 30 June 2022/Pro Forma I	50
Effects of Pro Forma II:-	
- Acquisition of KSB	184,401,459
<b>Pro Forma II</b>	<u>184,401,509</u>
Effects of Pro Forma III:-	
- Shares issued under the Public Issue	51,740,180
<b>Pro Forma III</b>	<u>236,141,689</u>
Effects of Pro Forma IV:-	
- Estimated listing expenses	(980,000)
<b>Pro Forma IV</b>	<u><u>235,161,689</u></u>
<b>c) Movement in invested equity</b>	<b>RM</b>
Balance as at 30 June 2022/Pro Forma I	30,000,000
Effects of Pro Forma II:-	
- Acquisition of KSB	(30,000,000)
<b>Pro Forma II, III and IV</b>	<u><u>-</u></u>
<b>d) Movement in merger deficit</b>	<b>RM</b>
Balance as at 30 June 2022/Pro Forma I	-
Effects of Pro Forma II:-	
- Acquisition of KSB	(154,401,459)
<b>Pro Forma II, III and IV</b>	<u><u>(154,401,459)</u></u>
<b>e) Movement in retained earnings</b>	<b>RM</b>
Balance as at 30 June 2022	180,528,840
Effects of Pro Forma I:-	
- Distribution of dividend	(10,000,000)
<b>Pro Forma I, II and III</b>	<u>170,528,840</u>
Effects of Pro Forma IV:-	
- Estimated listing expenses	(3,480,000)
<b>Pro Forma IV</b>	<u><u>167,048,840</u></u>





12. FINANCIAL INFORMATION (CONT'D)

**KUMPULAN KITACON BERHAD**

**PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION**

**APPROVAL BY THE BOARD OF DIRECTORS**

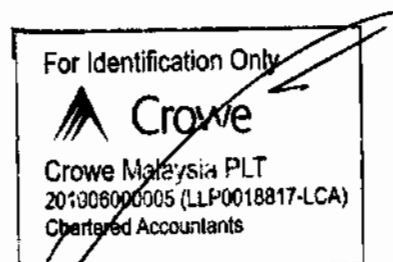
Approved and adopted by the Board of Directors of Kumpulan Kitacon Berhad in accordance with a resolution dated

**1.1 NOV 2022**

For and on behalf of the Board of Directors of Kumpulan Kitacon Berhad,

  
Tan Ah Kee

  
Teow Choo Hing



**13. ACCOUNTANTS' REPORT**

09 DEC 2022

The Board of Directors  
**Kumpulan Kitacon Berhad**  
 No. 24, Jalan Rengas,  
 Taman Selatan,  
 41200 Klang,  
 Selangor

**Crowe Malaysia PLT**  
 201906000005 (LLP0018817-LCA) & AF 1018  
 Chartered Accountants  
 Suite 50-3, Setia Avenue  
 No. 2, Jalan Setia Prima S U13/S  
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Dear Sirs/Madam,

**REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS  
 CONTAINED IN THE ACCOUNTANTS' REPORT OF KUMPULAN KITACON BERHAD**

**OPINION**

We have audited the financial information contained in the Accountants' Report of Kumpulan Kitacon Berhad ("Kitacon" or the "Company") and its combining entity (collectively known as the "Kitacon Group" or "Group"), which comprise the combined statements of financial position as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years/period then ended and notes to the combined financial statements, including a summary of significant accounting policies, as set out from pages 1 to 58.

The historical financial information has been prepared for inclusion in the prospectus of Kitacon in connection with the listing of and quotation for the entire issued share capital of Kitacon on the Main Market of Bursa Malaysia Securities Berhad. This report is required by the *Prospectus Guidelines issued by the Securities Commission Malaysia* (the "Prospectus Guidelines") and is given for the purpose of complying with Chapter 10 of the Prospectus Guidelines and for no other purpose.

In our opinion, the financial information contained in the Accountants' Report gives a true and fair view of the financial position of the Group as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022, and of its financial performance and cash flows for the financial years/period then ended in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the Prospectus Guidelines.

**BASIS FOR OPINION**

We conducted our audit in accordance with the approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountant's Responsibilities for the Audit of the Combined Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**13. ACCOUNTANTS' REPORT (CONT'D)****INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES**

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL INFORMATION**

The directors of the Company are responsible for the preparation of the financial statements of the Group that give a true and fair view in accordance with MFRS and IFRS. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE COMBINED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

**13. ACCOUNTANTS' REPORT (CONT'D)****REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial information of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of this report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the combined financial statements of the entities or business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**OTHER MATTERS**

The significant event subsequent to the end of the financial period ended 30 June 2022 has been disclosed in Note 35 to this report.

The comparative information for the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows and notes to the combined financial statements for the financial period ended 30 June 2021 has not been audited.

**RESTRICTION ON DISTRIBUTION AND USE**

Our report has been prepared for inclusion in the prospectus of the Company in connection with the listing of and quotation for the entire issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad. As such, this report should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

**Crowe Malaysia PLT**  
201906000005 (LLP0018817-LCA) & AF 1018  
Chartered Accountants  
Shah Alam

**Ong Beng Chool**  
03155/05/2023 J  
Chartered Accountant

## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

Registration No : 202201006838 (1452535-V)

**COMBINED STATEMENTS OF FINANCIAL POSITION**

	Note	Audited as at			
		31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Investment in an associate	4	7,538,250	6,921,092	7,318,068	-
Property and equipment	5	10,486,772	9,600,082	9,580,195	11,554,058
Investment properties	6	40,272,963	42,260,290	21,027,434	5,364,901
Right-of-use assets	7	-	-	209,171	257,015
Other investments	8	23,567,748	51,020,789	47,062,928	21,762,356
Investment in club membership, at cost		144,003	144,003	85,003	85,003
Deferred tax assets	9	-	-	4,566,000	3,867,000
		<u>82,009,736</u>	<u>109,946,256</u>	<u>89,848,799</u>	<u>42,890,333</u>
<b>CURRENT ASSETS</b>					
Other investments	8	2,000,000	1,000,000	-	-
Receivables	10	149,259,118	164,958,708	104,833,041	86,054,587
Prepayments		-	137,265	4,760	-
Contract costs	11	1,287,872	1,337,673	5,095,860	269,707
Contract assets	12	176,828,541	171,630,675	165,672,452	155,627,517
Current tax assets		2,740,000	5,372,980	2,842,657	1,725,743
Cash and cash equivalents	13	48,365,329	43,998,150	82,917,183	114,544,108
		<u>380,480,860</u>	<u>388,435,451</u>	<u>361,365,953</u>	<u>358,221,662</u>
<b>TOTAL ASSETS</b>		<u>462,490,596</u>	<u>498,381,707</u>	<u>451,214,752</u>	<u>401,111,995</u>

## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

Registration No : 202201006838 (1452535-V)

**COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**

	Note	Audited as at			
		31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	14	-	-	-	50
Invested equity	14	20,000,000	20,000,000	30,000,000	30,000,000
Retained profits		224,367,241	242,068,664	154,401,476	180,528,840
<b>TOTAL EQUITY</b>		<b>244,367,241</b>	<b>262,068,664</b>	<b>184,401,476</b>	<b>210,528,890</b>
<b>NON-CURRENT LIABILITIES</b>					
Term loans	15	2,171,201	1,871,298	6,365,415	-
Lease liabilities	16	-	-	86,520	116,222
Deferred tax liability	9	344,000	483,000	440,000	895,000
		<b>2,515,201</b>	<b>2,354,298</b>	<b>6,891,935</b>	<b>1,011,222</b>
<b>CURRENT LIABILITIES</b>					
Payables	17	215,032,639	233,341,036	258,640,775	187,825,360
Term loans	15	575,515	617,709	1,156,012	-
Bankers' acceptance	18	-	-	-	1,603,000
Lease liabilities	16	-	-	124,554	143,523
		<b>215,608,154</b>	<b>233,958,745</b>	<b>259,921,341</b>	<b>189,571,883</b>
<b>TOTAL LIABILITIES</b>		<b>218,123,355</b>	<b>236,313,043</b>	<b>266,813,276</b>	<b>190,583,105</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>462,490,596</b>	<b>498,381,707</b>	<b>451,214,752</b>	<b>401,111,995</b>

## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

Registration No : 202201006838 (1452535-V)

**COMBINED STATEMENTS OF COMPREHENSIVE INCOME**

	Note	Audited			Unaudited	Audited
		FYE 31 December			FPE 30 June	
		2019 RM	2020 RM	2021 RM	2021 RM	2022 RM
Revenue	19	581,522,875	489,645,220	455,502,208	238,638,165	234,733,347
Cost of sales		(481,226,354)	(407,806,574)	(374,640,431)	(196,472,871)	(191,052,308)
Gross profit		100,296,521	81,838,646	80,861,777	42,165,294	43,681,039
Other income		5,193,689	6,112,913	8,864,027	2,362,200	8,328,195
Administrative and other operating expenses		(34,154,133)	(34,402,374)	(37,523,115)	(16,829,858)	(18,853,666)
Finance costs		(142,487)	(169,453)	(263,929)	(78,112)	(107,616)
Share of profit/(loss) of associate		993,482	(617,158)	396,976	198,488	782,259
Profit before taxation	20	72,187,072	52,762,574	52,335,736	27,818,012	33,830,211
Income tax expense	22	(17,393,003)	(13,561,151)	(10,502,924)	(6,478,547)	(7,702,847)
Profit for the financial year/period		54,794,069	39,201,423	41,832,812	21,339,465	26,127,364
Other comprehensive income for the financial year/period		-	-	-	-	-
Total comprehensive income for the financial year/period		54,794,069	39,201,423	41,832,812	21,339,465	26,127,364
Basic earnings per ordinary share (Sen)	28	274	196	139	107	87

## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

Registration No : 202201006838 (1452535-V)

**COMBINED STATEMENTS OF CHANGE IN EQUITY**

	Non-distributable Invested equity RM	Distributable Retained profits RM	Total equity RM
Balance at 1 January 2019	20,000,000	247,673,172	267,673,172
Profit (representing total comprehensive income) for the financial year	-	54,794,069	54,794,069
Dividends (representing total transactions with owners) (Note 23)	-	(78,100,000)	(78,100,000)
Balance at 31 December 2019/ 1 January 2020	20,000,000	224,367,241	244,367,241
Profit (representing total comprehensive income) for the financial year	-	39,201,423	39,201,423
Dividends (representing total transactions with owners) (Note 23)	-	(21,500,000)	(21,500,000)
Balance at 31 December 2020/ 1 January 2021	20,000,000	242,068,664	262,068,664
Profit (representing total comprehensive income) for the financial year	-	41,832,812	41,832,812
Issuance of shares (Note 14)	10,000,000	-	10,000,000
Dividends (Note 23)	-	(129,500,000)	(129,500,000)
Total transactions with owners	10,000,000	(129,500,000)	(119,500,000)
Balance at 31 December 2021	30,000,000	154,401,476	184,401,476



## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

Registration No : 202201006838 (1452535-V)

**COMBINED STATEMENTS OF CHANGE IN EQUITY (CONT'D)**

	Non-distributable Share Capital RM	Invested equity RM	Distributable Retained profits RM	Total equity RM
Balance at 1 January 2021	-	20,000,000	242,068,664	262,068,664
Profit (representing total comprehensive income) for the financial period	-	-	21,339,465	21,339,465
Dividends (Note 23)	-	-	(11,000,000)	(11,000,000)
Balance at 30 June 2021 (unaudited)	-	20,000,000	252,408,129	272,408,129
Balance at 1 January 2022	-	30,000,000	154,401,476	184,401,476
Profit (representing total comprehensive income) for the financial period	-	-	26,127,364	26,127,364
Issuance of shares (Note 14)	50	-	-	50
Balance at 30 June 2022	50	30,000,000	180,528,840	210,528,890

## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

Registration No : 202201006838 (1452535-V)

**COMBINED STATEMENTS OF CASH FLOWS**

	Note	Audited			Unaudited	Audited
		FYE 31 December			FPE 30 June	
		2019	2020	2021	2021	2022
		RM	RM	RM	RM	RM
<b>CASH FLOWS FROM/(FOR)</b>						
<b>OPERATING ACTIVITIES</b>						
Profit before taxation		72,187,072	52,762,574	52,335,736	27,818,012	33,830,211
Adjustments for:-						
Depreciation of property and equipment		2,845,596	3,191,443	4,159,488	2,226,344	1,911,229
Depreciation of investment properties		739,024	885,113	281,778	140,889	103,088
Depreciation of right-of-use assets		-	-	71,439	-	66,835
Fair value loss/(gain) on financial instruments mandatorily measured at fair value through profit or loss		3,774	(9,932)	20,987	-	(98,672)
Impairment losses on trade receivables		-	-	516,163	-	-
Interest expense for financial liabilities measured at amortised cost		132,189	158,310	259,897	75,510	105,689
Interest expenses for lease liabilities		-	-	4,624	-	3,472
Loss on disposal of other investment		-	90,143	5,243	-	-
Loss on disposal of investment in an associate		-	-	-	-	782,259
Investment in club membership written off		-	-	59,000	-	-
Property and equipment written off		-	-	-	-	88,721
Covid-19 related rent concessions		-	-	(10,800)	-	-
Dividend income from quoted investments		(25,190)	(10,990)	-	-	-
Interest income		(3,071,791)	(2,977,282)	(2,379,137)	(1,194,293)	(802,271)
Share of (profit)/loss of associate		(993,482)	617,158	(396,976)	(198,488)	(782,259)
Gain on disposal of investment properties		-	(568,842)	(4,207,018)	(268,859)	(6,915,146)
Gain on disposal of property and equipment		(83,694)	(769,102)	(388,594)	(33,596)	(5,190)
Operating profit before working capital changes		71,733,498	53,368,593	50,331,830	28,565,519	28,287,966
Changes in:-						
Contract assets		(7,780,235)	5,197,866	5,958,223	64,139,518	10,044,935
Contract costs		2,867,654	(49,801)	(3,758,187)	(4,207,605)	4,826,153
Receivables and prepayments		(4,389,652)	(15,836,855)	59,742,009	37,280,394	18,783,214
Payables		(7,135,211)	18,308,397	(18,830,261)	(89,129,331)	(26,685,415)
Cash from operations		55,296,054	60,988,200	93,443,614	36,648,495	35,256,853
Interest paid		(132,189)	(158,310)	(264,521)	(75,510)	(109,161)
Tax paid		(22,956,003)	(16,055,131)	(12,581,601)	(6,789,480)	(5,431,933)
Net cash from operating activities and balance carried forward		32,207,862	44,774,759	80,597,492	29,783,505	29,715,759

The annexed notes form an integral part of these financial statements.

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## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

Registration No : 202201006838 (1452535-V)

**COMBINED STATEMENTS OF CASH FLOWS (CONT'D)**

Note	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2019	2020	2021	2021	2022
	RM	RM	RM	RM	RM
Balance brought forward	32,207,862	44,774,759	80,597,492	29,783,505	29,715,759
<b>CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES</b>					
Dividend received	25,190	10,990	-	-	4,900,000
Interest received	3,071,791	2,977,282	2,379,137	1,194,293	701,515
(Increase)/Decrease in term deposits pledged with licensed banks	(1,093,504)	1,868,953	(789,692)	(1,043,634)	565,245
Purchase of equipment	(5,035,251)	(4,042,878)	(5,755,882)	(2,711,180)	(3,975,623)
Purchase of investment properties	(7,252,180)	(6,368,486)	(10,585,405)	(3,545,194)	(2,162,953)
Purchase of unit trusts	-	(41,911,653)	(45,891,926)	(13,700,000)	-
Proceeds from disposal of unit trusts	8,385,411	14,000,000	49,823,557	-	25,500,000
Proceeds from disposal of long-term investments	2,000,000	-	-	-	-
Proceeds from disposal of quoted investments	-	378,401	-	-	-
Proceeds from disposal of investment in an associate	-	-	-	-	2,418,068
Proceeds from disposal of property and equipment	83,700	2,507,227	1,324,875	44,200	7,000
Proceeds from disposal of investment properties	-	4,064,888	10,553,501	1,610,254	2,247,544
Repayment from holding company	33,933,323	-	-	-	-
Repayment from related parties	2,886,931	-	-	-	-
(Increase)/Decrease in short-term investments	(1,000,000)	1,000,000	1,000,000	-	-
Net cash from/(for) investing activities	36,005,411	(25,515,276)	2,058,165	(18,151,261)	30,200,796
Balance carried forward	68,213,273	19,259,483	82,655,657	11,632,244	59,916,555

## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

Registration No : 202201006838 (1452535-V)

**COMBINED STATEMENTS OF CASH FLOWS (CONT'D)**

	Note	Audited			Unaudited	Audited
		FYE 31 December			FPE 30 June	
		2019	2020	2021	2021	2022
		RM	RM	RM	RM	RM
Balance brought forward		68,213,273	19,259,483	82,655,657	11,632,244	59,916,555
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>						
Proceeds from issuance of ordinary shares		-	-	10,000,000	-	50
Drawdown of term loan	24	-	-	6,000,000	6,000,000	-
Dividends paid		(78,100,000)	(21,500,000)	(59,500,000)	(11,000,000)	(21,740,000)
Increase in bankers' acceptance		-	-	-	524,206	1,603,000
Repayments of lease liabilities		-	-	(58,736)	-	(66,008)
Repayment of term loans	24	(563,592)	(257,709)	(967,580)	(429,266)	(7,521,427)
Net cash for financing activities		(78,663,592)	(21,757,709)	(44,526,316)	(4,905,060)	(27,724,385)
Net (decrease)/increase in cash and cash equivalents		(10,450,319)	(2,498,226)	38,129,341	6,727,184	32,192,170
Cash and cash equivalents brought forward		18,830,370	8,380,051	5,881,825	5,881,825	44,011,166
Cash and cash equivalents carried forward	13	8,380,051	5,881,825	44,011,166	12,609,009	76,203,336

**13. ACCOUNTANTS' REPORT (CONT'D)****KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

Registration No : 202201006838 (1452535-V)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS****1. GENERAL INFORMATION**

The Company was incorporated in Malaysia on 24 February 2022, as a private company limited by shares under the name of Kumpulan Kitacon Sdn. Bhd.. On 23 May 2022, the Company was converted to a public limited company and assumed its present name. The registered office of the Company is located at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at No. 24, Jalan Rengas, Taman Selatan, 41200 Klang, Selangor Darul Ehsan.

Kumpulan Kitacon Berhad is principally an investment holding company.

**2. SIGNIFICANT ACCOUNTING POLICIES****2.1 Basis of Preparation of Financial Statements**

The Accountants' Report comprises the combined financial statements of Kitacon and its subsidiary for the financial years ended 31 December 2019, 31 December 2020, 31 December 2021 and financial periods ended 30 June 2021 and 30 June 2022.

The financial statements are prepared solely for inclusion in the prospectus of the Company in connection with the listing of and quotation for its entire issued share capital on the Main Market of Bursa Malaysia Securities Berhad.

The combined financial statements consist of the financial statements of the Company and its subsidiary, Kitacon Sdn Bhd ("KSB"), under the common control of Tan Ah Kee and Teow Choo Hing (collectively referred to as the "Controlling Shareholders").

The combined financial statements of the Group have been prepared as if the Group has been operated as a single economic entity throughout the financial years ended 31 December 2019, 31 December 2020, 31 December 2021 and financial periods ended 30 June 2021 and 30 June 2022.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain the benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The financial information as prepared in the combined financial statements may not correspond with the consolidated financial statements of the Group after incorporating or effecting the relevant acquisition as the combined financial statements reflect business combinations under common control for the purpose of the listing. Such financial information from the combined financial statements does not purport to predict the financial positions, results of operation and cash flows of the Group.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

Registration No : 202201006838 (1452535-V)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.1 Basis of Preparation of Financial Statements (Cont'd)**

The combined financial statements of the Group for the financial years ended 31 December 2019, 31 December 2020, 31 December 2021 and financial periods ended 30 June 2021 and 30 June 2022 have been prepared in accordance with MFRS, IFRS and Prospectus Guidelines.

Since beginning of 1 January 2019, the Group had adopted Malaysian Financial Reporting Standards in accordance with MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standards'.

In subsequent financial periods, the Group has adopted the following new accounting standard and/or interpretation (including the consequential amendments, if any):-

**Effective for annual periods beginning on or after 1 January 2020**


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Amendments to MFRS 3: *Definition of a Business*

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Amendments to MFRS 4: *Extension of the Temporary Exemption from Applying MFRS 9*

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Amendments to MFRS 9, MFRS 139 and MFRS 7: *Interest Rate Benchmark Reform*

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Amendments to MFRS 16: *Covid-19-Related Rent Concessions*

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Amendments to MFRS 101 and MFRS 108: *Definition of Material*

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Amendments to References of the Conceptual Framework in MFRS Standards

**Effective for annual periods beginning on or after 1 January 2021**


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Amendments to MFRS 16: *Covid-19-Related Rent Concessions beyond 30 June 2021*

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Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: *Interest Rate Benchmark Reform - Phase 2*

**Effective for annual periods beginning on or after 1 January 2022**


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Amendments to MFRS 3: *Reference to the Conceptual Framework*

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Amendments to MFRS 116: *Property, Plant and Equipment - Proceeds before Intended Use*

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Amendments to MFRS 137: *Onerous Contracts - Cost of Fulfilling a Contract*

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Annual Improvements to MFRS Standards 2018 - 2020

The adoption of the above accounting standard and/or interpretation (including the consequential amendments, if any) did not have any material impact on the Group's combined financial statements.

## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

Registration No : 202201006838 (1452535-V)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.1 Basis of Preparation of Financial Statements (Cont'd)**

The Group has not applied in advance the following accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year/period:-

<b>MFRSs and/or IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective for annual periods beginning on or after</b>
MFRS 17: <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 17: <i>Insurance Contracts</i>	1 January 2023
Amendment to MFRS 17: <i>Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i>	1 January 2023
Amendment to MFRS 101: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 101: <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108: <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112: <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

The Group will apply the above new MFRSs and amendments to MFRSs that are applicable once they become effective. The initial application of the above MFRSs is not expected to have any material impacts on the combined financial statements of the Group for both the current period and prior period.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

Registration No : 202201006838 (1452535-V)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.2 Basis of Combination****(a) Combining entities**

The combined financial statements comprise the financial statements of the Company and its combining entity as at the reporting dates. The financial statements of the Company and its combining entity used in the preparation of the combined financial statements are prepared as of the same reporting dates.

The combining entities are entities, including structured entities under common control of the Controlling Shareholders, and are accounted for as if the Company and the combining entity are a single economic entity at the date that common control was established. The assets and liabilities of the combining entities are recognised at the carrying amounts recognised in the respective combining entities' financial statements. The components of equity of the combining entities are added to the same components with the Group's entity and any resulting gain/loss is recognised directly in equity.

The Controlling Shareholders control an entity when they are exposed, or have rights, to variable returns from their involvement with the entity and have the ability to affect those returns through their power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Controlling Shareholders also consider they have de facto power over an investee when, despite not having the majority of voting rights, they have the current ability to direct the activities of the investee that significantly affect the investee's return.

**(b) Transactions eliminated on combination**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the combined financial statements.



**13. ACCOUNTANTS' REPORT (CONT'D)****KUMPULAN KITACON BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.3 Investment in associate**

An associate is an entity in which the Group has a long-term equity interest and where it exercises significant influence over the financial and operating policies.

The investment in an associate is accounted for in the combined financial statements using the equity method based on the financial statements of the associate made up to 31 December 2019, 31 December 2020 and 31 December 2021 and 14 June 2022. The Group's share of the post acquisition profits and other comprehensive income of the associate is included in the combined statements of comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's investment in the associate is carried in the combined statements of financial position at cost plus the Group's share of the post acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation. The interest in the associate is the carrying amount of the investment in the associate determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate.

Unrealised gains or losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 9. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

Registration No : 202201006838 (1452535-V)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.4 Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.7.

Freehold land is not depreciated. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

Building	2%
Furniture, fittings and office equipment	20%
Motor vehicles	20%
Tools and equipment	20%
Renovation	20%
Aluminium formwork	20%

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

Fully depreciated plant and equipment are retained in the combined financial statements until they are no longer in use and no further charge for depreciation is made in respect of these plant and equipment.

**2.5 Investment Properties**

Investment property, being a property held to earn rentals and/or for capital appreciation, is stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.7. The right-of-use asset held under a lease contract that meets the definition of investment property is measured initially similarly as other right-of-use assets.

Investment properties under construction and freehold land are not depreciated. Other investment properties are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rate of 2%.

**2.6 Investment in Club Membership**

Investment in club membership is stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.7.

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**13. ACCOUNTANTS' REPORT (CONT'D)**

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**KUMPULAN KITACON BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.7 Impairment of Non-financial Assets**

At the end of each reporting period, the Group assesses whether there is any indication that a non-financial asset, other than deferred tax asset, contract costs and contract assets, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs of disposal and its value in use, is estimated. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss.

An impairment loss on an asset is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised. The reversal is recognised in profit or loss.

**2.8 Contract Assets and Contract Liabilities**

A contract is presented in the combined statements of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is an entity's right to consideration in exchange for goods or services transferred to a customer when that right is conditional on something other than the passage of time. The asset is subject to impairment assessment on the same basis as trade receivables as disclosed in Note 2.10. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

**2.9 Contract Costs**

The incremental costs of obtaining a contract and costs incurred in fulfilling the contract are recognised as an asset if those costs are expected to be recovered. The asset is amortised on a systematic basis that is consistent with the recognition of related revenue as disclosed in Note 2.16. When the carrying amount of the asset exceeds the remaining amount of consideration expected to be received in exchange for the goods or services less the related costs that have not been recognised as expenses, the excess represents an impairment loss and is recognised in profit or loss. As a practical expedient, the incremental costs of obtaining a short-term contract of which the amortisation period is one year or less are recognised as an expense when incurred.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUMPULAN KITACON BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.10 Financial Assets**

Financial assets of the Group consist of other investments, receivables and cash and cash equivalents.

**Initial Recognition and Measurement**

A financial asset is recognised in the combined statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. A regular purchase or sale of financial assets is recognised or derecognised using settlement date accounting. Trade receivables that do not contain a significant financing component are initially recognised at their transaction price (as defined in Note 2.16). Other financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

**Subsequent Measurement****(i) Amortised Cost**

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All receivables and cash and cash equivalents are classified under this category. Any gain or loss is recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

**(ii) Fair Value Through Profit or Loss**

A financial asset is measured at fair value through profit or loss if it does not meet the criteria to be measured at amortised cost or fair value through other comprehensive income. Other investments are classified under this category. Any gain or loss is recognised in profit or loss.

**Impairment**

At each reporting date, the Group recognises a loss allowance for expected credit losses on a financial asset measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. Any adjustment to the loss allowance is recognised in profit or loss as an impairment gain or loss.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.10 Financial Assets (Cont'd)****Impairment (Cont'd)**

Irrespective of whether there is any significant increase in credit risk since initial recognition, the loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9: *Financial Instruments*. Such lifetime expected credit losses are calculated using a provision matrix based on historical credit loss experience and adjusted for reasonable and supportable forward-looking information that is available without undue cost or effort.

The expected credit losses for a credit-impaired financial asset are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The gross carrying amount of a credit-impaired financial asset is directly written off when there is no reasonable expectation of recovery.

**Derecognition**

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or all the risks and rewards of ownership are substantially transferred. A direct write-off of gross carrying amount when there is no reasonable expectation of recovering a financial asset constitutes a derecognition event.

**2.11 Financial Liabilities**

Financial liabilities of the Group consist of payables, bankers' acceptance, term loans and financial guarantee contracts.

**Initial Recognition and Measurement**

A financial liability is recognised in the combined statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value minus transaction costs.

**Subsequent Measurement**

All payables, bankers' acceptance and term loans are subsequently measured at amortised cost. Any gain or loss is recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

Financial guarantee contracts are subsequently measured at the higher of the amount of loss allowance and the amount initially recognised less any cumulative income recognised.

**Derecognition**

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUMPULAN KITACON BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.12 Lease**

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

**Initial Recognition and Measurement**

When the Group or the Company acts as a lessee, it recognises a right-of-use asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments) at the commencement date. The Group has elected not to apply such recognition principle to short-term leases (which have a lease term of 12 months or less) and leases of low-value assets. The lease payments associated with those leases are recognised as an expense on a straight-line basis over the lease term.

A right-of-use asset is initially recognised at cost, which comprises the initial amount of lease liability, any lease payments made at or before the commencement date (less any lease incentives), any initial direct costs and any estimated dismantling, removing and restoring costs.

A lease liability is initially recognised at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The unpaid lease payments included in the measurement of lease liability comprise fixed payments (less any lease incentives), variable lease payments linked to an index or a rate, expected amounts payable under residual value guarantees, the exercise price of a purchase option reasonably certain to be exercised and the penalties of a termination option reasonably certain to be exercised.

**Subsequent Measurement**

A right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any remeasurement of lease liability. The impairment policy is disclosed in Note 2.7.

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that a purchase option will be exercised, the right-of-use asset is depreciated on a straight-line basis from the commencement date to the end of its useful life. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term as follows:-

Buildings	2- 4 years
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A lease liability is subsequently measured at amortised cost, and remeasured to reflect any reassessment (arising from changes to the lease payments) or lease modifications.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUMPULAN KITACON BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.13 Functional and Presentation currency**

The combined financial statements of the Group are presented in Ringgit Malaysia, which is also the Group's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the combined financial statements are measured using the functional currency.

**2.14 Share Capital**

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability, whereas dividends proposed or declared after the reporting period are disclosed in the notes to the combined financial statements.

**2.15 Fair Value Measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The valuation techniques used include the following or a combination thereof:

- (i) Market approach - which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.
- (ii) Cost approach - which reflects the amount that would be required currently to replace the service capacity of an asset.
- (iii) Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.15 Fair Value Measurement (Cont'd)**

The inputs to valuation techniques used to measure fair value are categorised into the following levels of fair value hierarchy:

- (i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- (ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- (iii) Level 3 - unobservable inputs for the asset or liability.

Any transfers between the levels of fair value hierarchy are deemed to have occurred at the date of the event or change in circumstances that caused the transfers.

**Financial Assets and Financial Liabilities**

The carrying amounts of receivables, cash and cash equivalents, payables, bankers' acceptance and term loans which are short-term in nature or repayable on demand are reasonable approximations of fair values. The fair values of term loans are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2).

The fair values of unit trusts are directly measured using their unadjusted closing prices in active market (i.e. Level 1).

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**13. ACCOUNTANTS' REPORT (CONT'D)****KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

Registration No : 202201006838 (1452535-V)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.16 Revenue from Contracts with Customers**

The Group recognises revenue (by applying the following steps) to depict the transfer of promised goods or services to customers at the transaction price.

- (i) Step 1: Identify contract - A contract is an agreement between two or more parties that creates enforceable rights and obligations.
- (ii) Step 2: Identify performance obligations - Each promise to transfer distinct goods or services is identified as a performance obligation and accounted for separately.
- (iii) Step 3: Determine transaction price - The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. It is adjusted for the effects of variable consideration (e.g. discounts, rebates, incentives or penalties), significant financing component, non-cash consideration and consideration payable to customer.
- (iv) Step 4: Allocate transaction price to performance obligations - The transaction price is allocated to each performance obligation on the basis of the relative (estimated) stand-alone selling prices of each distinct good or service promised in the contract.
- (v) Step 5: Recognise revenue - Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). Revenue is recognised either over time or at a point in time depending on the timing of transfer of control.

**Construction Contracts**

The Group determines that the transfer of control of promised services generally coincides with the Group's performance as the performance creates or enhances an asset that the customer controls as the asset is created or enhanced. Accordingly, revenue from construction contract is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation using the output method. The output method recognises revenue based on the physical proportion of construction work certified by professional consultants.

**2.17 Other Income**

Interest income is recognised in profit or loss using the effective interest method.

Operating lease income is recognised in profit or loss on a straight-line basis over the lease term.

Dividend income from investment is recognised in profit or loss when the right to receive dividend payment is established.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.18 Employee Benefits****Short-term Employee Benefits**

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss in the period in which the associated services are rendered by the employee.

**Defined Contribution Plans**

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund. Contributions to defined contribution plans are recognised in profit or loss in the period in which the associated services are rendered by the employee.

**2.19 Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sales. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**2.20 Income Taxes**

Income taxes for the year/period comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.20 Income Taxes (Cont'd)**

A deferred tax liability is recognised for all taxable temporary differences, whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

**2.21 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits, term deposits that are withdrawable on demand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

**2.22 Operating Segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**2.23 Earnings per Ordinary Share**

Basic earnings per ordinary share is calculated by dividing the combined profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the combined profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. JUDGEMENTS AND ESTIMATION UNCERTAINTY**

The outbreak of the COVID-19 has brought unprecedented challenges and added economic uncertainties in Malaysia, the market in which the Group operates. While the Group has considered the potential financial impact of the COVID-19 pandemic in the preparation of these financial statements, the full financial impact to the Group remains uncertain. Accordingly, there is a possibility that factors not currently anticipated by the management could occur in the future and therefore affect the recognition and measurement of the Group's assets and liabilities at the reporting date.

**Judgements Made in Applying Accounting Policies**

In the process of applying the accounting policies of the Group, the management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the combined financial statements.

**Sources of Estimation Uncertainty**

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

Construction contracts

The Group considers the effects of variable consideration in determining the transaction price of a performance obligation satisfied over time, and recognises revenue accordingly by measuring the progress towards complete satisfaction of the performance obligation. These procedures involve judgements and estimation uncertainty in predicting the outcome of the performance obligation based on past experience, work of experts and continuous monitoring mechanism. Any changes in these accounting estimates will affect the carrying amounts of contract assets and contract liabilities as disclosed in Note 12 to the combined financial statements.

Impairment of contract assets and receivables

The Group recognises loss allowance for expected credit losses on contract assets and receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions. Any changes in these accounting estimates will affect the carrying amounts of contract assets as disclosed in Note 12 to the combined financial statements and receivables as disclosed in Note 10 to the combined financial statements.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences could be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the assessment of the probability only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets as at the reporting date is disclosed in Note 9 to the financial statements.

## 13. ACCOUNTANTS' REPORT (CONT'D)

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****4. INVESTMENT IN AN ASSOCIATE**

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Unquoted shares, at cost	1,960,000	1,960,000	1,960,000	-
Share of post-acquisition changes in net assets	5,578,250	4,961,092	5,358,068	-
	<u>7,538,250</u>	<u>6,921,092</u>	<u>7,318,068</u>	<u>-</u>

The details of the associate are as follows:-

Name of Associate	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest				Principal Activity
		31.12.2019 %	31.12.2020 %	31.12.2021 %	30.06.2022 %	
QL Builder Sdn Bhd (formerly known as Pembinaan KSB Sdn Bhd)	Malaysia	49	49	49	-	Provision of construction services.

As detailed in Note 34(iv), the Company completed its disposal of investment in an associate on 14 June 2022.

The summarised financial information of the associate is as follows:-

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Non-current assets	13,321,888	13,045,506	3,332,285	-
Current assets	35,754,268	32,539,493	40,586,838	-
Non-current liability	(8,000)	(8,000)	(47,781)	-
Current liabilities	(33,683,972)	(31,452,322)	(28,936,509)	-
Net assets	15,384,184	14,124,677	14,934,833	-
Revenue	46,934,523	7,603,530	36,280,237	-
Profit/(Loss) (representing total comprehensive income/(loss)) for the financial year	2,027,514	(1,259,507)	810,156	-

## 13. ACCOUNTANTS' REPORT (CONT'D)

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****4. INVESTMENT IN AN ASSOCIATE (CONT'D)**

The reconciliation of the above summarised financial information to the carrying amounts of the investment in an associate is as follows:-

	Audited as at			
	31.12.2019	31.12.2020	31.12.2021	30.06.2022
	RM	RM	RM	RM
Net assets	15,384,184	14,124,677	14,934,833	-
Effective ownership interest	49%	49%	49%	0%
Carrying amount	<u>7,538,250</u>	<u>6,921,092</u>	<u>7,318,068</u>	<u>-</u>

**5. PROPERTY AND EQUIPMENT**

	At 1.1.2019	Additions	Disposals/ Write-offs	Depreciation	At 31.12.2019
	RM	RM	RM	RM	RM
<u>Carrying Amount</u>					
Freehold land and buildings	3,343,852	-	-	(74,321)	3,269,531
Furniture, fittings and office equipment	418,699	203,231	-	(195,225)	426,705
Motor vehicles	4,037,359	1,410,958	(6)	(1,764,673)	3,683,638
Tools and equipment	468,699	442,355	-	(208,507)	702,547
Renovation	28,514	19,511	-	(11,031)	36,994
Aluminium formwork	-	2,959,196	-	(591,839)	2,367,357
	<u>8,297,123</u>	<u>5,035,251</u>	<u>(6)</u>	<u>(2,845,596)</u>	<u>10,486,772</u>

	At 1.1.2020	Additions	Disposals	Depreciation	At 31.12.2020
	RM	RM	RM	RM	RM
<u>Carrying Amount</u>					
Freehold land and buildings	3,269,531	-	(1,637,699)	(36,761)	1,595,071
Furniture, fittings and office equipment	426,705	161,009	(2,080)	(197,409)	388,225
Motor vehicles	3,683,638	529,531	(98,346)	(1,512,320)	2,602,503
Tools and equipment	702,547	424,160	-	(289,524)	837,183
Renovation	36,994	-	-	(11,031)	25,963
Aluminium formwork	2,367,357	2,928,178	-	(1,144,398)	4,151,137
	<u>10,486,772</u>	<u>4,042,878</u>	<u>(1,738,125)</u>	<u>(3,191,443)</u>	<u>9,600,082</u>

## 13. ACCOUNTANTS' REPORT (CONT'D)

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

## 5. PROPERTY AND EQUIPMENT (CONT'D)

	At 1.1.2021 RM	Additions RM	Disposals RM	Depreciation RM	At 31.12.2021 RM	
<u>Carrying Amount</u>						
Freehold land and building	1,595,071	-	(1,595,071)	-	-	
Furniture, fittings and Motor vehicles	388,225	167,511	-	(209,770)	345,966	
Tools and equipment	2,602,503	395,181	(21,210)	(1,433,053)	1,543,421	
Renovation	837,183	754,744	-	(440,472)	1,151,455	
Aluminium formwork	25,963	-	-	(11,030)	14,933	
	4,151,137	4,438,446	-	(2,065,163)	6,524,420	
	<b>9,600,082</b>	<b>5,755,882</b>	<b>(1,616,281)</b>	<b>(4,159,488)</b>	<b>9,580,195</b>	
	At 1.1.2022 RM	Additions RM	Disposals RM	Written-offs RM	Depreciation RM	At 30.06.2022 RM
<u>Carrying Amount</u>						
Furniture, fittings and office equipment	345,966	188,545	-	-	(82,785)	451,726
Motor vehicles	1,543,421	266,275	(1,810)	(88,721)	(414,828)	1,304,337
Tools and equipment	1,151,455	87,330	-	-	(226,849)	1,011,936
Renovation	14,933	-	-	-	(5,515)	9,418
Aluminium formwork	6,524,420	3,433,473	-	-	(1,181,252)	8,776,641
	<b>9,580,195</b>	<b>3,975,623</b>	<b>(1,810)</b>	<b>(88,721)</b>	<b>(1,911,229)</b>	<b>11,554,058</b>

## 13. ACCOUNTANTS' REPORT (CONT'D)

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****5. PROPERTY AND EQUIPMENT (CONT'D)**

	At cost RM	Accumulated depreciation RM	Carrying amount RM
<b>At 31.12.2019</b>			
Freehold land and buildings	3,715,942	(446,411)	3,269,531
Furniture, fittings and office equipment	1,533,648	(1,106,943)	426,705
Motor vehicles	11,660,199	(7,976,561)	3,683,638
Tools and equipment	1,042,535	(339,988)	702,547
Renovation	55,153	(18,159)	36,994
Aluminium formwork	2,959,196	(591,839)	2,367,357
	<u>20,966,673</u>	<u>(10,479,901)</u>	<u>10,486,772</u>
<b>At 31.12.2020</b>			
Freehold land and buildings	1,838,032	(242,961)	1,595,071
Furniture, fittings and office equipment	1,660,974	(1,272,749)	388,225
Motor vehicles	11,728,908	(9,126,405)	2,602,503
Tools and equipment	1,466,695	(629,512)	837,183
Renovation	55,153	(29,190)	25,963
Aluminium formwork	5,887,374	(1,736,237)	4,151,137
	<u>22,637,136</u>	<u>(13,037,054)</u>	<u>9,600,082</u>
<b>At 31.12.2021</b>			
Furniture, fittings and office equipment	1,588,578	(1,242,612)	345,966
Motor vehicles	11,679,295	(10,135,874)	1,543,421
Tools and equipment	2,221,439	(1,069,984)	1,151,455
Renovation	55,153	(40,220)	14,933
Aluminium formwork	10,325,820	(3,801,400)	6,524,420
	<u>25,870,285</u>	<u>(16,290,090)</u>	<u>9,580,195</u>
<b>At 30.06.2022</b>			
Furniture, fittings and office equipment	1,777,123	(1,325,397)	451,726
Motor vehicles	11,695,499	(10,391,162)	1,304,337
Tools and equipment	2,308,769	(1,296,833)	1,011,936
Renovation	55,153	(45,735)	9,418
Aluminium formwork	13,759,293	(4,982,652)	8,776,641
	<u>29,595,837</u>	<u>(18,041,779)</u>	<u>11,554,058</u>



## 13. ACCOUNTANTS' REPORT (CONT'D)

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****6. INVESTMENT PROPERTIES**

	At 1.1.2019 RM	Additions RM	Reclassification RM	Depreciation RM	At 31.12.2019 RM	
<u>Carrying Amount</u>						
Freehold land	1,914,762	-	-	-	1,914,762	
Freehold land and buildings	24,795,240	2,960,876	2,086,400	(667,424)	29,175,092	
Buildings	1,704,605	-	1,394,623	(71,600)	3,027,628	
Capital work-in-progress	5,345,200	4,291,304	(3,481,023)	-	6,155,481	
	<u>33,759,807</u>	<u>7,252,180</u>	<u>-</u>	<u>(739,024)</u>	<u>40,272,963</u>	
	At 1.1.2020 RM	Additions RM	Reclassification RM	Disposals RM	Depreciation RM	At 31.12.2020 RM
<u>Carrying Amount</u>						
Freehold land	1,914,762	-	-	-	-	1,914,762
Freehold land and buildings	29,175,092	1,571,678	9,442,329	(3,496,046)	(813,447)	35,879,606
Buildings	3,027,628	3,302	-	-	(71,666)	2,959,264
Capital work-in-progress	6,155,481	4,793,506	(9,442,329)	-	-	1,506,658
	<u>40,272,963</u>	<u>6,368,486</u>	<u>-</u>	<u>(3,496,046)</u>	<u>(885,113)</u>	<u>42,260,290</u>

## 13. ACCOUNTANTS' REPORT (CONT'D)

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

## 6. INVESTMENT PROPERTIES (CONT'D)

	At 1.1.2021 RM	Additions RM	Reclassification RM	Disposals RM	Depreciation RM	At 31.12.2021 RM
<u>Carrying Amount</u>						
Freehold land	1,914,762	-	-	(1,914,762)	-	-
Freehold land and buildings	35,879,606	706,595	1,509,984	(26,662,457)	(281,778)	11,151,950
Buildings	2,959,264	-	-	(2,959,264)	-	-
Capital work-in-progress	1,506,658	9,878,810	(1,509,984)	-	-	9,875,484
	<b>42,260,290</b>	<b>10,585,405</b>	<b>-</b>	<b>(31,536,483)</b>	<b>(281,778)</b>	<b>21,027,434</b>
	At 1.1.2022 RM	Additions RM	Reclassification RM	Disposals RM	Depreciation RM	At 30.06.2022 RM
<u>Carrying Amount</u>						
Freehold land and buildings	11,151,950	-	589,162	(11,653,696)	(87,416)	-
Buildings	-	-	6,084,374	(6,068,702)	(15,672)	-
Capital work-in-progress	9,875,484	2,162,953	(6,673,536)	-	-	5,364,901
	<b>21,027,434</b>	<b>2,162,953</b>	<b>-</b>	<b>(17,722,398)</b>	<b>(103,088)</b>	<b>5,364,901</b>

## 13. ACCOUNTANTS' REPORT (CONT'D)

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****6. INVESTMENT PROPERTIES (CONT'D)**

	At cost RM	Accumulated depreciation RM	Carrying amount RM
At 31.12.2019			
Freehold land	1,914,762	-	1,914,762
Freehold land and buildings	33,371,318	(4,196,226)	29,175,092
Buildings	3,580,015	(552,387)	3,027,628
Capital work-in-progress	6,155,481	-	6,155,481
	<u>45,021,576</u>	<u>(4,748,613)</u>	<u>40,272,963</u>
At 31.12.2020			
Freehold land	1,914,762	-	1,914,762
Freehold land and buildings	40,672,365	(4,792,759)	35,879,606
Buildings	3,583,317	(624,053)	2,959,264
Capital work-in-progress	1,506,658	-	1,506,658
	<u>47,677,102</u>	<u>(5,416,812)</u>	<u>42,260,290</u>
At 31.12.2021			
Freehold land and buildings	14,088,894	(2,936,944)	11,151,950
Capital work-in-progress	9,875,484	-	9,875,484
	<u>23,964,378</u>	<u>(2,936,944)</u>	<u>21,027,434</u>
At 30.06.2022			
Capital work-in-progress	<u>5,364,901</u>	-	<u>5,364,901</u>

	Estimated fair value at			
	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Freehold land	2,449,280	2,517,765	-	-
Freehold land and buildings	37,366,400	43,268,125	17,927,544	-
Buildings	<u>3,590,664</u>	<u>3,968,661</u>	-	-

## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****6. INVESTMENT PROPERTIES (CONT'D)**

The fair values of investment properties, other than those purchased in the respective financial years/period, were measured based on appraisals performed by directors using the market comparison approach at the end of the reporting periods are nil (31.12.2021 - RM17,927,544; 31.12.2020 - RM38,601,289; 31.12.2019 - RM38,762,344). The appraised values were derived from observable prices per square foot for comparable properties in similar locations (i.e. Level 2). For investment properties purchased in the respective financial year, the arm's length costs were reasonable approximations of fair values.

Included in the investment properties of the Group at the end of the reporting period was freehold land and building with carrying amount of nil (31.12.2021 - RM8,994,308; 31.12.2020 - RM2,948,771; 31.12.2019 - RM3,042,817) pledged as collateral to a licensed bank for banking facilities granted to the Group.

The fair value of buildings under construction cannot be reliably measured due to the absence of active market for comparable partially completed building. Management expects the fair value to be reliably measureable when construction of the building is completed.

The investment properties of the Group are leased to customers under operating leases with rentals payable monthly. The leases contain an option that is exercisable by the customers to extend their leases for a period of 1 to 2 years. The leases do not include residual value guarantee and variable lease payments that depend on an index or rate.

The aggregate lease income and direct operating expenses arising from investment properties of the Group that generated lease income which was recognised in the respective financial years/period amounted to RM317,141 and RM203,646 (31.12.2021 - RM1,735,940 and RM493,549; 31.12.2020 - RM1,724,115 and RM812,682; 31.12.2019 - RM1,545,590 and RM768,471) respectively.

The direct operating expenses incurred from investment properties of the Group which did not generate lease income during the respective financial years/period amounted to RM40,386 (31.12.2021 - RM85,792; 31.12.2020 - RM302,020; 31.12.2019 - RM104,728).

**7. RIGHT-OF-USE ASSETS**

	At 1.1.2021 RM	Addition RM	Depreciation RM	At 31.12.2021 RM
<u>Carrying Amount</u>				
Buildings	-	280,610	(71,439)	209,171

	At 1.1.2022 RM	Addition RM	Modification of lease liabilities RM	Depreciation RM	At 30.06.2022 RM
<u>Carrying Amount</u>					
Buildings	209,171	82,253	32,426	(66,835)	257,015

**13. ACCOUNTANTS' REPORT (CONT'D)****KUMPULAN KITACON BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****7. RIGHT-OF-USE ASSETS (CONT'D)**

	At cost RM	Accumulated depreciation RM	Carrying amount RM
At 31.12.2021			
Buildings	280,610	(71,439)	209,171
At 30.06.2022			
Buildings	395,289	(138,274)	257,015

The Group has lease contracts for office premises used in its operations. Their lease terms range from 1 to 2 (31.12.2021 - 1 to 2) years.

The Group reassesses whether it is reasonably certain to exercise the lease options if there is a significant change in circumstances within its control. During the financial period, the financial effect of revising the lease terms on certain office premises was an increase in recognised lease liabilities and right-of-use assets of RM32,426.

**8. OTHER INVESTMENTS**

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Quoted investments, at fair value	468,544	-	-	-
Unit trusts, at fair value	25,099,204	52,020,789	47,062,928	21,762,356
	<u>25,567,748</u>	<u>52,020,789</u>	<u>47,062,928</u>	<u>21,762,356</u>
Disclosed as:				
- Non-current assets	23,567,748	51,020,789	47,062,928	21,762,356
- Current assets	2,000,000	1,000,000	-	-
	<u>25,567,748</u>	<u>52,020,789</u>	<u>47,062,928</u>	<u>21,762,356</u>

The fair value of quoted investments and unit trusts are directly measured using their unadjusted closing prices in active markets (i.e. Level 1).

## 13. ACCOUNTANTS' REPORT (CONT'D)

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****9. DEFERRED TAX ASSETS/(LIABILITY)**

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Balance at 1 January	(167,000)	(344,000)	(483,000)	4,126,000
Deferred tax (expense)/income recognised in profit or loss (Note 22)	(22,000)	(135,000)	3,301,000	(1,147,000)
Deferred tax assets under provided in previous year/period	-	-	1,308,000	-
Deferred tax liability under provided in previous year/period	(155,000)	(4,000)	-	(7,000)
Balance at 31 December/30 June	<u>(344,000)</u>	<u>(483,000)</u>	<u>4,126,000</u>	<u>2,972,000</u>
Disclosed as:				
- Deferred tax assets	-	-	4,566,000	3,867,000
- Deferred tax liability	<u>(344,000)</u>	<u>(483,000)</u>	<u>(440,000)</u>	<u>(895,000)</u>

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
In respect of (taxable)/deductible temporary differences on:				
- Provision of contract cost (material)	-	-	626,000	491,000
- Provision of contract cost (labour)	-	-	3,816,000	3,252,000
- Financial instruments	-	-	124,000	124,000
- Property and equipment	<u>(344,000)</u>	<u>(483,000)</u>	<u>(440,000)</u>	<u>(895,000)</u>

## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****10. RECEIVABLES**

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Trade receivables:				
- Associate	18,185,846	16,017,601	13,229,027	-
- Unrelated parties	120,387,138	136,667,173	87,713,092	82,273,413
	138,572,984	152,684,774	100,942,119	82,273,413
- Loss allowance	-	-	(516,163)	(516,163)
	138,572,984	152,684,774	100,425,956	81,757,250
Other receivables	10,686,134	12,273,934	4,407,085	4,297,337
Total receivables	149,259,118	164,958,708	104,833,041	86,054,587

**Trade Receivables**

The Group determines credit risk concentrations in terms of counterparties. As at 30 June 2022, there were 3 (31.12.2021 - 6; 31.12.2020 - 3; 31.12.2019 - 6) major customers that accounted for 10% or more of the Group's trade receivables and the total outstanding balances due from these major customers amounted to RM46,567,719 (31.12.2021 - RM73,760,115; 31.12.2020 - RM68,385,972; 31.12.2019 - RM97,470,926).

Trade receivables are unsecured, non-interest bearing and generally on 30 days term.

The Group uses past due information to assess the credit risk of trade receivables. The analysis by past due status (stated at gross) is as follows:-

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Not past due	51,796,990	80,667,765	52,251,354	46,805,368
1 to 30 days past due	42,287,927	35,139,105	30,484,848	8,162,691
31 to 60 days past due	26,056,373	11,669,519	6,178,647	11,613,217
61 to 90 days past due	7,078,260	2,653,793	3,250,873	9,891,975
More than 90 days past due	11,353,434	22,554,592	8,776,397	5,800,162
	138,572,984	152,684,774	100,942,119	82,273,413

**13. ACCOUNTANTS' REPORT (CONT'D)****KUMPULAN KITACON BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****10. RECEIVABLES (CONT'D)****Trade Receivables (Cont'd)**

The Group determines that a trade receivable is credit-impaired when the customer is experiencing significant financial difficulty and has defaulted in payments. Unless otherwise demonstrated, the Group generally consider a default to have occurred when the trade receivable is more than 90 days past due with no evidence of collection subsequent to the end of the reporting period. The gross carrying amount of a credit-impaired trade receivable is directly written off when there is no reasonable expectation of recovery. This normally occurs when there is reasonable proof of customer insolvency.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. The changes in the loss allowances are as follows:-

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
At January	-	-	-	516,163
Impairment loss	-	-	516,163	-
At 31 December/30 June	-	-	516,163	516,163

The above allowance is in respect of individually assessed credit-impaired trade receivables. Based on the low historical observed default rates (adjusted for forward-looking estimates), the expected credit losses on trade receivables that are not credit-impaired are not considered to be material and hence, have not been recognised.

**Other Receivables**

Other receivables are unsecured and non-interest bearing. The amount owing by unrelated parties mainly consist of advances and refundable deposits which have no fixed repayment terms.

Included in other receivables are staff loans provided to persons connected to a director of the Company amounting of nil (31.12.2021 - RM457,000; 31.12.2020 - RM267,000, 31.12.2019 - RM327,000).

**11. CONTRACT COST**

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Costs in fulfilling contracts	1,287,872	1,337,673	5,095,860	269,707



## 13. ACCOUNTANTS' REPORT (CONT'D)

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****12. CONTRACT ASSETS**

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
<b>Contract assets</b>				
Construction contract	176,828,541	171,630,675	165,672,452	155,627,517

**Contract Assets from Construction Contracts**

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Balance at 1 January	177,615,702	176,828,541	171,630,675	165,672,452
Revenue recognised during the financial year/period	581,522,875	489,645,220	455,502,208	234,733,347
Progress billings during the financial year/period	(582,310,036)	(494,843,086)	(461,460,431)	(244,778,282)
Balance at 31 December/ 30 June	176,828,541	171,630,675	165,672,452	155,627,517

Included in contract assets are retention sums for contract work totalling RM81,122,196 (31.12.2021 - RM78,358,013; 31.12.2020 - RM92,679,974; 31.12.2019 - RM64,009,527).

As disclosed in Note 2.16, the Group generally satisfies its performance obligations over time during the construction period. Any excess of revenue recognised over progress billings is presented as contract asset, whereas any deficit is presented as contract liability.

The Group measures the loss allowance for contract assets at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. Based on the low historical observed default rates (adjusted for forward-looking estimates), the expected credit losses on contract assets are not considered to be material and hence, have not been recognised.

**Remaining Performance Obligations**

As at 30 June 2022, the aggregate transaction price allocated to the remaining performance obligations amounted to approximately RM608,280,073 (31.12.2021 - RM520,408,283; 31.12.2020 - RM537,462,072; 31.12.2019 - RM684,859,350) and the Group expects to recognise this revenue when the projects are completed within 1 to 2 (31.12.2021 - 1 to 2; 31.12.2020 - 1 to 2; 31.12.2019 - 1 to 2) years.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

Registration No : 202201006838 (1452535-V)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS****13. CASH AND CASH EQUIVALENTS**

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Cash and bank balances	8,380,051	5,881,825	44,011,166	76,203,336
Term deposits with licensed banks (fixed rate)	39,985,278	38,116,325	38,906,017	38,340,772
	<u>48,365,329</u>	<u>43,998,150</u>	<u>82,917,183</u>	<u>114,544,108</u>

Cash and cash equivalents are placed with reputable financial institutions with low credit risk. Accordingly, their expected credit losses are not considered to be material and hence, have not been recognised.

The term deposits of the Group amounting RM38,340,772 (31.12.2021 - RM38,906,017; 31.12.2020 - RM38,116,325, 31.12.2019 - RM39,985,278) have been pledged as security for credit facilities granted to the Group. Accordingly, these term deposits are not freely available for use.

The effective interest rates of term deposits as at 30 June 2022 ranged from 1.3% to 1.85% (31.12.2021 - 1.3% to 1.75%; 31.12.2020 - 2.55% to 3.35%; 31.12.2019 - 2.90% to 3.35%) per annum.

For the purpose of statements of cash flows, cash and cash equivalents are presented net of pledged deposits as follows:-

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Cash and cash equivalents	48,365,329	43,998,150	82,917,183	114,544,108
Term deposits pledged as security	<u>(39,985,278)</u>	<u>(38,116,325)</u>	<u>(38,906,017)</u>	<u>(38,340,772)</u>
	<u>8,380,051</u>	<u>5,881,825</u>	<u>44,011,166</u>	<u>76,203,336</u>

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## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

Registration No : 202201006838 (1452535-V)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS****14. SHARE CAPITAL AND INVESTED EQUITY**

## (a) Share capital

	Audited as at			
	31.12.2019	31.12.2020	31.12.2021	30.06.2022
	Number of shares			
Balance at 1 January/date of incorporation	-	-	-	100
Balance at 31 December/30 June	-	-	-	100

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Balance at 1 January/date of incorporation	-	-	-	50
Balance at 31 December/30 June	-	-	-	50

## (b) Invested equity

	Audited as at			
	31.12.2019	31.12.2020	31.12.2021	30.06.2022
	Number of shares			
Balance at 1 January	20,000,000	20,000,000	20,000,000	30,000,000
Issuance of new shares for cash	-	-	10,000,000	-
Balance at 31 December/30 June	20,000,000	20,000,000	30,000,000	30,000,000

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Balance at 1 January	20,000,000	20,000,000	20,000,000	30,000,000
Issuance of new shares for cash	-	-	10,000,000	-
Balance at 31 December/30 June	20,000,000	20,000,000	30,000,000	30,000,000

For the purpose of this report, the total number of ordinary shares as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022 represents the aggregate number of issued shares of all entities within the Group.

The new ordinary shares issued during the respective financial years/period rank pari passu in all respects with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

Registration No : 202201006838 (1452535-V)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS****15. TERM LOANS**

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
<u>Secured</u>				
Term loans (floating rate)	2,746,716	2,489,007	7,521,427	-
Disclosed as:				
- Current liabilities	575,515	617,709	1,156,012	-
- Non-current liabilities	2,171,201	1,871,298	6,365,415	-
	<u>2,746,716</u>	<u>2,489,007</u>	<u>7,521,427</u>	<u>-</u>

The term loans are secured against certain investment properties (Note 6) and jointly and severally guaranteed by certain directors of the Group.

The effective interest rates of term loans as at 30 June 2022 was nil (31.12.2021 - ranged from 3.05% to 3.27%; 31.12.2020 - 3.05%; 31.12.2019 - 4.30%) per annum.

Term loans are repayable over 5 years. The repayment analysis is as follows:-

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Gross loan installments:				
- within 1 year	600,262	693,624	1,397,868	-
- later than 1 year and not later than 2 years	626,074	693,624	1,397,868	-
- later than 2 years and not later than 5 years	1,638,488	1,156,040	2,690,752	-
- later than 5 years	-	-	3,051,724	-
Total contractual undiscounted cash flows	2,864,824	2,543,288	8,538,212	-
Future finance charges	(118,108)	(54,281)	(1,016,785)	-
Present value of term loans:				
- within 1 year	575,515	617,709	1,156,012	-
- later than 1 year and not later than 2 years	600,262	636,550	1,192,412	-
- later than 2 years and not later than 5 years	1,570,939	1,234,748	2,283,708	-
- later than 5 years	-	-	2,889,295	-
	<u>2,746,716</u>	<u>2,489,007</u>	<u>7,521,427</u>	<u>-</u>

## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****15. TERM LOANS (CONT'D)**

The fair value of term loans were measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair value measured is considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximated to the effective interest rates of term loans.

**16. LEASE LIABILITIES**

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Gross lease liabilities:				
- Within 1 year	-	-	129,600	149,760
- Later than 1 year and not later than 5 years	-	-	88,560	120,060
Total contractual undiscounted cash flows	-	-	218,160	269,820
Future interest charges	-	-	(7,086)	(10,075)
Present value of lease liabilities	-	-	211,074	259,745
Disclosed as:				
- Current liabilities	-	-	124,554	143,523
- Non-current liabilities	-	-	86,520	116,222
	-	-	211,074	259,745

The incremental borrowing rate applied to lease liabilities as at 30 June 2022 was 3.27% (31.12.2021 - 3.27%; 31.12.2020 - nil; 31.12.2019 - nil) per annum.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

Registration No : 202201006838 (1452535-V)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS****17. PAYABLES**

	Audited as at			
	31.12.2019	31.12.2020	31.12.2021	30.06.2022
	RM	RM	RM	RM
Trade payables	197,150,977	219,481,501	187,187,542	167,431,760
Provision of contract cost (material)	1,230,719	1,021,903	2,608,438	2,045,809
Provision of contract cost (labour)	5,458,594	4,435,476	15,902,441	13,551,855
Other payables	11,192,349	8,402,156	8,812,354	4,795,936
Dividend payables	-	-	44,130,000	-
	<u>215,032,639</u>	<u>233,341,036</u>	<u>258,640,775</u>	<u>187,825,360</u>

Trade and other payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

**Trade Payables**

Included in trade payables are retention sums for contract work amounting RM10,645,124 (31.12.2021 - RM9,038,375; 31.12.2020 - RM16,093,168; 31.12.2019 - RM12,098,567).

Included in trade payables as at 30 June 2022 is an amount of RM78,512,508 (31.12.2021 - RM85,019,697; 31.12.2020 - RM89,500,550; 31.12.2019 - RM89,677,633) representing accrued contract costs.

Trade payables are unsecured, non-interest bearing and generally on 30 to 120 days terms.

Provision of contract cost for material and labour is in respect of estimated costs to be incurred during the defect liability period for completed projects.

**Other Payables**

Other payables are unsecured and non-interest bearing. The amounts owing to unrelated parties mainly consist of sundry payables and accruals for operating expenses which are generally due within 30 to 90 days.

**18. BANKERS' ACCEPTANCE**

The bankers' acceptance are secured by way of legal charges over the term deposits of the Group and are jointly and severally guaranteed by the directors of the Group.

The effective interest rate of banker's acceptance outstanding as at 30 June 2022 was 3.8% (31.12.2021 - nil; 31.12.2020 - nil; 31.12.2019 - nil) per annum.

## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

Registration No : 202201006838 (1452535-V)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS****19. REVENUE**

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2019	2020	2021	2021	2022
	RM	RM	RM	RM	RM
Revenue from contracts with customers:					
- Construction contracts	<u>581,522,875</u>	<u>489,645,220</u>	<u>455,502,208</u>	<u>238,638,165</u>	<u>234,733,347</u>
Timing of revenue recognition:					
- Over time	<u>581,522,875</u>	<u>489,645,220</u>	<u>455,502,208</u>	<u>238,638,165</u>	<u>234,733,347</u>

Information about other disaggregation of revenue has not been disclosed as the Group generates revenue principally from construction of commercial and residential properties within Malaysia.

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## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

Registration No : 202201006838 (1452535-V)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS****20. PROFIT BEFORE TAXATION**

Profit before taxation is arrived at after charging/(crediting):-

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2019	2020	2021	2021	2022
	RM	RM	RM	RM	RM
Auditors' remuneration:					
- Current year/period	40,000	42,000	50,000	25,000	25,000
- Previous year/period	4,000	22,000	-	-	-
Depreciation of property and equipment	2,845,596	3,191,443	4,159,488	2,226,344	1,911,229
Depreciation of investment properties	739,024	885,113	281,778	140,889	103,088
Depreciation of right-of-use assets	-	-	71,439	-	66,265
Employee benefits expense (Note 21)	27,667,378	27,142,473	29,334,523	12,780,891	11,214,165
Fair value loss/(gain) on financial instruments mandatorily measured at fair value through profit or loss	3,774	(9,932)	20,987	-	(98,672)
Interest expense for financial liabilities measured at amortised cost	132,189	158,310	259,897	75,510	105,689
Interest expense of lease liabilities	-	-	4,624	-	3,472
Impairment losses on trade receivables	-	-	516,163	-	-
Investment in club membership written off	-	-	59,000	-	-
Loss on disposal of other investments	-	90,143	5,243	-	-
Lease expense	95,040	99,360	51,082	58,326	2,862
Property and equipment written off	-	-	-	-	88,721
Covid-19 related-rent concession	-	-	(10,800)	-	-
Dividend income from quoted investments in Malaysia	(25,190)	(10,990)	-	-	-
Gain on disposal of investment properties	-	(568,842)	(4,207,018)	(268,859)	(6,915,146)
Gain on disposal of property and equipment	(83,694)	(769,102)	(388,594)	(33,596)	(5,190)
Interest income for financial assets measured at amortised cost	(2,063,188)	(1,592,502)	(1,158,083)	(150,659)	(701,515)
Interest income for financial assets measured at fair value through profit and loss	(1,008,603)	(1,384,780)	(1,221,054)	(1,043,634)	(100,756)
Operating lease income from investment properties	(1,545,590)	(1,724,115)	(1,735,940)	(758,220)	(317,141)



## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

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Registration No : 202201006838 (1452535-V)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS****21. EMPLOYEE BENEFITS EXPENSE**

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2019	2020	2021	2021	2022
	RM	RM	RM	RM	RM
Directors:					
- Fee	684,000	630,000	600,000	300,000	303,000
- Other short-term employee benefits	6,396,829	6,380,829	7,980,593	3,613,847	1,465,296
- Defined contribution plans	763,200	765,600	957,600	408,000	175,800
	7,844,029	7,776,429	9,538,193	4,321,847	1,944,096
Other employees:					
- Short-term employee benefits	17,674,752	17,632,908	18,086,239	7,651,019	8,256,670
- Defined contribution plans	2,148,597	2,133,936	2,209,614	808,025	1,013,399
- Government grants under Wage Subsidy Programme	-	(400,800)	(499,523)	-	-
	19,823,349	19,366,044	19,796,330	8,459,044	9,270,069
	27,667,378	27,142,473	29,334,523	12,780,891	11,214,165

The estimated monetary value of benefits-in-kind provided by the Group to certain directors amounted to approximately RM8,700 as at 30 June 2022 (31.12.2021 - RM17,400; 31.12.2020 - RM17,400; 31.12.2019 - RM17,400).

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## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****22. INCOME TAX EXPENSE**

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2019	2020	2021	2021	2022
	RM	RM	RM	RM	RM
Tax based on results for the year:					
- Current tax	17,260,000	12,553,000	14,727,000	6,481,347	6,031,000
- Deferred tax (Note 9)	22,000	135,000	(3,301,000)	(80,000)	1,147,000
	<u>17,282,000</u>	<u>12,688,000</u>	<u>11,426,000</u>	<u>6,401,347</u>	<u>7,178,000</u>
Tax under/(over) provided in prior years:					
- Current tax	(43,997)	814,020	(196,676)	-	47,447
- Deferred tax (Note 9)	155,000	4,000	(1,308,000)	2,000	7,000
	111,003	818,020	(1,504,676)	2,000	54,447
Real Property Gains Tax	-	55,131	581,600	75,200	470,400
Income tax expense	<u>17,393,003</u>	<u>13,561,151</u>	<u>10,502,924</u>	<u>6,478,547</u>	<u>7,702,847</u>

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the respective financial years/period is as follows:-

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2019	2020	2021	2021	2022
	RM	RM	RM	RM	RM
Profit before taxation	<u>72,187,072</u>	<u>52,762,574</u>	<u>52,335,736</u>	<u>27,818,012</u>	<u>33,830,211</u>
Tax at the applicable tax rate of 24%	17,324,897	12,663,018	12,560,576	6,676,323	8,119,251
Non-deductible expenses	512,851	563,185	451,904	163,651	953,988
Non-taxable income	(317,313)	(686,321)	(1,491,206)	(390,990)	(1,707,497)
Share of (profit)/loss of associate	(238,435)	148,118	(95,274)	(47,637)	(187,742)
Real Property Gains Tax	-	55,131	581,600	75,200	470,400
Tax (over)/under provided in prior years:					
- Current tax	(43,997)	814,020	(196,676)	-	47,447
- Deferred tax	155,000	4,000	(1,308,000)	2,000	7,000
Income tax expense	<u>17,393,003</u>	<u>13,561,151</u>	<u>10,502,924</u>	<u>6,478,547</u>	<u>7,702,847</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (31.12.2021 - 24%; 31.12.2020 - 24%; 31.12.2019 - 24%) of the estimated assessable profit for the respective financial years/period.

## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

(Incorporated in Malaysia)

Registration No : 202201006838 (1452535-V)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS****23. DIVIDENDS**

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2019	2020	2021	2021	2022
	RM	RM	RM	RM	RM
<u>In respect of the financial year ended 31 December 2019:</u>					
- First interim single tier dividend of 37.5 sen per ordinary share	7,500,000	-	-	-	-
- Second interim single tier dividend of 30 sen per ordinary share	6,000,000	-	-	-	-
- Third interim single tier dividend of 75 sen per ordinary share	15,000,000	-	-	-	-
- Fourth interim single tier dividend of 90 sen per ordinary share	18,000,000	-	-	-	-
- Fifth interim single tier dividend of 90 sen per ordinary share	18,000,000	-	-	-	-
- Sixth interim single tier dividend of 68 sen per ordinary share	13,600,000	-	-	-	-
<u>In respect of the financial year ended 31 December 2020:</u>					
- First interim single tier dividend of 22.5 sen per ordinary share	-	4,500,000	-	-	-
- Second interim single tier dividend of 20 sen per ordinary share	-	4,000,000	-	-	-
- Third interim single tier dividend of 40 sen per ordinary share	-	8,000,000	-	-	-
- Fourth interim single tier dividend of 25 sen per ordinary share	-	5,000,000	-	-	-
Sub-total carried forward	<u>78,100,000</u>	<u>21,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****23. DIVIDENDS (CONT'D)**

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2019	2020	2021	2021	2022
	RM	RM	RM	RM	RM
Sub-total brought forward	78,100,000	21,500,000	-	-	-
<u>In respect of the financial year ended 31 December 2021:</u>					
- First interim single tier dividend of 35 sen per ordinary share	-	-	7,000,000	7,000,000	-
- Second interim single tier dividend of 20 sen per ordinary share	-	-	4,000,000	4,000,000	-
- Third interim single tier dividend of approximately 23 sen per ordinary share	-	-	4,500,000	-	-
- Fourth interim single tier dividend of RM2 per ordinary share	-	-	40,000,000	-	-
- Fifth interim single tier dividend of RM4 for every 30 ordinary shares	-	-	4,000,000	-	-
- Sixth interim single tier dividend of RM7 for every 6 ordinary shares	-	-	35,000,000	-	-
- Seventh interim single tier dividend of RM7 for every 6 ordinary shares	-	-	35,000,000	-	-
	<u>78,100,000</u>	<u>21,500,000</u>	<u>129,500,000</u>	<u>11,000,000</u>	<u>-</u>

## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****24. NOTES TO STATEMENTS OF CASH FLOWS**

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2019 RM	2020 RM	2021 RM	2021 RM	2022 RM
<b>Term Loans</b>					
Balance at 1 January	3,310,308	2,746,716	2,489,007	2,489,007	7,521,427
Drawdowns	-	-	6,000,000	6,000,000	-
Repayments	(563,592)	(257,709)	(967,580)	(429,266)	(7,521,427)
Balance at 31 December/ 30 June	<u>2,746,716</u>	<u>2,489,007</u>	<u>7,521,427</u>	<u>8,059,741</u>	<u>-</u>
<b>Lease Liabilities</b>					
Balance at 1 January	-	-	269,810	-	211,074
Additions	-	-	-	-	82,253
Modification of lease liabilities	-	-	-	-	32,426
Repayments	-	-	(58,736)	-	(66,008)
Balance at 31 December/ 30 June	<u>-</u>	<u>-</u>	<u>211,074</u>	<u>-</u>	<u>259,745</u>

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## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****25. RELATED PARTY DISCLOSURES**

Significant transactions with related parties for the respective financial years/period other than those disclosed elsewhere in the combined financial statements are as follows:-

	Audited			Unaudited	Unaudited
	FYE 31 December			FPE 30 June	
	2019	2020	2021	2021	2022
	RM	RM	RM	RM	RM
Disposal of a investment property to a director	-	-	929,480	-	-
Disposal of properties to related parties <sup>(a)/(b)</sup>	-	-	1,958,175	-	-
Disposal of investment properties to related parties <sup>(a)/(b)</sup>	-	4,064,888	31,962,206	-	24,637,544
Rental charged by related parties <sup>(a)</sup>	420,000	444,500	630,000	357,000	-
Progress billings raised on contract services provided to related parties <sup>(a)</sup>	28,957,308	17,609,346	8,120,394	5,660,740	13,582,657
Progress billings raised on contract services provided to an associate	60,991,264	10,534,940	33,741,895	12,199,228	19,070,777

<sup>(a)</sup> Being companies in which certain directors of the Company have substantial financial interests.

<sup>(b)</sup> The sales proceeds from these disposal of properties and investment properties amounting to RM22,390,000 (31.12.2021 - RM25,870,000) were being set-off against dividend declared during FYE 31 December 2021.

**26. CONTRACTUAL COMMITMENT**

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2019	2020	2021	2021	2022
	RM	RM	RM	RM	RM
Purchase of investment properties	9,199,910	13,151,305	3,884,779	9,143,171	1,786,002

## 13. ACCOUNTANTS' REPORT (CONT'D)

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****27. FINANCIAL GUARANTEE CONTRACTS**

The Group has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to certain related parties up to a total limit of nil (31.12.2021 - RM14,849,000; 31.12.2020 - RM14,849,000; 31.12.2019 - RM14,849,000). The total utilisation of these credit facilities as at 30 June 2022 amounted to nil (31.12.2021 - RM3,183,909; 31.12.2020 - RM4,834,536; 31.12.2019 - RM5,527,770).

The aforementioned financial guarantee contracts should have been recognised in the combined statements of financial position in accordance with the recognition and measurement policies as stated in Note 2.11. After considering that the probability of the related parties defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material and have been discharged subsequently on 22 February 2022.

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2019	2020	2021	2021	2022
	RM	RM	RM	RM	RM
Carrying Amount	5,527,770	4,834,536	3,183,909	4,011,827	-
Contractual Undiscounted Cash Flows - Over 5 years	5,527,770	4,834,536	3,183,909	4,011,827	-

**28. EARNINGS PER SHARE**

	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
	2019	2020	2021	2021	2022
Profit for the financial years/period attributable to the owners of the Company (RM)	54,794,069	39,201,423	41,832,812	21,339,465	26,127,364
Number of ordinary shares in issue at 1 January	20,000,000	20,000,000	20,000,000	20,000,000	30,000,000
Issuance of shares	-	-	10,000,000	-	100
Number of ordinary shares in issue at 31 December/30 June	20,000,000	20,000,000	30,000,000	20,000,000	30,000,100
Basic earnings per ordinary share (sen)	274	196	139	107	87

The diluted earnings per share equals the basic earnings per share as the Company did not have any dilutive potential ordinary shares for the respective financial years/period.

## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****29. OPERATING SEGMENTS**

Operating segments are prepared in a manner consistent with the internal reporting provided to the Managing Director as its chief operating decision maker in order to allocate resources to segments and to assess their performance on a quarterly basis. For management purposes, the Group is organised into business units based on their products and services provided.

**Business Segment and Geographical Information**

Information on operating segment has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely provision of construction services.

Information about geographical areas has not been reported separately as the Group is primarily involved in business operations in Malaysia.

**Major Customers**

The following are major customers with revenue equal to or more than 10% of the Group's total revenue.

	Revenue				
	Audited			Unaudited	Audited
	FYE 31 December			FPE 30 June	
2019	2020	2021	2021	2022	
RM	RM	RM	RM	RM	
Customer A	98,643,431	105,597,889	104,709,043	53,279,149	59,270,437
Customer B	89,930,334	62,138,084	86,540,120	42,448,038	34,787,417
Customer C	48,902,694	47,458,182	51,869,433	30,635,481	23,907,615
Customer D	115,164,516	38,864,843	18,687,576	^	^
Customer E	^	^	^	^	26,803,020

Note:

^ less than 10%



**13. ACCOUNTANTS' REPORT (CONT'D)****KUMPULAN KITACON BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****30. COMBINING ENTITY**

Details of the combining entity are as follows:-

Name of combining entity	Country of incorporation/ Principal place of business	Effective ownership interest and voting interest				Principal activity
		31.12.2019 %	31.12.2020 %	31.12.2021 %	30.06.2022 %	
Kitacon Sdn. Bhd. ("KSB")	Malaysia	100	100	100	100	Provision of construction services.

**31. FINANCIAL RISK MANAGEMENT**

The activities of the Group are exposed to certain financial risks, including credit risk, liquidity risk, and interest rate risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged throughout the respective financial years/period.

**Credit Risk**

The Group's exposure to credit risk arises mainly from receivables and term deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the combined statements of financial position. The Group is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain related parties. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 27.

As the Group only deals with reputable financial institutions, the credit risk associated with deposits placed with them is minimal. The Group manages its credit risk exposure of receivables by assessing counterparties financial standings on an on-going basis, setting and monitoring counterparties limits and credit terms. The quantitative information about such credit risk exposure is disclosed in Note 10.

**Liquidity Risk**

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

## 13. ACCOUNTANTS' REPORT (CONT'D)

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****31. FINANCIAL RISK MANAGEMENT (CONT'D)****Interest Rate Risk**

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely term deposits, term loans and lease liabilities.

The Group observes the movements in interest rates and always strive to obtain the most favourable rates available for new financing or during repricing. It is also the Group's policy to maintain a mix of fixed and floating rate financial instruments as follows:-

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
<b>Fixed rate Instruments</b>				
Financial assets	39,985,278	38,116,325	38,906,017	38,340,772
Financial liabilities	-	-	211,074	1,862,745
<b>Floating rate instruments</b>				
Financial liabilities	2,746,716	2,489,007	7,521,427	-

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss, any changes in interest rates at the end of each reporting period would not affect its profit or loss (and equity). For floating rate financial instruments measured at amortised cost, the following table demonstrates the sensitivity of profit or loss and equity to changes in interest rates that were reasonably possible at the end of each reporting period, with all other variables held constant:-

	(Decrease)/ Increase in Profit	(Decrease)/ Increase in Profit	(Decrease)/ Increase in Profit	(Decrease)/ Increase in Profit
	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Increase in interest rates by 100 basis points	(20,875)	(18,916)	(57,163)	-
Decrease in interest rates by 100 basis points	20,875	18,916	57,163	-

**13. ACCOUNTANTS' REPORT (CONT'D)****KUMPULAN KITACON BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****32. CAPITAL MANAGEMENT**

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to shareholders and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity and total interest-bearing debts to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, issue new shares, sell assets, raise or redeem debts, where necessary to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total interest-bearing debts divided by total equity as follows:-

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
Term loans	2,746,716	2,489,007	7,521,427	-
Bankers' acceptance	-	-	-	1,603,000
Lease liabilities	-	-	211,074	259,745
Total interest-bearing debts	<u>2,746,716</u>	<u>2,489,007</u>	<u>7,732,501</u>	<u>1,862,745</u>
Total equity	<u>244,367,241</u>	<u>262,068,664</u>	<u>184,401,476</u>	<u>210,528,890</u>
Total capital	<u>247,113,957</u>	<u>264,557,671</u>	<u>192,133,977</u>	<u>212,391,635</u>
Debt-to-equity ratio	<u>0.0112</u>	<u>0.0095</u>	<u>0.0419</u>	<u>0.0088</u>

The aforementioned capital management objective, policies and processes have remained unchanged throughout the respective financial years/period.

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## 13. ACCOUNTANTS' REPORT (CONT'D)

**KUMPULAN KITACON BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****33. FINANCIAL INSTRUMENTS****33.1 Classification of Financial Instruments**

	Audited as at			
	31.12.2019 RM	31.12.2020 RM	31.12.2021 RM	30.06.2022 RM
<b>Financial Assets</b>				
<u>Amortised Cost</u>				
Receivables	149,259,118	164,958,708	104,833,041	86,054,587
Cash and cash equivalents	48,365,329	43,998,150	82,917,183	114,544,108
	<u>197,624,447</u>	<u>208,956,858</u>	<u>187,750,224</u>	<u>200,598,695</u>
<u>Fair Value Through Profit or Loss</u>				
Other investments	<u>25,567,748</u>	<u>52,020,789</u>	<u>47,062,928</u>	<u>21,762,356</u>
<b>Financial Liabilities</b>				
<u>Amortised Cost</u>				
Payables	208,343,326	227,883,657	240,129,896	172,227,696
Bankers' acceptance	-	-	-	1,603,000
Term loans	2,746,716	2,489,007	7,521,427	-
	<u>211,090,042</u>	<u>230,372,664</u>	<u>247,651,323</u>	<u>173,830,696</u>

**33.2 Fair Value Information**

The method used in determining the fair values of financial instruments recognised on the combined statements of financial position are disclosed in their respective notes to the combined financial statements.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUMPULAN KITACON BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEARS/PERIOD**

- (i) The World Health Organisation declared the novel coronavirus ("COVID-19") as a global pandemic on 11 March 2020. Following the declaration, the Government of Malaysia has on 18 March 2020 imposed the Movement Control Order ("MCO") and subsequently entered into various phases of the MCO to curb the spread of the COVID-19 pandemic in Malaysia.

The Group's results for the financial years/period under review were affected by pandemic and the implementation of different stages of Movement Control Order ("MCO") which had disrupted the construction activities of the projects. As such, the Group billings to customers have been delayed and as a result, the Group experienced a delay in the billings and collections. However, this did not materially affect the business operations and cash flow position.

As at the date of authorisation of the financial statements, the COVID-19 pandemic situation is still evolving and remain uncertain. The Group will continue to actively monitor and manage its funds and operations to minimise any impact arising from the COVID-19 pandemic. Nevertheless, with the Group's past focus on cost efficiency, strong cash position, resilient fundamentals, the Group expects to sustain its operational and financial performance for the financial year ending 31 December 2022.

- (ii) During the respective financial years/period, the Group disposed:

In the FYE 31 December 2020

- (a) 2 properties to third parties for a total cash consideration of RM2,485,000.  
 (b) An investment property to a related party for a cash consideration of RM4,064,888.

In the FYE 31 December 2021

- (a) A property to a related party for a consideration of RM680,000 by a way of settlement with the dividend declared during the financial year.  
 (b) A property to a related party for a cash consideration of RM1,278,175.  
 (c) 3 investment properties to third parties for a total cash consideration of RM2,851,814.  
 (d) 13 investment properties to related parties for a total consideration of RM25,190,000 by a way of settlement with the dividend declared during the financial year.  
 (e) 6 investment properties to related parties for a total cash consideration of RM6,772,207.  
 (f) An investment property to a director for a cash consideration of RM929,480.

**13. ACCOUNTANTS' REPORT (CONT'D)****KUMPULAN KITACON BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS****34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEARS (CONT'D)**

- (ii) During the respective financial years/period, the Group disposed (Cont'd):

In the FPE 30 June 2022

- (a) An investment property to a related party for a cash consideration of RM2,247,544.
- (b) 7 investment properties to related parties for a total consideration of RM22,390,000 by a way of settlement with the dividend declared in the previous financial year.
- (iii) On 18 March 2022, QL Builder Sdn Bhd (formerly known as Pembinaan KSB Sdn Bhd) declared an interim dividend of RM2.50 per ordinary share amounting to RM10,000,000 in respect of the financial year ending 31 December 2022.
- (iv) On 6 May 2022, KSB entered into a Share Sale Agreement with a third party for the disposal of its 49% equity interest of QL Builder Sdn Bhd (formerly known as Pembinaan KSB Sdn Bhd) comprising of 1,960,000 ordinary shares for a cash consideration of RM2,418,068. The disposal of associate was completed on 14 June 2022. The consideration agreed between the parties was based on the results and equity of QL Builder Sdn Bhd up to and as at 31 December 2021.
- (v) On 11 May 2022, the Company entered into a Conditional Share Sale Agreement with the existing shareholders of KSB for the acquisition of the entire equity interest in KSB comprising 30,000,000 ordinary shares for a purchase consideration of RM184,401,459 which will be satisfied by way of the issuance of 423,911,400 new ordinary shares in the Company at an issue price of RM0.435 each to the existing shareholders of KSB. The acquisition of KSB was completed on 21 October 2022.

**35. SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD**

Prior to the listing, the Directors of the Company intends to declare an interim dividend of RM 10,000,000 for the financial year ending 31 December 2022. The dividend was subsequently paid in 19 October 2022.

**36. CONTINGENT LIABILITIES**

	<b>Audited as at</b>			
	<b>31.12.2019</b>	<b>31.12.2020</b>	<b>31.12.2021</b>	<b>30.06.2022</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Performance and tender bonds granted to contract customers	<u>75,447,616</u>	<u>77,988,700</u>	<u>67,614,562</u>	<u>68,244,567</u>

**13. ACCOUNTANTS' REPORT (CONT'D)****KUMPULAN KITACON BERHAD**

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**STATEMENTS BY DIRECTORS**

We, Mr Tan Ah Kee and Mr Teow Choo Hing, being two of the directors of Kumpulan Kitacon Berhad, state that, in the opinion of the directors, the combined financial statements set out on pages 1 to 58 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Prospectus Guidelines issued by the Securities Commission Malaysia so as to give a true and fair view of the financial position of Kumpulan Kitacon Berhad and its combining entity as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022, and of their financial performance and cash flows for the relevant reporting periods ended on those dates.

Signed in accordance with a resolution of the directors dated 11 NOV 2022

For and on behalf of the Board of Directors of Kumpulan Kitacon Berhad.



Tan Ah Kee



Teow Choo Hing

## 14. ADDITIONAL INFORMATION

### 14.1 EXTRACTS OF OUR CONSTITUTION

The following provisions are extracted from our Constitution and are qualified in its entirety by the remainder of our Constitution and by applicable law. The words and expressions appearing in the following provisions shall bear the same meanings used in our Constitution unless otherwise defined or the context otherwise requires:

#### 14.1.1 Remuneration, voting and borrowing powers of Directors

##### (i) Directors' Remuneration

Clause 110 - The fees and any benefits payable to the Directors of the Company and its subsidiary(ies) including any compensation for loss of employment of Director or former Director shall be approved by an Ordinary Resolution of the Company in general meeting annually and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine provided always that:

- (a) fee payable to non-executive Directors shall be a fixed sum, and not by a commission on or percentage of profits or turnover and which shall not exceed the amount approved by the shareholders in general meeting;
- (b) remuneration and other emoluments (including bonus, benefits or any other emoluments) payable to executive Directors who hold an executive office in the Company pursuant to a contract of service need not be determined by the Company in general meeting but such remuneration and emoluments may not include a commission on or percentage of turnover. Nothing herein shall prejudice the powers of the Directors to appoint any of their members to be the employee or agent of the Company at such remuneration and upon such terms as they think fit provided that such remuneration shall not include commission on or percentage of turnover;
- (c) fees of Directors and any benefits payable to Directors shall be subject to annual shareholders' approval at a general meeting;
- (d) any fee paid to an Alternate Director shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter; and
- (e) the fees and/or benefits payable to non-executive Directors who is also Director of the subsidiary(ies) includes fees, meeting allowances, travelling allowances, benefits, gratuity and compensation for loss of employment of Director or former Director of the Company provided by the Company and subsidiary(ies), but does not include insurance premium or any issue of securities.

Clause 111 - The Company may repay to any Directors all such reasonable expenses as he may incur in attending and returning from meetings of the Directors, or any committee of the Directors or general meeting of the Company or in connection with the business of the Company, whether within or outside his country of domicile or residence.

Clause 112 - The Directors may grant special remuneration to Director who (on request by the Director) is willing to render any special or extra services to the Company.

Such special remuneration may be paid to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be paid in a lump sum or by way of remuneration, or by a percentage of profits (other than non-executive Directors), or by all or any of such methods but shall not include (where such special remuneration is paid by way of remuneration) a commission on or a percentage of turnover.



**14. ADDITIONAL INFORMATION (CONT'D)****(ii) Voting of Directors**

Clause 125 - Every Director shall declare his interest in the Company and his interest in any contract or proposed contract with the Company as may be required by law. Subject to Section 222 of the Act, a Director shall not participate in any discussion or vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest and if he shall do so, his vote shall not be counted. A Director shall, notwithstanding his interest, provided that none of the other directors present disagree, be counted in the quorum for any meeting where a decision is to be taken upon any contract or proposed contract or arrangement in which he is in any way interested provided always that he has complied with Section 221 of the Act and all other relevant provisions of the Act and this Constitution.

Clause 126 - Subject to Clause 125 hereof, a Director may vote in respect of:

- (a) any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company;
- (b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of security;
- (c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- (d) any proposal concerning any other company in which he is interested directly or indirectly and whether as an officer or Member or otherwise howsoever, but is not the holder of or beneficially interested in 1% or more of the issued shares of any class of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interested being deemed for the purpose of this Clause to be a material interest in all circumstances);  
or
- (e) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the relevant authorities for taxation purposes.

**(iii) Borrowing powers of Directors**

Clause 121(1) - Subject to the Act, the Directors may exercise all the powers of the Company to obtain financing and to mortgage or charge its undertaking, property, and uncalled capital or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability, or obligation of the Company or of any related third party. The Directors may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon with power to the Directors to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or hypothecation of or charge upon any property and asset of the Company or otherwise.

Clause 121(2) - The Directors shall not obtain financing or mortgage or charge any of the Company or the subsidiaries' undertaking, property or any uncalled capital, or issue any debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

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**14. ADDITIONAL INFORMATION (CONT'D)**

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**14.1.2 Changes to share capital**

Clause 57 - The Company may from time to time, whether all the Shares for the time being issued or all the Shares for the time being issued shall have been fully paid up or not, by Ordinary Resolution increase its share capital by the creation and issuance of new Shares, such new capital to be of such amount to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may direct in the resolution authorising such increase.

Clause 58 - Except so far as otherwise provided by the condition of issue, any capital raised by the creation of new Shares shall be considered as part of the original share capital of the Company. All new Shares shall be subject to the provisions herein contained with reference to allotments, the payment of calls and instalments, transmission, forfeiture, lien or otherwise. Unless otherwise provided in accordance with this Constitution, the new Shares shall be ordinary shares. New capital will be considered as part of the current share capital of the Company.

Clause 60 - The Company may alter its share capital in any one or more of the following ways by passing as Ordinary Resolution to:

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing Shares;
- (b) subdivide its share capital or any part thereof into shares of smaller amount than is fixed by this Constitution by subdivision of its existing Shares or any of them, subject nevertheless to the provision of the Act and so that as between the resulting Shares, one or more of such Shares may, by the resolution by which such subdivision is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the others or any of such other Shares;
- (c) cancel Shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the Shares so cancelled; and
- (d) subject to the provision of this Constitution and the Act, convert and/or re-classify any class of Shares into any other class of Shares.

Clause 61 - The Company may by Special Resolution, reduce its share capital in any manner permitted or authorised under and in compliance with the applicable laws.

**14.1.3 Transfer of securities**

Clause 32 - Subject to the restrictions imposed by this Constitution, the Listing Requirements and the provisions of any written law and all rules and regulations made thereunder including the SICDA and the Rules of Bursa Depository (with respect to the transfer of Deposited Security), Shares shall be transferable, but every transfer must be in writing and in such form prescribed and approved by Bursa Securities, or such form as may from time to time be prescribed under the Act or approved by Bursa Securities or such authorities of the stock exchange on which the Shares are listed.

Clause 34 - The transfer of any listed securities or class of listed securities of the Company which have been deposited with Bursa Depository, shall be by way of book entry by Bursa Depository in accordance with the Rules of Bursa Depository and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to subsection 148(2) of the Act and any exemption that may be made from compliance with subsection 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such listed securities.

**14. ADDITIONAL INFORMATION (CONT'D)**

Clause 35(1) - Subject to the restrictions imposed by this Constitution and the provisions of any other law, there shall be no restrictions on the transfer of fully paid securities. No shares shall be in any circumstances be knowingly transferred to any infant, bankrupt or person of unsound mind. In case of Deposited Securities, Bursa Depository may refuse to register any transfer that does not comply with the SICDA and the Rules of Bursa Depository.

**14.1.4 Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights**

Clause 8 - Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares and subject to the provisions of this Constitution, applicable laws, and to the provisions of any resolution of the Company, the Board may issue, allot or otherwise dispose of such shares to such persons at such price, on such terms and conditions, with such preferred, deferred or other special rights and subject to such restrictions and at such times as the Board may determine, by Ordinary Resolution, but the Board in making any issue of shares shall comply with the following conditions:

- (a) in the case of shares other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution and in the resolution creating the same;
- (b) no issue of shares shall be made which will have the effect of transferring a controlling interest in the Company to any person or corporation without the prior approval of the Members in general meeting; and
- (c) except in the case of an issue of securities on a pro rata basis to shareholders or pursuant to a back-to-back placement undertaken in compliance with the Listing Requirements, no Director, major shareholder, chief executive or person connected with any of them shall participate in a scheme that involves a new issuance of shares or other convertible securities unless the Members in a general meeting have approved the specific allotment to be made to such Director, major shareholder, chief executive or person connected with any of them.

Clause 9(1) - Subject to the provisions of Sections 71 and 91 of the Act, if at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the sanction of a Special Resolution passed at a separate meeting of the shareholders of that class. Where necessary majority of such a Special Resolution is not obtained at the meeting, consent in writing if obtained from the holders of not less than 75% of the total voting rights of the shareholders of that class within 2 months of the meeting, shall be as valid and effectual as a Special Resolution carried at the meeting.

To every such separate general meeting, the provisions of this Constitution relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be at least 2 persons who are shareholders present in person or represented by proxy holding at least one-third of the number of issued shares of the class, excluding any shares of that class held as treasury shares and that any holder of shares of the class present in person or by proxy may demand a poll.

If that class of shares only has 1 holder, a quorum is constituted by 1 person present holding shares of such class. For an adjourned meeting, quorum is 1 person present holding shares of such class. To every such Special Resolution, the provisions of Section 292 of the Act shall with such adaptations as are necessary shall apply.

Clause 9(2) - The rights attaching to shares other than ordinary shares shall be expressed.

## 14. ADDITIONAL INFORMATION (CONT'D)

### 14.2 LIMITATION ON THE RIGHTS TO OWN SECURITIES

Save for Clauses 72 and 83 which have been reproduced below from our Constitution, there is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares:

Clause 72(3) - Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 (where applicable), a depositor shall not be regarded as a Member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.

Clause 83 - Subject to any special rights or restrictions for the time being attached to any Shares or classes of Shares, at meetings of Members or classes of Members, on a show of hands, each Member who:

- (a) being an individual, is present in person or by proxy or by attorney; or
- (b) being a corporation, is present by a duly authorised representative or by proxy or by attorney,

shall have 1 vote and on a poll every Member shall have 1 vote for each share he holds.

Clause 86 - Subject to the provision in Clauses 72 and 83, a Member shall be entitled to be present and to vote at any general meeting or at a meeting of any class of members in respect of any Share or Shares upon which all calls or other sums presently payable by him due to the Company have been paid. No Member shall be entitled to be present or to vote on any question either personally or otherwise by proxy or attorney at any general meeting or at a meeting of any class of members or upon a poll to be reckoned in the quorum in respect of any Shares upon which calls are undue or unpaid, and/or the instrument of proxy, the power of attorney or other authority, if any, naming another person /party (other than the said Member) as proxy, attorney, or person/party authorised to so act has not been deposited with the Company in accordance with Clause 91 hereof.

### 14.3 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his/her Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer the Shares to the Minister of Finance, Inc. and such Shares may not be traded on Bursa Securities.

Dealing in our Shares deposited with Bursa Depository may only be effected by a depositor by means of entries in the securities account of that depositor.

A depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be our shareholder and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

### 14.4 SHARE CAPITAL

- (i) Save as disclosed in this Prospectus, no securities will be allotted or issued on the basis of this Prospectus later than 6 months after the date of issue of this Prospectus.
- (ii) As at the date of this Prospectus, we have only 1 class of shares, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.

**14. ADDITIONAL INFORMATION (CONT'D)**

- (iii) Save as disclosed in this Prospectus, no shares, stocks, or debentures of our Company have been issued or proposed to be issued as fully or partly paid-up in cash or otherwise, within 2 years immediately preceding the date of this Prospectus.
- (iv) None of the share capital of our Company or our subsidiary is under option or agreed conditionally or unconditionally to be put under option as at the date of this Prospectus.
- (v) Save for the ESOS and the Issue Shares reserved for subscription by the Eligible Persons as disclosed in Section 4.1.1(ii) of this Prospectus and subject to our Listing as disclosed in Section 4 of this Prospectus, there is currently no other scheme involving our Directors and employees in the share capital of our Company or our subsidiary.
- (vi) As at the date of this Prospectus, neither our Company nor our subsidiary have any outstanding warrants, options, convertible securities or uncalled capital.
- (vii) Save as disclosed in this Prospectus, and save as provided for under our Constitution and the Act, there are no other restrictions upon the holding or voting or transfer of our Shares or the interests in any of our Company or our subsidiary or upon the declaration or payment of any dividend or distribution thereon.

**14.5 PUBLIC TAKE-OVERS**

None of the following has occurred during the last financial year up to the LPD:

- (i) public take-over offers by third parties in respect of our Shares; and
- (ii) public take-over offers by us in respect of other company's shares.

**14.6 REPATRIATION OF CAPITAL, REMITTANCE OF PROFIT AND TAXATION**

All corporations in Malaysia are required to adopt a single-tier dividend. All dividends distributed by Malaysian resident companies under a single-tier dividend are not taxable. Further, the Government does not levy withholding tax on dividends payment. Therefore, there is no withholding tax imposed on dividends paid to non-residents by Malaysian companies. There is no Malaysian capital gains tax arising from the disposal of listed shares.

As at the date of this Prospectus, we do not have any foreign subsidiary or associated company which requires repatriation of capital and remittance of profits by or to our Group.

**14.7 MATERIAL CONTRACTS**

Save as disclosed below, our Group has not entered into any other material contract, which is not in the ordinary course of our business, during the Financial Years/Period Under Review up to the date of this Prospectus:

- (i) conditional share sale agreement dated 11 May 2022 entered into between Tan Ah Kee, Teow Choo Hing, Suan Neo Capital and Lembah Reka (collectively as the vendors) and Kitacon (as purchaser) for the Acquisition of KSB. The Acquisition of KSB has been completed on 21 October 2022. Further details of the Acquisition of KSB are set out in Section 6.1.1 of this Prospectus;

**14. ADDITIONAL INFORMATION (CONT'D)**

- (ii) conditional share sale agreement dated 6 May 2022 entered into between Pembinaan Lembah Reka Sdn Bhd and KSB (collectively as the vendors) and Lim Peng Hong (as purchaser) for the disposal by KSB and Pembinaan Lembah Reka Sdn Bhd of their 49.0% and 51.0% equity interest in QLB respectively for a total cash consideration of RM4,934,833. This transaction has been completed on 14 June 2022 and the change of name of QLB took effect on 13 July 2022;
- (iii) Underwriting Agreement. Further details of the Underwriting Agreement are set out in Section 4.6 of this Prospectus;

**Acquisition of properties by KSB**

- (iv) sale and purchase agreement dated 26 August 2019 entered into between Sime Darby Property Berhad (as developer), KSB (as purchaser) and Highlands & Lowlands Berhad (as proprietor) for the acquisition of all that piece of land held under HS(D) 316749, PT 35842, Mukim Damansara, District of Petaling, State of Selangor measuring approximately 359.3 sq m in area together with a double-storey semi-detached house erected thereon bearing postal address of No. 15, Jalan Mimbar U8/2C, Bukit Jelutong, Seksyen U8, 40150 Shah Alam, Selangor for a cash consideration of RM2,673,888. This transaction has been completed as at the LPD. Please refer to Section 14.7(xiii) of this Prospectus for further information on this property;
- (v) sale and purchase agreements dated 6 March 2020 entered into between Worldwide Holdings Berhad (as developer) and KSB (as purchaser) for the acquisition of the following properties:
  - (a) all that piece of land held under HS(D) 319149, PT 39436, Mukim Bukit Raja, District of Petaling, State of Selangor measuring approximately 334.0 sq m in area together with a double-storey semi-detached house erected thereon bearing postal address of No. 9, Jalan Gunung Tahan U11/44F, Bukit Bandaraya, 40170 Shah Alam, Selangor for a cash consideration of RM1,531,000; and
  - (b) all that piece of land held under HS(D) 319150, PT 39437, Mukim Bukit Raja, District of Petaling, State of Selangor measuring approximately 334.0 sq m in area together with a double-storey semi-detached house bearing postal address of No. 11, Jalan Gunung Tahan U11/44F, Bukit Bandaraya, 40170 Shah Alam, Selangor for a cash consideration of RM1,531,000.

The above transactions have been completed as at the LPD. Please refer to Section 14.7(xv) of this Prospectus for further information on these properties;

- (vi) sale and purchase agreements dated 26 November 2020 entered into between Tropicana Aman Sdn Bhd (as vendor) and KSB (as purchaser) for the acquisition of the following properties:
  - (a) a 2-storey shop office known as "Parcel No. TA6-122" measuring approximately 156.1 sq m in area bearing postal address of No. 45-G and No. 45-1, Jalan Aman Tiara 2, Bandar Tropicana Aman, 42500 Telok Panglima Garang, Selangor for a cash consideration of RM2,250,800; and
  - (b) a 2-storey shop office known as "Parcel No. TA6-121" measuring approximately 156.1 sq m in area bearing postal address of No. 47-G and No. 47-1, Jalan Aman Tiara 2, Bandar Tropicana Aman, 42500 Telok Panglima Garang, Selangor for a cash consideration of RM2,250,800,

all held under master title HS(D) 42122, PT 44813 (formerly held under HS(D) 39234, PT 41253), Mukim Tanjong Duabelas, District of Kuala Langat, State of Selangor. The above transactions have been completed as at the LPD. Please refer to Sections 14.7(xiv)(c) and (d) of this Prospectus for further information on these properties;

**14. ADDITIONAL INFORMATION (CONT'D)**

- (vii) sale and purchase agreements dated 30 November 2020 entered into between Paragon Pinnacle Sdn Bhd (as vendor) and KSB (as purchaser) for the acquisition of the following properties:
- (a) all that piece of land held under HS(D) 299928, PT 45051, Mukim Ijok, District of Kuala Selangor, State of Selangor measuring approximately 10,871.6 sq ft in area together with a semi-detached factory known as "Lot No. B50291, Phase 3A05" erected thereon bearing postal address of No. 13, Jalan Eco Perindustrian 1/5D, Eco Perindustrian 5, 42300 Bandar Puncak Alam, Selangor for a cash consideration of RM3,282,000; and
  - (b) all that piece of land held under HS(D) 299927, PT 45050, Mukim Ijok, District of Kuala Selangor, State of Selangor measuring approximately 10,871.6 sq ft in area together with a semi-detached factory known as "Lot No. B50290, Phase 3A05" erected thereon bearing postal address of No. 15, Jalan Eco Perindustrian 1/5D, Eco Perindustrian 5, 42300 Bandar Puncak Alam, Selangor for a cash consideration of RM3,282,000.

The above transactions are pending completion as at the LPD;

**Disposal of properties by KSB**

- (viii) sale and purchase agreement dated 10 December 2020 between KSB (as vendor) and Kireka Resources (as purchaser) for the disposal of all that piece of land held under HS(D) 139807, PT 69355, Mukim Kapar, District of Klang, State of Selangor measuring approximately 1,944.0 sq m in area together with a 1½-storey semi-detached factory erected thereon bearing postal address of No. 18, Jalan Astana 1F/KU2, Bandar Bukit Raja, 41050 Klang, Selangor for a cash consideration of RM4,064,888. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 30 December 2020;
- (ix) sale and purchase agreements dated 24 December 2021 entered into between KSB (as vendor) and Terang Pertiwi (as purchaser) for the disposal of the following properties:
- (a) all that piece of land held under Geran 338183/L76, Lot 125696, Mukim Dengkil, District of Sepang, State of Selangor together with a 2-storey strata terrace house erected thereon measuring approximately 183.0 sq m in area bearing postal address of No. 1, Jalan AP 3, Andira Park, Bandar Bukit Puchong 2, 47120 Puchong, Selangor for a cash consideration of RM781,524. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 28 June 2022;
  - (b) all that piece of land held under Geran 338183/L75, Lot 125696, Mukim Dengkil, District of Sepang, State of Selangor together with a 2-storey strata terrace house erected thereon measuring approximately 107.0 sq m in area bearing postal address of No. 3, Jalan AP 3, Andira Park, Bandar Bukit Puchong 2, 47120 Puchong, Selangor for a cash consideration of RM628,002. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 28 June 2022;
  - (c) all that piece of land held under HS(D) 280883, PT 29552, Mukim Bukit Raja, District of Petaling, State of Selangor measuring approximately 287.0 sq m in area together with a 3-storey link house erected thereon bearing postal address of No. 9, Jalan Elektron U16/101B, Denai Alam, Seksyen U16, 40160 Shah Alam, Selangor for a cash consideration of RM1,278,174.66. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 2 March 2022; and

**14. ADDITIONAL INFORMATION (CONT'D)**

- (d) all that piece of land held under HS(D) 173053, PT 15662, Mukim Beranang, District of Ulu Langat, State of Selangor measuring approximately 178.0 sq m in area together with a 2-storey commercial shop office erected thereon bearing postal address of No. 25, Jalan Eco Majestic 10/1A Eco Majestic, 43500 Semenyih, Selangor for a cash consideration of RM1,906,200. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 2 March 2022;
- (x) sale and purchase agreements dated 24 December 2021 entered into between KSB (as vendor) and Benteng Etika (as purchaser) for the disposal of the following properties:
- (a) a condominium unit known as "Parcel No. 20-12B" measuring approximately 126.9 sq m in area together with accessory parcel bearing postal address of No. 1088-20-12B, Jalan Paya Terubung, Eco Terraces, 11060 Pulau Pinang held under master title Geran 169448, Lot 20365 (formerly known as HS(D) 19266, PT 4052), Mukim 13, District of Timor Laut, State of Pulau Pinang for a cash consideration of RM940,120;
- (b) a condominium unit known as "Parcel No. 21-12B" measuring approximately 126.9 sq m in area together with accessory parcel bearing postal address of No. 1088-21-12B, Jalan Paya Terubung, Eco Terraces, 11060 Pulau Pinang held under master title Geran 169448, Lot 20365 (formerly known as HS(D) 19266, PT 4052), Mukim 13, District of Timor Laut, State of Pulau Pinang for a cash consideration of RM944,680; and
- (c) a condominium unit known as "Parcel No. 02 (Type A)" measuring approximately 1,850.0 sq ft in area together with accessory parcel bearing postal address of No. 7A-07-02, Persiaran Sungai Emas 1, 11100 Batu Ferringhi, Pulau Pinang held under master title Geran 84387, Lot 904 Seksyen 2, Bandar Batu Ferringgi, District of Timor Laut, State of Pulau Pinang for a cash consideration of RM1,571,680.

The above transactions have been completed as at the LPD and the properties were assigned to the purchaser on 6 January 2022;

- (xi) sale and purchase agreements dated 29 December 2021 entered into between KSB (as vendor) and Kiharta (as purchaser) for the disposal of the following properties:
- (a) all that piece of land held under HS(D) 44394, PT 45124, Mukim Tanjong Duabelas, District of Kuala Langat, State of Selangor measuring approximately 145.0 sq m in area together with a 2-storey shop office erected thereon bearing postal address No. 15, Jalan Aman Sinaria 1, Bandar Tropicana Aman (Sinaria), 42500 Telok Panglima Garang, Selangor for a cash consideration of RM1,400,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 10 May 2022;
- (b) a 4-storey shop office measuring approximately 811.0 sq m in area bearing postal address No. 3D-01-GR, 3D-01-01, 3D-01-02 and 3D-01-03, Jalan Wangsa Delima 10, Pusat Bandar Wangsa Maju, 53300 Wilayah Persekutuan Kuala Lumpur and held under Pajakan Negeri 38589/M1/1/2, Pajakan Negeri 38589/M1/2/4, Pajakan Negeri 38589/M1/3/6 and Pajakan Negeri 38589/M1/4/8, all of Lot 29853, Mukim Setapak, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur for a total cash consideration of RM2,800,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 21 April 2022;
- (c) all that piece of land held under HS(D) 174629, PT 86666, Mukim Kajang, District of Ulu Langat, State of Selangor measuring approximately 185.0 sq m in area together with a 3-storey shop office erected thereon bearing postal address No. 1, Jalan Seri Putra 1/5A, Bandar Seri Putra, 43000 Kajang, Selangor for a cash consideration of RM1,800,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 4 April 2022;



**14. ADDITIONAL INFORMATION (CONT'D)**

- (d) all that piece of land held under HS(D) 317875, PT 39658, Mukim Bukit Raja, District of Petaling, State of Selangor measuring approximately 279.0 sq m in area together with a 3-storey shop office erected thereon bearing postal address No. 2, No. 2-1 and No. 2-2, Jalan Eco Ardence C U12/36C, Eco Ardence, Seksyen U12, 40170 Shah Alam, Selangor for a cash consideration of RM4,340,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 15 August 2022;
- (e) all that piece of land held under HS(D) 290818, PT 39667, Mukim Ijok, District of Kuala Selangor, State of Selangor measuring approximately 639.0 sq m in area together with a bungalow erected thereon bearing postal address No. 7, Jalan BSC 4B/1, Presint 4, Bandar Seri Coalfields, 47000 Sungai Buloh, Selangor for a cash consideration of RM1,720,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 28 April 2022;
- (f) all that piece of land held under HS(D) 278468, PT 29483, Mukim Bukit Raja, District of Petaling, State of Selangor measuring approximately 234.8 sq m in area together with a 3-storey shop office erected thereon bearing postal address No. 15, Jalan Elektron J U16/J, Denai Alam. Seksyen U16, 40160 Shah Alam, Selangor for a cash consideration of RM2,990,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 4 April 2022;
- (g) all that piece of land held under HS(D) 278420, PT 29436, Mukim Bukit Raja, District of Petaling, State of Selangor measuring approximately 312.6 sq m in area together with a 3-storey shop office erected thereon bearing postal address No. 23, Jalan Elektron E U16/E, Denai Alam, 40160 Shah Alam, Selangor for a cash consideration of RM3,455,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 4 April 2022;
- (h) all that piece of land held under HS(D) 275488, PT 26383, Mukim Ijok, District of Kuala Selangor, State of Selangor measuring approximately 403.0 sq m in area together with a double-storey terrace house erected thereon bearing postal address No. 55, Jalan BSC 1A/6, Presint 1, Bandar Seri Coalfields, 47000 Sungai Buloh, Selangor for a cash consideration of RM680,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 4 April 2022;
- (i) all that piece of land held under Geran 318278, Lot 83506, Mukim Klang, District of Klang, State of Selangor measuring approximately 157.0 sq m in area together with a 3-storey shop office erected thereon bearing postal address No. 66, Jalan Anggerik Vanilla Z 31/Z, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor for a cash consideration of RM1,350,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 4 April 2022; and
- (j) all that piece of land held under HS(D) 47075, PT 39208, Mukim Kajang, District of Ulu Langat, State of Selangor measuring approximately 342.0 sq m in area together with a 4-storey shop office erected thereon bearing postal address No. 68, Jalan Seri Putra 1/4, Bandar Seri Putra, Kajang, 43000 Kajang, Selangor for a cash consideration of RM2,800,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 4 April 2022;
- (xii) sale and purchase agreements dated 29 December 2021 entered into between KSB (as vendor) and Kiharta Development (as purchaser) for the disposal of the following properties:
- (a) all that piece of vacant land held under Geran 187470, Lot 34865, Bandar Baru Enstek, District of Seremban, State of Negeri Sembilan measuring approximately 521.0 sq m in area bearing postal address No. 145, Lengkuh 11, Jentayu @ Enstek, Bandar Enstek, 71760 Seremban, Negeri Sembilan for a cash consideration of RM255,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 28 July 2022;

**14. ADDITIONAL INFORMATION (CONT'D)**

- (b) all that piece of vacant land held under Geran 187471, Lot 34866, Bandar Baru Enstek, District of Seremban, State of Negeri Sembilan measuring approximately 528.0 sq m in area bearing postal address No. 146, Lengkok 11, Jentayu @ Enstek, Bandar Enstek, 71760 Seremban, Negeri Sembilan for a cash consideration of RM260,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 28 July 2022;
- (c) all that piece of vacant land held under Geran 289664, Lot 62554, Bandar Sri Damansara, District of Petaling, State of Selangor measuring approximately 465.0 sq m in area bearing postal address No. 16 (PT. 41), Jalan Kenanga SD9/1G, Sri Damansara, 52200 Petaling Jaya, Selangor for a cash consideration of RM1,000,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 18 April 2022; and
- (d) all that piece of vacant land held under Geran 289665, Lot 62555, Bandar Sri Damansara, District of Petaling, State of Selangor measuring approximately 474.0 sq m in area bearing postal address No. 12A (PT. 42), Jalan Kenanga SD9/1G, Sri Damansara, 52200 Petaling Jaya, Selangor for a cash consideration of RM1,020,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 5 April 2022;
- (xiii) sale and purchase agreement dated 10 March 2022 entered into between KSB (as vendor), and Tan Kow, Tan Kuan Yong and Tan Kok Xiang (collectively, as purchasers) for the disposal of all that piece of land held under HS(D) 316749, PT 35842, Mukim Damansara, District of Petaling, State of Selangor measuring approximately 441.0 sq m in area together with a double-storey semi-detached house erected thereon bearing postal address of No. 15, Jalan Mimbar U8/2C, Bukit Jelutong, Seksyen U8, 40150 Shah Alam, Selangor for a cash consideration of RM2,247,544.20. This transaction has been completed as at the LPD and the property was transferred to the purchasers on 12 April 2022;
- (xiv) sale and purchase agreements dated 29 April 2022 entered into between KSB (as vendor) and Kiharta (as purchaser) for the disposal of the following properties:
- (a) all that piece of land held under Geran 318409, Lot 83638, Mukim Klang, District of Klang, State of Selangor measuring approximately 575.0 sq m in area together with a 6-storey shop office erected thereon bearing postal address No. 1, Jalan Anggerik Vanilla X31/X, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor for a cash consideration of RM7,000,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 27 July 2022;
- (b) all that piece of land held under HS(D) 284615, PT 2972, Bandar Glenmarie, District of Petaling, State of Selangor measuring approximately 1,128.5 sq m in area together with a 2-storey semi-detached factory erected thereon bearing postal address No. 12, Jalan Pelukis U1/46B, 40150 Shah Alam, Selangor for a cash consideration of RM8,680,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 29 July 2022;
- (c) a 2-storey shop office known as "Parcel No. TA6-122" measuring approximately 156.1 sq m in area bearing postal address No. 45-G and No. 45-1, Jalan Aman Tiara 2, Bandar Tropicana Aman, 42500 Telok Panglima Garang, Selangor and held under master title HS(D) 42122, PT 44813, Mukim Tanjong Duabelas, District of Kuala Langat, State of Selangor for a cash consideration of RM1,680,000. This transaction has been completed as at the LPD and the property was assigned to the purchaser on 27 July 2022;

**14. ADDITIONAL INFORMATION (CONT'D)**

- (d) a 2-storey shop office known as "Parcel No. TA6-121" measuring approximately 156.1 sq m in area bearing postal address No. 47-G and No. 47-1, Jalan Aman Tiara 2, Bandar Tropicana Aman, 42500 Telok Panglima Garang, Selangor and held under master title HS(D) 42122, PT 44813, Mukim Tanjong Duabelas, District of Kuala Langat, State of Selangor for a cash consideration of RM1,680,000. This transaction has been completed as at the LPD and the property was assigned to the purchaser on 27 July 2022; and
- (e) all that piece of land held under HS(D) 176129, PT 44108, Mukim Semenyih, District Ulu Langat, State of Selangor measuring approximately 153.0 sq m in area together with a 2-storey terrace house erected thereon bearing postal address No. 11, Jalan Serene 3/5, Serene Heights, 43500 Semenyih Selangor for a cash consideration of RM590,000. This transaction has been completed as at the LPD and the property was transferred to the purchaser on 23 August 2022; and
- (xv) sale and purchase agreements dated 12 May 2022 entered into between KSB (as vendor) and Kiharta (as purchaser) for the disposal of the following properties:
  - (a) all that piece of land held under HS(D) 319149, PT 39436, Mukim Bukit Raja, District of Petaling, State of Selangor measuring approximately 334.0 sq m in area together with a double-storey semi-detached house erected thereon bearing postal address of No. 9, Jalan Gunung Tahan U11/44F, Bukit Bandaraya, 40170 Shah Alam, Selangor for a cash consideration of RM1,380,000. This transaction has been completed as at the LPD and the property is pending registration of the title or transfer of ownership in favour of the purchaser; and
  - (b) all that piece of land held under HS(D) 319150, PT 39437, Mukim Bukit Raja, District of Petaling, State of Selangor measuring approximately 334.0 sq m in area together with a double-storey semi-detached house erected thereon bearing postal address of No. 11, Jalan Gunung Tahan U11/44F, Bukit Bandaraya, 40170 Shah Alam, Selangor for a cash consideration of RM1,380,000. This transaction has been completed as at the LPD and the property is pending registration of the title or transfer of ownership in favour of the purchaser.

**14.8 MATERIAL LITIGATION**

As at the LPD, our Group is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, and our Directors confirm that there are no proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect our financial or business position.

**14.9 CONSENTS**

The written consents of our Principal Adviser, Sole Underwriter, Sole Placement Agent, Solicitors, Issuing House, Share Registrar and Company Secretaries as set out in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names and all references thereto in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of our Auditors and Reporting Accountants for the inclusion of their name, Accountants' Report and Reporting Accountants' Report on the Compilation of Pro Forma Combined Statements of Financial Position as at 31 December 2021, and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

**14. ADDITIONAL INFORMATION (CONT'D)**

The written consent of our Independent Business and Market Research Consultants for the inclusion of its name, the IMR Report and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

**14.10 DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents may be inspected at our registered office at 12<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor during normal business hours for a period of at least 6 months from the date of issue of the Prospectus:

- (i) our Constitution;
- (ii) the audited financial statements of Kitacon for the financial period from incorporation to 30 June 2022 and KSB for the Financial Years/Period Under Review;
- (iii) the IMR Report as set out in Section 8 of this Prospectus;
- (iv) the Reporting Accountants' Report on the Compilation of Pro Forma Combined Statements of Financial Position as at 30 June 2022 as set out in Section 12.8 of this Prospectus;
- (v) Accountants' Report as set out in Section 13 of this Prospectus;
- (vi) our material contracts referred to in Section 14.7 of this Prospectus;
- (vii) the letters of consent given by parties as disclosed in Section 14.9 of this Prospectus; and
- (viii) the By-Laws as set out in Section 15 of this Prospectus.

**14.11 RESPONSIBILITY STATEMENTS**

Our Directors, Promoter and Offerors have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

RHB Investment Bank, being our Principal Adviser, Sole Underwriter and Sole Placement Agent in relation to our IPO, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

**15. BY-LAWS****KUMPULAN KITACON BERHAD  
EMPLOYEES' SHARE OPTION SCHEME**

This ESOS will be called the Kitacon's Employees' Share Option Scheme.

**1. DEFINITIONS AND INTERPRETATIONS**

In this Scheme, the words herein shall bear the following meanings namely:

<b>Act</b>	: Companies Act 2016, as amended from time to time and any re-enactment thereof
<b>Adviser</b>	: means a recognised principal adviser under the Licensing Handbook issued by the Securities Commission Malaysia
<b>Available Balance</b>	: Unissued share capital of the Company which is available for Offer subject to the Maximum Limit and after deducting all Shares under the Options which have been granted
<b>Board</b>	: The Board of Directors of the Company for the time being
<b>Bursa Depository</b>	: Bursa Malaysia Depository Sdn Bhd
<b>Bursa Securities</b>	: Bursa Malaysia Securities Berhad
<b>By-Laws</b>	: The terms and conditions of the Scheme as amended, modified and/or supplemented from time to time
<b>CDS Account</b>	: A Central Depository System account opened with Bursa Depository for the recording of dealings and withdrawal of securities and dealings in such securities by a depositor, being a holder of a CDS Account
<b>Constitution</b>	: means the constitution of the Company
<b>Company</b>	: means Kumpulan Kitacon Berhad (Registration No. 202201006838 (1452535-V)), a public company limited by shares and incorporated in Malaysia
<b>Date of Allocation</b>	: A date to be determined by the ESOS Committee for which an Eligible Person is deemed eligible to participate in the Scheme
<b>Date of Expiry</b>	: The last day of the Duration of the Scheme or any extended period pursuant to By-Law 20
<b>Date of Offer</b>	: The date on which an Offer (including subsequent offers) is made by the ESOS Committee in writing to any Eligible Person to participate in the Scheme
<b>Directors</b>	: Means a natural person who holds a directorship in Kitacon and shall have the meaning ascribed to it in the Listing Requirements
<b>Duration of the Scheme</b>	: Period of ten (10) years from the Effective Date subject to extension or early termination in accordance with By-Laws 20.1 and 20.2

**15. BY-LAWS (CONT'D)**

<b>Effective Date</b>	:	The date on which the Scheme comes into force as provided in By-Law 20.3
<b>Eligible Companies</b>	:	The Company and its Eligible Subsidiaries
<b>Eligible Persons</b>	:	Employees or Directors who meets the criteria of eligibility for participation in the Scheme as set out in By-Law 4
<b>Eligible Subsidiaries</b>	:	Subsidiaries within the Group which are eligible to participate in the Scheme as determined by the ESOS Committee but excluding the subsidiaries which are dormant
<b>Employee</b>	:	A natural person who is employed by and on the payroll of any company in the Group
<b>Entitlement Date</b>	:	The date as at the close of business on which the names of the shareholders of Kitacon must be registered as a member and whose name appear in the record of depositors maintained with Bursa Depository in order to be entitled to participate in any right, dividend, allotment and/or other forms of distribution
<b>ESOS or Scheme</b>	:	The employees' share option scheme for the benefit of the Eligible Persons to subscribe for new Shares at the Option Price according to the terms of these By-Laws
<b>ESOS Committee</b>	:	The committee appointed by the Board to administer the Scheme
<b>Executive Director</b>	:	Any executive director of the Group (excluding dormant subsidiaries) whom, on the date of the Offer Letter, is on the payroll of the Company and/or the Eligible Subsidiaries and is involved in the day-to-day management of the Company and/or the Eligible Subsidiaries
<b>Grantee</b>	:	A Selected Employee who has accepted the Offer by the ESOS Committee in accordance with the provisions of By-Law 7
<b>Group</b>	:	means the Company and its subsidiaries (excluding dormant subsidiaries) and "Group Company" shall mean any one of them
<b>Listing Requirements</b>	:	The Main Market Listing Requirements of Bursa Securities, as amended from time to time
<b>Market Day</b>	:	Any day between Monday to Friday (inclusive) which is not a public holiday and on which Bursa Securities is open for trading in securities
<b>Maximum Allowable Allocation</b>	:	The maximum number of new Shares that can be offered and allotted to a Selected Employee to be determined by the ESOS Committee in accordance with the provisions of By-Law 5
<b>Maximum Limit</b>	:	15% of the total number of issued shares of the Company (excluding treasury shares, if any) at the point in time during the existence of the Scheme
<b>Notice of Allotment</b>	:	A notice confirming the allotment of Shares to the Grantee in accordance with By-Law 10.7

**15. BY-LAWS (CONT'D)**

<b>Offer</b>	:	An offer made in writing by the ESOS Committee in accordance with the provisions or in the manner indicated in By-Law 6 to an Eligible Person
<b>Offer Letter</b>	:	The written offer document made by the ESOS Committee to a Selected Employee to participate in the Scheme as set out in By-Law 6.4
<b>Options</b>	:	The right of a Grantee to subscribe for Shares at the Option Price pursuant to the contract constituted by acceptance in the manner indicated in By-Law 7 of any Offer made in accordance with the terms of the Scheme and where the context so requires, means any part of the Options as shall remain unexercised
<b>Option Period</b>	:	A period commencing from the Date of Offer made by the ESOS Committee to a Selected Employee pursuant to By-Law 6 until the expiry date and/or termination of the Scheme or such date as may be specifically stated in such Offer for an Eligible Person to exercise the Options <b>PROVIDED ALWAYS</b> that the Option Period shall not extend beyond the Duration of the Scheme referred to in By-Law 20
<b>Option Price</b>	:	The price at which the Grantee, who has been allotted with the Options, shall be entitled to subscribe for new Shares as set out in By-Law 8
<b>Person Connected</b>	:	Has the same meaning as that assigned to "Person Connected" in Paragraph 1.01 of the Listing Requirements
<b>Selected Employee</b>	:	An Eligible Person who has been selected by the ESOS Committee and to whom an Offer has been made by the ESOS Committee in accordance with the terms of the Scheme
<b>Senior Management</b>	:	Any Employee of the Group who falls within the grading as determined by the ESOS Committee from time to time
<b>Shares or Kitacon Shares</b>	:	Ordinary shares in the Company

In these By-Laws:

- (i) Any reference to a statutory provision shall include any subordinate legislation made from time to time under the provision and any listing requirements, policies and/or guidelines of Bursa Securities and/or any other relevant regulatory authority (whether or not having the force of law) but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed to by Bursa Securities and/or any other relevant regulatory authority.
- (ii) Any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of these By-Laws so far as such modification or re-enactment applies or is capable of applying to any Options offered and accepted prior to the expiry of the Scheme and shall include also any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly been replaced.
- (iii) Words denoting the masculine gender shall include the feminine gender and vice-versa, and the singular includes the plural and vice-versa.
- (iv) The headings in these By-Laws are for convenience only and shall not be taken into account in the interpretation of these By-Laws.

**15. BY-LAWS (CONT'D)**

- (v) Any liberty or power which may be exercised or any determination which may be made hereunder by the ESOS Committee may be exercised at the ESOS Committee's discretion.
- (vi) If an event occurs on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day **PROVIDED ALWAYS** if such date shall fall beyond the Duration of the Scheme, then the stipulated day shall be taken to be the preceding Market Day.

**2. OBJECTIVE AND ADMINISTRATION OF THE KITACON ESOS**

- 2.1 The Kitacon ESOS is a share incentive scheme. The purpose of the Kitacon ESOS is to provide an opportunity for the Director and Employees who are eligible to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance and to give recognition to those who have contributed significantly to the growth and performance of the Group.
- 2.2 The Kitacon ESOS is proposed on the basis that it is important to recognise the fact that the services of such Eligible Persons are important to the success, continued well-being and future growth of the Group. At the same time, it will give such Eligible Persons an opportunity to have a direct participation in the equity of the Company and will also assist to achieve the following positive objectives:
  - (i) the motivation of Eligible Persons to optimise performance standards and efficiency and to maintain a high level of contribution;
  - (ii) the retention of Employees whose contributions are important to the long-term growth and development of the Group;
  - (iii) the attainment of harmonious employer-employee relation;
  - (iv) to align the interest of the Eligible Persons with the interests of the shareholders of the Company; and
  - (v) the development of a participatory style of management which promotes greater commitment and dedication among the Eligible Persons and instils loyalty and a stronger sense of identification with long term growth of the Group.
- 2.3 This Scheme shall be administered by the ESOS Committee comprising of such number of persons as shall be appointed by the Board from time to time. The Board shall have the discretion as it deems fit to rescind the appointment of any member of the ESOS Committee and may appoint replacement members to the ESOS Committee.
- 2.4 The Board shall have the power to determine all matters pertaining to the ESOS Committee, including without limitation setting the terms of reference for the ESOS Committee, composition, duties, powers and limitations. The Board is entitled at any time and from time to time to change the terms of reference of the ESOS Committee.
- 2.5 The ESOS Committee shall administer the Scheme in such manner as it shall in its discretion deems fit and within such powers and duties as are conferred upon it by the Board, subject to these By-Laws, including but not limited to the followings:
  - (i) construe and interpret the Scheme and Options granted under it, to define the terms therein and to recommend to the Board to establish, amend and revoke rules and regulations relating to the Scheme and its administration. The ESOS Committee in the exercise of this power may correct any defect, supply any omission, or reconcile any inconsistency in the Scheme or in any agreement providing for an Option in a manner and to the extent it shall deem necessary to expedite and make the Scheme fully effective; and



**15. BY-LAWS (CONT'D)**

- (ii) determine all questions of policy and expediency that may arise in the administration of the Scheme and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interests of the Company.

**3. MAXIMUM NUMBER OF NEW KITACON SHARES AVAILABLE UNDER THE SCHEME**

- 3.1 The maximum number of new Shares which may be made available under the Scheme shall not exceed in aggregate fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time when the Offer is made or any limit prescribed by any guidelines, rules and regulations of the relevant authorities during the Duration of the Scheme.
- 3.2 Notwithstanding provision of By-Law 3.1 or any other provisions herein contained, in the event the maximum number of new Shares comprised in the Options (including Shares that have been issued under the Scheme) exceeds the aggregate of fifteen percent (15%) limit as a result of the Company purchasing its own Shares in accordance with the provisions of Section 127 of the Act or undertaking any other corporate proposals, thereby reducing its total number of issued shares, the Options granted prior to the adjustment of the total number of issued shares of the Company shall remain valid and exercisable in accordance with the provisions of these By-Laws. However, in such an event, the ESOS Committee shall not make any further Offer until such time that the number of Shares under the subsisting Options fall below fifteen percent (15%) of the total number of issued shares (excluding treasury shares, if any) of the Company.
- 3.3 The Company will within the Duration of the Scheme keep available sufficient unissued Shares in the capital of the Company to satisfy all outstanding Options, which may be exercised in accordance with these By-Laws.
- 3.4 Each Option shall be exercisable into one (1) new Share, in accordance with the provisions of these By-Laws.

**4. ELIGIBILITY**

- 4.1 An Employee or Director who fulfils the following criteria as at the Date of Offer shall be eligible for participation in the Scheme:
  - (a) a Malaysian citizen who has attained eighteen (18) years of age;
  - (b) is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
  - (c) he/she has been confirmed in service on a full-time basis and has served at least one (1) year of employment in the Eligible Company (unless the ESOS Committee under certain circumstances and at its sole discretion reduces the period of one (1) year to a lesser period as it deems fit);
  - (d) where he/she is under an employment contract, the contract is for a duration of at least two (2) years and shall have not expired within six (6) months from the Date of Offer;
  - (e) where he/she has attained the mandatory retirement age of sixty (60) years old, such person shall have served for a continuous period of at least one (1) year in any corporation within the Group prior to attaining the said mandatory retirement age, and subsequently offered continued employment with such corporation for a minimum period of one (1) year and at the time of consideration for the Offer, he/she continues to be employed;

**15. BY-LAWS (CONT'D)**

- (f) in the event the director or employee of a corporation which is acquired by the Group during the Duration of the Scheme and such corporation becomes a subsidiary of the Company upon completion of such acquisition, the director or employee must have completed a continuous period of employment of at least one (1) year in the Group from the date of confirmation of employment (which for the avoidance of doubt, shall exclude any probation period) following the date that such corporation becomes or is deemed to be a subsidiary of the Company (unless the ESOS Committee under certain circumstances and at its sole discretion reduces the period of one (1) year to a lesser period as it deems fit); and
- (g) must have complied with any other criteria imposed by the ESOS Committee from time to time,

**PROVIDED ALWAYS** that the selection of any Eligible Person for participation in the Scheme shall be at the discretion of the ESOS Committee and the decision of the ESOS Committee shall be final and binding. Other eligibility and allocation criteria shall be determined by the Board after recommendation from the ESOS Committee.

- 4.2 The eligibility, however, does not confer on an Eligible Person a claim or right to participate or a right to claim in or any rights whatsoever under the Scheme and an Eligible Person does not acquire or have any rights over or in connection with the Options unless an Offer has been made in writing by the ESOS Committee to the Eligible Persons and the Eligible Person has accepted the Offer in accordance with these By-Laws.
- 4.3 For the avoidance of doubt, Eligible Persons who are employed by or on the payroll of the Eligible Subsidiaries are also eligible to participate in the Scheme provided that they fulfil the abovementioned selection criteria and provided further that the Eligible Subsidiaries are not dormant. Employees of the holding company of the Company, associated companies and joint ventures of the Group shall not be entitled to participate in the Scheme.
- 4.4 Subject to the provisions of By-Law 23, no Eligible Person shall participate at any time in more than one (1) employees' share option scheme implemented by any company within the Group during the Duration of the Scheme.
- 4.5 A Grantee under the Scheme shall not be entitled to participate in any other employees' share option scheme, which may be implemented by any other company within the Group during the Duration of the Scheme.

**5. BASIS OF ALLOTMENT AND MAXIMUM ALLOWABLE ALLOCATION OF SHARES**

- 5.1 Subject to any adjustments which may be made under By-Law 15, the aggregate number of new Shares that may be offered and allotted to any Selected Employee under the Scheme shall be at the discretion of the ESOS Committee, after taking into consideration, among others and where relevant, the performance, contribution, employment grade, seniority, length of service and fulfilment of the eligibility criteria under By-Law 4 of the Selected Employee in the Eligible Companies or such other matters which the ESOS Committee may in its sole discretion deems fit, subject to the following:
  - (a) the Directors and Senior Management of the Group shall not be allowed to participate in the deliberation or discussion of their own allocations of Options under the Scheme;
  - (b) any Offer, allocation of Options under the Scheme and the related allotment of Shares to any person who is a Director, major shareholder or chief executive officer of the Company or its holding company or Persons Connected to such Director, major shareholders or chief executive officer shall require the prior approval of the shareholders of the Company in a general meeting. The foregoing persons and Persons Connected to them shall not vote on the resolution approving the said Offer, allocation and allotment;

**15. BY-LAWS (CONT'D)**

- (c) the aggregate number of Shares comprised in the Options made available under the Scheme shall not exceed the amount stipulated in By-Law 3.1, but the ESOS Committee shall not be obliged in any way to offer a Selected Employee an Option for all the specified maximum number of Shares;
  - (d) not more than ten percent (10%) of the Shares available under the Scheme at the point when the Offer is made shall be allocated to any individual Selected Employees who, either singly or collectively through Persons Connected with such Selected Employees holds twenty percent (20%) or more of the total number of issued Kitacon Shares (excluding treasury shares, if any);
  - (e) at any point in time when an Offer is made, not more than seventy percent (70%) of the Shares made available under the Scheme shall be allocated, in aggregate, to the Directors and Senior Management of the Group; and
  - (f) that any performance target to be achieved before the Options can be granted and/or exercised by an Eligible Person shall be determined by the ESOS Committee. The ESOS Committee also has the discretion to determine whether the Options are subject to any vesting period and if so the vesting conditions, which may include, among others, the achievement of relevant service objectives and specific performance targets of the Eligible Person and/or Group as measured by both qualitative and quantitative key performance indicators (as determined by the ESOS Committee) during the Duration of the Scheme.
- 5.2 A Grantee who is promoted during the tenure of the Scheme may be eligible for consideration of new additional Shares under the Scheme at the discretion of the ESOS Committee up to the Maximum Allowable Allocation to be determined by the ESOS Committee for the category to which he has been promoted to. A Grantee who is demoted to a lower employment category for whatever reason shall only be entitled to the allocation of that lower category unless an Offer has been made and accepted by him before such demotion.
- 5.3 An Employee or Directors who, during the Duration of the Scheme, becomes an Eligible Person may be eligible to participate in the Scheme, the number of new Shares of which is to be decided by the ESOS Committee at its discretion subject to any Maximum Allowable Allocation for the category to be determined by the ESOS Committee. Any Selected Employee holding more than one (1) position in the Eligible Companies and thereby falling within more than one (1) category of Selected Employees in the Eligible Companies shall only be entitled to the Maximum Allowable Allocation of the higher category.
- 5.4 The allotment of Shares arising from By-Law 5.3 above shall be made from the balance of new Shares available under the Scheme including those from Offers and Options which have lapsed or terminated.
- 5.5 The allocation of Options pursuant to the Scheme shall be verified by the Audit and Risk Management Committee of the Company, as being in compliance with the criteria set out in these By-Laws (where relevant) at the end of each financial year of the Company.
- 5.6 The decision as to whether to stagger the allocation of the Options over the Duration of the Scheme will be determined by the ESOS Committee at a later date.

**6. OFFER**

- 6.1 The ESOS Committee may at its discretion at any time and from time to time as it deems fit make an Offer to any Selected Employee whom the ESOS Committee may in its discretion select, to subscribe for new Shares, in accordance with the terms of the Scheme.

**15. BY-LAWS (CONT'D)**

- 6.2 The actual number of new Shares which may be offered to a Selected Employee shall be at the discretion of the ESOS Committee and shall not be less than one hundred (100) new Shares but no more than the Maximum Allowable Allocation and shall be in multiples of hundred (100) shares.
- Nothing herein shall prevent the ESOS Committee from making more than one (1) Offer during the Duration of the Scheme to each Selected Employee after the first Offer was made **PROVIDED ALWAYS** the aggregate Options offered to each Selected Employee (including Options already offered under previous Offers, if any) shall not exceed the Maximum Allowable Allocation of such Selected Employee at the time the subsequent Offer (if any) is made.
- 6.3 The ESOS Committee has the discretion not to make further additional Offers regardless of the amount of Available Balance.
- 6.4 The ESOS Committee will in its Offer Letter to a Selected Employee state, among others, the following information, if applicable:
- (a) the number of Shares that can be subscribed under the Offer;
  - (b) the Option Price determined in accordance with the provisions of By-Law 8; and
  - (c) the closing date for acceptance of the Offer.
- 6.5 Such Offer is personal to the Selected Employee and cannot be assigned, transferred, encumbered or otherwise disposed of in any other manner whatsoever.
- 6.6 The Offer shall automatically lapse and thereafter be rendered null and void in the event of the death of the Selected Employee or the Selected Employee ceasing to be employed by an Eligible Company for any reason whatsoever prior to the acceptance of the Offer by the Selected Employee in the manner set out in By-Law 7.
- 6.7 The Company shall keep and maintain at its expense, a register of Grantees and shall enter in that register the names and addresses of the Grantees, the Maximum Allowable Allocation, the number of Options offered, the number of Options exercised, the Date of Offer and the Option Price.
- 6.8 The Company shall, on the Date of Offer, announce the following to Bursa Securities upon the Options offered under the Scheme:
- (a) Date of Offer;
  - (b) Option Price;
  - (c) number of Options offered;
  - (d) market price of Kitacon Shares on the Date of Offer;
  - (e) number of Options offered to each Director, if any; and
  - (f) vesting period of the Options offered.
- 6.9 In the event of any error or omission on the part of the Company or the ESOS Committee in respect of the Offer, the ESOS Committee shall do all such things and acts to rectify such error or omission and if necessary, issue a supplemental Offer to amend or rectify the error or omission within such period as may be reasonable prior to the acceptance of the Offer by an Eligible Person.

**15. BY-LAWS (CONT'D)****7. ACCEPTANCE OF OFFER**

- 7.1 An Offer made under By-Law 6, shall be valid for a period of thirty (30) days from the Date of Offer or such longer period as may be determined by the ESOS Committee on a case-to-case basis at its discretion and may be accepted within this prescribed period by the Selected Employee by written notice to the ESOS Committee in the form prescribed by the ESOS Committee, accompanied by a payment to the Company of a nominal non-refundable sum of Ringgit Malaysia One (RM1.00) only as consideration for the grant of the Option.
- 7.2 If the Offer is not accepted in the manner aforesaid, such Offer shall, upon the expiry of the aforesaid period, automatically lapse and thereafter be null and void and of no further effect, and the Kitacon Shares comprised in such Options may, at the discretion of the ESOS Committee, be re-offered to other Eligible Persons.
- 7.3 Within thirty (30) days of the date of acceptance of an Offer or such longer period as may be determined by the ESOS Committee, the ESOS Committee shall issue to each of the Grantees, a certificate ("**Option Certificate**") in such form as may be determined by the ESOS Committee, for all valid acceptances of the Offer in accordance with the provisions of this By-Law.

**8. OPTION PRICE**

Subject to any adjustments made under these By-Laws and pursuant to the Listing Requirements, the Option Price shall be determined by the ESOS Committee and in any case, shall be based on the five (5)-day volume weighted average market price of Kitacon Shares, as quoted on Bursa Securities, immediately preceding the Date of Offer of the Options, **PROVIDED ALWAYS** that the discount shall not exceed ten percent (10%) or such other percentage of discount as may be permitted by Bursa Securities and/or any other relevant authorities from time to time at the discretion of the ESOS Committee.

The Option Price as determined in the manner set out above shall be conclusive and binding on the Grantee.

**9. NON-ASSIGNABLE**

An Option is personal to the Grantee. Save and except as provided in By-Law 18.5, an Option shall be non-assignable and non-transferable.

**10. EXERCISE OF OPTION**

- 10.1 An Option granted to a Grantee under the Scheme, subject to the provisions of By-Law 19, may be exercised by the Grantee,
- (a) during his lifetime;
  - (b) whilst he is in the employment of the Group; and
  - (c) within the Option Period,

in full or in part on such time and working days as the ESOS Committee may notify the Grantee from time to time.

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**15. BY-LAWS (CONT'D)**

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- 10.2 The ESOS Committee may, pursuant to By-Law 16, at any time and from time to time, before or after an Option is granted, limit the exercise of the Option to a maximum number of new Kitacon Shares and/or such percentage of total new Kitacon Shares comprised in the Option during such periods within the Option Period and impose any other terms and/or conditions deemed appropriate by the ESOS Committee in its sole discretion including amending or varying any terms and conditions imposed earlier.
- 10.3 The Grantee shall notify the Company in writing of his intention to exercise an Option in such form as the ESOS Committee may prescribe or approve ("**Notice of Exercise**"), which will be attached to the letter of offer. Every Notice of Exercise shall state the number of new Shares the Grantee intends to subscribe and be accompanied with the remittance for the full amount of the subscription monies payable in respect thereof and the Option Certificate which is the prima facie proof of a Grantee's entitlement to the Options set out therein.
- 10.4 Any partial exercise of the Option shall not preclude the Grantee from exercising the Option as to the balance of the Shares of his entitlement under the Scheme (if any) prior to the expiry of the Grantee's employment contract or prior to the expiry of the Option Period, whichever is the earlier.
- 10.5 When an Option is exercised only in part, a new Option Certificate for the balance of the Options not exercised shall be issued accordingly by the ESOS Committee to the Grantee within thirty (30) Days after receipt by the Company of notice of the partial exercise together with the requisite remittance as required by By-Law 10.3.
- 10.6 An Option may be exercised in respect of such lesser number of new Shares as the Grantee may decide to exercise provided that the number shall be in multiples of and not less than one hundred (100) new Shares save and except that in the event a Grantee's balance of new Shares exercisable under the option is less than one hundred (100), the said balance shall, if exercised, be exercised in a single tranche. Such partial exercise of an Option shall not preclude the Grantee from exercising the Option as to the balance of any new Shares, if any, which he is entitled to subscribe under the Offer.
- 10.7 The Grantee shall state his CDS Account number in the Notice of Exercise and the Company shall within eight (8) Market Days after the receipt of the valid Notice of Exercise and remittance from the Grantee or such other period as may be prescribed by Bursa Securities:
- (a) issue and/or allot the relevant number of Shares to the Grantee;
  - (b) deliver a notice of allotment to the Grantee; and
  - (c) make an application for the quotation of such number of Shares.
- No physical share certificates will be delivered to the Grantee.
- 10.8 The ESOS Committee shall have the discretion to reject any incomplete or inaccurate Notice of Exercise. The ESOS Committee shall inform the Grantee of the rejection by notice in writing within fourteen (14) days from the date of rejection and the Grantee shall then be deemed not to have exercised his Options.

**15. BY-LAWS (CONT'D)**

- 10.9 Notwithstanding anything to the contrary herein contained in these By-Laws, the ESOS Committee shall have the right in its discretion by notice in writing to that effect:
- (i) to suspend the right of any Grantee who is found to have contravened the written policies and guidelines of the Group (whether or not such contravention may give rise to a disciplinary proceeding being instituted) to exercise his Option. In addition to this right of suspension, the ESOS Committee may impose such terms and conditions as the ESOS Committee shall deem appropriate in its discretion, on the right of exercise of the Option having regard to the nature of the contravention **PROVIDED ALWAYS** that in the event such contravention would result in the dismissal or termination of service of such Grantee, the Option shall immediately cease without notice, upon pronouncement of the dismissal or termination of service of such Grantee; or
  - (ii) to suspend the right of any Grantee who is being subjected to disciplinary proceedings (whether or not such disciplinary proceedings may give rise to a dismissal or termination of service of such Grantee) to exercise his Option pending the outcome of such disciplinary proceedings. In addition to this right of suspension, the ESOS Committee may impose such terms and conditions as the ESOS Committee shall deem appropriate in its discretion, on the right of exercise of the Option having regard to the nature of the charges made or brought against such Grantee **PROVIDED ALWAYS** that:
    - (a) in the event such Grantee is found not guilty of the charges which gave rise to such disciplinary proceedings, the ESOS Committee shall reinstate the right of such Grantee to exercise his Option;
    - (b) in the event such Grantee is found guilty resulting in the dismissal or termination of service of such Grantee, all unexercised and partially exercised Options of the Grantee shall immediately cease without notice and become null and void, upon the pronouncement of such dismissal or termination of service of such Grantee; or
    - (c) in the event such Grantee is found guilty but is not dismissed or termination of service is not recommended, the ESOS Committee shall have the right to determine in its discretion whether or not the Grantee may continue to exercise his Option and if so, to impose such terms and conditions as it deems appropriate, upon such exercise.

**11. RIGHTS OF A GRANTEE**

- 11.1 The Options shall not carry any right to vote at any general meeting of the Company.
- 11.2 A Grantee shall not be entitled to any dividends, rights or other entitlements on his unexercised Options.

**12. RIGHTS ATTACHING TO THE NEW KITACON SHARES**

The new Kitacon Shares to be issued and allotted and pursuant to the exercise of the Option shall, upon issuance and allotment, rank *pari passu* in all respects with the then existing Shares of the Company, save and except that the new Shares will not be entitled to any dividends, rights, allotments and/or other distributions, which may be declared, made or paid, of which the Entitlement Date is prior to the date of allotment and issuance of the new Shares. The new Shares will be subject to all the provisions of the Constitution of the Company relating to transfer, transmission or otherwise.

**15. BY-LAWS (CONT'D)****13. RETENTION PERIOD**

The Shares to be issued and allotted to a Grantee pursuant to the exercise of an Option under the Scheme will not be subject to any retention period or restriction on transfer. Notwithstanding the above, an eligible Director who is a non-executive Director shall not sell, transfer or assign the new Shares obtained through the exercise of the Options within one (1) year from the Date of Offer.

**14. LISTING OF AND QUOTATION FOR THE NEW SHARES**

14.1 If at the time of the allotment of the new Kitacon Shares pursuant to the exercise of the Options, the then existing issued Shares are quoted on Bursa Securities, the Company shall make an application to Bursa Securities within eight (8) Market Days after the receipt of notice of exercise and remittance from the Grantee or such other period as may be prescribed by Bursa Securities, for the listing of and quotation for such new Kitacon Shares and use its best endeavours to obtain such approval unless a blanket approval for the listing of and quotation for the new Kitacon Shares arising from the ESOS has been obtained.

14.2 The Company and the ESOS Committee shall not under any circumstances be held liable for any costs, losses and damages whatsoever and howsoever relating to the delay on the part of the Company in issuing and allotting Shares or in procuring Bursa Securities to list the Shares for which the Grantee is entitled to subscribe.

**15. ALTERATION OF SHARE CAPITAL AND ADJUSTMENT**

15.1 Subject to By-Law 15.3, in the event of any alteration in the capital structure of the Company during the Option Period, whether by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of shares or reduction of capital or otherwise howsoever, the Company shall cause such adjustment to be made to:

- (i) the number of Options granted to each Grantee (excluding Options already exercised);
- (ii) the Option Price; and
- (iii) the number of Options and/or Option Price comprised in an offer which is open for acceptance (but has yet to be accepted in accordance with the terms and conditions of the Offer and the ESOS),

as shall be necessary to give a Grantee, the same proportion of the issued share capital of the Company as that to which he was entitled prior to the event giving rise to such adjustment (i.e not taking into account Options already exercised).

The computation for the adjustment to the number of Options granted to each Grantee and/or the Option Price is set out in Appendix A to these By-Laws.

15.2 By-Law 15.1 shall not be applicable where an alteration in the capital structure of the Company arises from any of the following:

- (i) an issue of Shares upon the exercise of Options pursuant to the Scheme;
- (ii) an issue of Shares arising from the conversion of securities with a right of conversion into Shares;
- (iii) an issue of securities as consideration for an acquisition;



**15. BY-LAWS (CONT'D)**

- (iv) an issue of securities as a private placement or restricted issue;
- (v) an issue of securities as a special issue approved by the relevant governmental authorities;
- (vi) a share buy-back by the Company pursuant to Section 127 of the Act; or
- (vi) an issue of future option to Selected Employees under these By-Laws.

The following provisions shall be applicable in relation to a share buy-back by the Company under By-Law 15.2 (vi) above:

- (a) if the number of Shares in respect of the Options granted by the Company as at the date of designation of the Shares so purchased as treasury shares or cancellation of such Shares is greater than fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares, if any) after such designation or cancellation, the ESOS Committee shall not make any further Offers; and
- (b) if the number of Shares in respect of the Options granted by the Company as at the date of designation of the Shares so purchased as treasury shares or cancellation of such Shares is less than fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares, if any) after such designation or cancellation, the ESOS Committee may grant further Offers only until the total number of Options granted by the Company is equivalent to fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares, if any) after such designation or cancellation.

15.3 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Subdivision 2 of Division 7 of Chapter III of the Act, By-Law 15.1 shall be applicable in respect of such parts of the scheme which involves any alterations in the capital structure of the Company to which By-Law 15.1 is applicable, provided that By-Law 15.1 shall not be applicable in respect of such parts of the scheme which involves any alterations in the capital structure of the Company to which By-Law 15.2 is applicable.

15.4 An adjustment pursuant to By-Law 15.1 shall be made at the following times:

- (i) in the case of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of Shares or capital reduction, on the Market Day immediately following the Entitlement Date in respect of such issue; or
- (ii) in the case of any other variation of capital, on the Market Day immediately following the date of allotment of new shares of the Company in respect of such consolidation, subdivision or reduction.

Upon any adjustment being made, the ESOS Committee shall within fifteen (15) Market Days from the adjustment date give notice in writing to the Grantee or his legal or personal representatives where the Grantee is deceased, of the adjustment and the event giving rise thereto.

15.5 In the event of a fraction of a Share arising from the adjustments referred to in this By-Law would otherwise be required to be issued upon the exercise of an Option by the Grantee, the Grantee's entitlement shall be rounded down to the nearest whole number.

**15. BY-LAWS (CONT'D)**

- 15.6 All adjustments, other than on a bonus issue, subdivision or consolidation of shares must be confirmed in writing by an external auditor of the Company or the Adviser of Kitacon or such other persons as allowed by Bursa Securities (who shall act as an expert and not as an arbitrator), to be in his opinion fair and reasonable. In addition, the Company shall, at the request of any Grantee, furnish such Grantee with a copy of the certificate from an external auditor or such other persons as allowed by Bursa Securities to the effect that in the opinion of such auditor or persons, acting as an expert and not as an arbitrator, an adjustment is fair and reasonable, either generally or as regards such Grantee, and such certification shall be final and binding on all parties. For the purpose of this By-Law, an external auditor shall have the meaning given in the Act and the Listing Requirements.
- 15.7 Notwithstanding the provisions referred to in this By-Law, the ESOS Committee may exercise its discretion to determine whether any adjustments to the Option Price and/or the number of Options be calculated on a different basis or date or should take effect on a different date or that such adjustments be made to the Option Price and/or the number of Options notwithstanding that no such adjustment formula has been explicitly set out in this By-Law.

**16. AMENDMENT AND/OR MODIFICATION TO THE SCHEME**

- 16.1 Subject to the compliance with the Listing Requirements and any other relevant authorities, the ESOS Committee may at any time and from time to time recommend to the Board any additions, modifications or amendments to or deletion of these By-Laws as it shall in its discretion think fit and the Board shall have the power by resolution to add, amend or delete all or any of these By-Laws upon such recommendation **PROVIDED THAT** no additions or amendments to or deletion of these By-Laws shall be made which will:
- (a) prejudice any rights then accrued to the Grantee of the Company without his prior consent or sanction of that Grantee;
  - (b) increase the number of Kitacon Shares available under the Scheme beyond the maximum imposed by the Maximum Allowable Allocation; or
  - (c) alter to the advantage to any Eligible Persons in respect of any matters which are required to be contained in these By-Laws by virtue of Appendix 6E of the Listing Requirements,
- without the prior approval of the Company's shareholders in a general meeting unless allowed by the provision of the Listing Requirements.
- 16.2 The Company shall be required to submit to Bursa Securities, each time a modification or change is made, a confirmation letter that the modification or change does not contravene any of the relevant provisions of the Listing Requirements on employee share options scheme and the Rules of Bursa Depository no later than five (5) Market Days after the effective date of such amendment and/or modification.
- 16.3 The ESOS Committee shall within reasonable time furnish a written notification to all Grantees and the Company shall make all necessary announcements to Bursa Securities in respect of such amendments and/or modifications.
- 16.4 Any amendments/modifications to the By-Laws shall not contravene any of the provisions of the guidelines on the employees' share option scheme as stipulated under the Listing Requirements and/or any other relevant regulatory authority in relation to the ESOS.

## 15. BY-LAWS (CONT'D)

### 17. TAKE-OVER AND MERGERS

Notwithstanding By-Law 10 and subject to the provisions of any applicable statutes, rules, regulations and/or conditions issued by the relevant authorities, in the event of:

- 17.1 a take-over offer being made for the Company, under the Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the Securities Commission Malaysia, to acquire the Shares of the Company (or such part thereof not at the time held by person making the take-over offer) ("**Offeror**") or any persons acting in concert with the Offeror, any unexercised Options shall remain in force and be exercisable until the expiry of the exercise period applicable thereto; and
- 17.2 the Offeror becoming entitled or bound to exercise the rights of compulsory acquisition of the new Kitacon Shares under the provisions of the Capital Markets and Services Act 2007 and gives notice to the Grantee that it intends to exercise such rights on a specific date ("**Specific Date**"), the Option shall remain exercisable by the Grantee until the expiry of the Specific Date.

In the foregoing circumstance, if the Grantee fails to exercise his Option or elects to exercise only in respect of a portion of such Shares by the Specific Date, then the Option, or as the case may be, the Option in relation to such balance Shares, shall automatically lapse after the Specific Date and be null and void.

### 18. TERMINATION OF OPTIONS

- 18.1 In the event of cessation or termination of employment or appointment of a Grantee with the Group for whatever reason prior to the full exercise of an Option or part thereof, such Option or the balance thereof, as the case may be, shall cease immediately unless otherwise determined by the ESOS Committee in its sole discretion.
- 18.2 The ESOS Committee may in its discretion, allow any unvested Options to remain exercisable during the Option Period on such terms and conditions as it shall deem fit if such cessation occurs by reason of:
- (i) his retirement at or after attaining normal retirement age under the Group's retirement policy;
  - (ii) retirement before the normal retirement age (with the consent of the ESOS Committee);
  - (iii) ill-health, injury or physical or mental disability;
  - (iv) redundancy or retrenchment, pursuant to the acceptance by that Grantee of a voluntary separation scheme offered by the Group; or
  - (v) any other reasons which are acceptable to the ESOS Committee.
- 18.3 If a Grantee ceases his employment or appointment with an Eligible Company by reason of his resignation or for reasons other than those stated in By-Law 18.2, his remaining unexercised Options, shall cease with immediate effect on the date of such cessation. For the avoidance of doubt, the date of termination of employment of the Grantee or tender by the Grantee of his resignation, shall be deemed to be the date on which a Grantee ceases his employment or appointment with such Eligible Company unless approval was given by the ESOS Committee to extend the Options for a predefined period of time or before the expiration of the Options, whichever is earlier.

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**15. BY-LAWS (CONT'D)**

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- 18.4 An Option shall immediately become void and of no further force and effect upon the Grantee being adjudicated a bankrupt.
- 18.5 (i) In the event where a Grantee dies before the expiration of the Option Period and at the time of his death holds unexercised Options, such Options shall cease immediately on the date of his death without any claim against the Company **PROVIDED ALWAYS** that subject to the written approval of the ESOS Committee in its discretion, such unexercised Options may be exercised in full by the legal or personal representatives of the Grantee after the date of his death within the Option Period.
- (ii) Notwithstanding By-Law 18.5(i), the Grantee may, during his lifetime, nominate any of his immediate family members who have attained the age of eighteen (18) years at the time of nomination to exercise the Option or Options (which are unexercised at the time of the death of the deceased Grantee) after the death of the deceased Grantee but in any event during the Option Period. The Options exercised pursuant to the provision of this By-Law 18.5(ii) may be for the benefit of the estate of the Grantee or for the personal benefit of the nominated person. The nomination as aforesaid shall be made by the Grantee during his lifetime and shall be in the prescribed form approved by the ESOS Committee and the Shares to be allotted and issued will be in the name of the deceased Grantee's estate or in the name of the nominated person as the Grantee shall elect in his lifetime. In the event no nomination is made by the Grantee during his lifetime, his unexercised Options shall only be exercised by his legal personal representatives pursuant to By-Law 18.5(i) above.
- (iii) For the purposes of By-Law 18.5(ii) above, the term "immediate family members" shall include the spouse, parent, child (including legally adopted child but excluding step child), brother and sister of the Grantee.
- 18.6 Any Options which have been offered by the ESOS Committee but have not been accepted in the manner prescribed in By-Law 7.1 arising from an Eligible Person's death or the cessation or termination of his employment with an Eligible Company, as the case may be, shall become null and void and of no further force and effect.

**19. WINDING-UP**

In the event of a members' winding-up and a resolution is passed for the winding-up or liquidation of the Company, all unexercised or partially exercised Options shall automatically lapse and be null and void and of no further force and effect from the date of the members' resolution for such winding-up or liquidation of the Company.

In the event a petition is presented in Court for the winding-up or liquidation of the Company, all rights to exercise the Options shall automatically be suspended from the date of the presentation of the petition. If a court order winding-up the Company pursuant to the petition for winding-up is made, all unexercised Options shall automatically lapse and be null and void and of no further force and effect from the date of the court order. Conversely, if the petition for winding-up is dismissed in Court, the right to exercise the Options shall accordingly be unsuspended.

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**15. BY-LAWS (CONT'D)**

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**20. DURATION & TERMINATION OF THE SCHEME**

- 20.1 The Scheme shall be in force for a period of ten (10) years commencing from the Effective Date of the implementation of the Scheme (“**Option Period**”), **PROVIDED ALWAYS** that on or before the expiry thereof, where the maximum duration of the share issuance scheme allowed by the relevant authorities is more than 10 years, the Board shall have the sole discretion upon the recommendation of the ESOS Committee, without the Company’s shareholders’ approval in general meeting, to extend in writing the duration of the Scheme (as many times as the ESOS Committee may deem fit) for up to another five (5) years or such shorter period as it deems fit immediately from the expiry of the Option Period **PROVIDED ALWAYS** that the ESOS shall not in aggregate exceed the maximum duration as may be allowed by the relevant authorities.
- 20.2 Unless otherwise required by the relevant authorities, no further approvals shall be required for the extension of the ESOS provided that the Company shall serve appropriate notices to the Grantees and make all necessary announcements to Bursa Securities (if required) prior to the proposed extension of the Scheme.
- 20.3 The Effective Date shall be the date of full compliance with the last of all the requirements as follows:
- (i) the submission to Bursa Securities of the final copy of these By-Laws together with a letter of compliance pursuant to Paragraph 6.42 of the Listing Requirements and a checklist showing compliance with Appendix 6E of the Listing Requirements;
  - (ii) receipt of approval for the listing of and quotation for the new Kitacon Shares to be issued under the Scheme from Bursa Securities;
  - (iii) procurement of shareholders’ approval for the Scheme;
  - (iv) receipt of approval of any other relevant authorities, where applicable; and
  - (v) fulfilment of all conditions attached to the above approvals, if any.
- 20.4 The Adviser of the Company will be required to submit a confirmation letter to Bursa Securities of full compliance of By-Law 20.3 and state the Effective Date together with a certified true copy of the relevant resolution passed by the shareholders of the Company in a general meeting. The submission of the confirmation letter must be made no later than five (5) Market Days after the Effective Date.
- 20.5 Offers can only be made during the Duration of the ESOS before the Date of Expiry, which date shall be at the end of the ten (10) years from the Effective Date, or if the ESOS shall be extended, at the end of such extended term.
- 20.6 Notwithstanding anything to the contrary, all unexercised Options shall lapse at 5.00 p.m. on the Date of Expiry.
- 20.7 Subject to compliance with the requirements of Bursa Securities and any other relevant regulatory authorities, the Company may at any time before the Date of Expiry, at its sole discretion without obtaining the approvals or consents from the Grantees and/or the shareholders, terminate the continuation of this Scheme by way of passing a board resolution and no further Offers shall be made by the ESOS Committee.

All Offers outstanding but not yet accepted by the Selected Employees at the date of the said board resolution shall automatically lapse or cease to have effect as at the date of the board resolution and the Options yet to be exercised shall automatically lapse or cease to have effect.

**15. BY-LAWS (CONT'D)**

- 20.8 The Company shall immediately upon the termination of the Scheme before the Date of Expiry announce to Bursa Securities:
- (a) the effective date of termination;
  - (b) the number of options exercised or shares vested; and
  - (c) the reasons for termination.
- 20.9 Notwithstanding anything to the contrary, all unexercised Options shall lapse on the Date of Expiry.
- 20.10 Subject to the relevant approvals being obtained, the Company may implement a new employees' share option scheme after the expiration or termination of the Scheme pursuant to By-Law 20.8, subject to the relevant approvals being obtained.

**21. DISPUTES/DIFFERENCES**

In the case of any dispute or difference that may arise between the ESOS Committee and Grantee as to any provisions contained in the By-Laws, the ESOS Committee shall determine such dispute or difference by a written decision given to the Eligible Person.

In the event the Grantee shall dispute the same by written notice to the ESOS Committee within fourteen (14) days of the receipt of the written decision, then such dispute or difference shall be referred to the Board, whose decision shall be final and binding in all respects, provided that any Director of the Company who is also in the ESOS Committee shall abstain from voting and no person shall be entitled to dispute any decision or certification which is stated to be final and binding under these By-Laws.

**22. COSTS AND EXPENSES**

All fees, costs and expenses incurred in relation to preparation and/or operation of the Scheme including but not limited to the fees, costs and expenses relating to the issuance and allotment of new Shares pursuant to the exercise of any Option shall be borne by the Company. The Grantee shall bear the fees, costs and any taxes (including income tax) and stamp duty, if any, arising from the exercise of any Options under the Scheme (including all brokerage fees, commission and such other incidental costs arising from the sale of the shares).

**23. TRANSFERS FROM OTHER COMPANIES TO KITACON GROUP**

In the event:

- (i) a Director or Employee who was employed in a company which is related to the Company pursuant to Section 7 of the Act, (that is to say, a company which does not fall within the definition of "the Group") and is subsequently transferred from such company to an Eligible Company; or
- (ii) a Director or Employee who was in the employment of a company which subsequently becomes an Eligible Company as a result of a restructuring or divestment exercise or otherwise involving the Company and/or any company within the Group with any of the first mentioned company stated in sub-clause (i) above:

**15. BY-LAWS (CONT'D)**

(The first mentioned company in By-Laws 23.1(i) and 23.1(ii) above are hereinafter referred to as the "**Previous Company**"), such Director or Employee of the Previous Company (the "**Affected Employee**" or "**Affected Director**") shall, if the Affected Employee or Affected Director satisfies all the conditions of the By-Laws hereunder, be eligible to participate in the Scheme on the following conditions:

- (a) the Affected Employee or Affected Director shall be entitled to continue to exercise all such unexercised options which were granted to him under the employees' share option scheme (if any) in which he was participating (the "**Previous ESOS**") whilst the Affected Employee or Affected Director was in the employment of the Previous Company in accordance with the By-Laws of such Previous ESOS but he shall not, upon such restructuring or divestment as the case may be, be eligible to participate for further options of such Previous ESOS;
- (b) the Affected Employee or Affected Director shall only be eligible to participate in the Scheme for its remaining duration thereof; and
- (c) if the Affected Employee or Affected Director has participated in the Previous ESOS, the number of Shares to be offered to such Affected Employee Affected Director under the Scheme shall be in the discretion of the ESOS Committee.

**24. DIVESTMENT FROM THE KITACON GROUP**

If a Grantee who was in the employment of a company in the Group which was subsequently divested wholly or in part, from the Group, resulting in such company no longer be a subsidiary of Kitacon, then such Grantee:

- (a) will notwithstanding such divestment and subject to the provisions of By-Laws 10 and 18.3 be entitled to continue to exercise all such unexercised Options which were granted to him under the Scheme within a period of three (3) months from the date of such divestment and within the Option Period, failing which the right of such Employee or Director to subscribe for the number of new Shares or any part thereof granted under such unexercised Options shall automatically lapse and be null and void and of no further force and effect; and
- (b) shall not be eligible to participate for further Offers under the Scheme.

In the event a Grantee was in the employment of a company in the Kitacon Group and that the company was subsequently partially divested but remained as a subsidiary of Kitacon pursuant to Section 4 of the Act, then such Grantee shall continue to be entitled to all his/her rights in relation to the unexercised Options and he/she shall be eligible for further participations of the Options under the ESOS.

**25. SCHEME NOT A TERM OF EMPLOYMENT**

This Scheme does not form part of or constitute and shall not in any way be construed as a term or condition of employment of an Eligible Person.

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**15. BY-LAWS (CONT'D)**

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**26. COMPENSATION**

26.1 Notwithstanding any provisions of these By-Laws:

- (i) this Scheme shall not form part of any contract of employment between an Eligible Company of the Group and any Employee or Director of the Eligible Company or afford such Grantee any additional rights to compensation or damages in consequence of the termination of office or employment for any reason and the rights of any Grantee under the terms of his office and employment with the Eligible Company shall not be affected by his participation in the Scheme;
- (ii) this Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Option themselves) against the Eligible Company directly or indirectly or give rise to any cause of action at law or in equity against the Eligible Company or the Group; and
- (iii) a Grantee who ceases to hold office or employment shall not be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the Scheme which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful or unfair dismissal or other breach of contracts or by way of compensation for loss of office.

26.2 No Grantee or his legal or personal representatives shall bring any claim, action or proceedings against the Company or the ESOS Committee or any party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his rights to exercise his Options or his Options ceasing to be valid pursuant to the provisions of these By-Laws as may be amended from time to time in accordance with By-Law 16 or termination of the Scheme in accordance with By-law 20.

**27. CONSTITUTION OF THE COMPANY**

Notwithstanding the terms and conditions contained herein, if a situation of conflict should arise between the Scheme and the Constitution of the Company, the provisions of the Constitution shall at all times prevail.

**28. INSPECTION OF THE AUDITED FINANCIAL STATEMENTS**

All Grantees are entitled to inspect, during normal office hours from 9.30 a.m. to 4.30 p.m., Mondays to Fridays (except all public holidays declared in Malaysia) or as otherwise specified by the ESOS Committee, the latest audited financial statements of the Company at the registered office of the Company.

**29. SUBSEQUENT EMPLOYEE'S SHARE OPTION SCHEME**

- 29.1 Subject to the approval of the relevant authorities and compliance with the requirements of the relevant authorities, the Company may establish a new ESOS after the Date of Expiry or upon termination of this Scheme. Where this Scheme has been renewed (subject to By-Law 20), the new ESOS may be established upon expiry of the renewed Scheme, if any.
- 29.2 The Company may establish more than one (1) Scheme **PROVIDED ALWAYS** that the aggregate number of Shares available under the ESOS does not exceed fifteen per centum (15%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time during the Duration of the Scheme as provided by By-Law 20.1.



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**15. BY-LAWS (CONT'D)**

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**30. TAXES**

All taxes (including income tax), if any, arising from the exercise of any Option under the Scheme shall be borne by the Grantee.

**31. SEVERABILITY**

Any term, condition, stipulation or provision in these By-Laws which is illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation and provision herein contained.

**32. GOVERNING LAW AND JURISDICTION**

32.1 The Scheme shall be governed by and construed in accordance with the laws of Malaysia. The Grantee, by accepting the Options in accordance with the By-Laws and terms of the Scheme, irrevocably submits to the exclusive jurisdiction of the courts of Malaysia.

32.2 In order to facilitate the making of any Offer under this Scheme, the Board may provide for such special terms to the Eligible Person(s) who are employed by any corporation in the Group or is a Director of any corporation in the Group in a particular jurisdiction as the Board may consider necessary or appropriate for the purposes of complying with differences in local law, tax, policy or custom of that jurisdiction. The Board may further approve such supplements to or amendments, restatements or alternative versions of the Scheme as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Scheme as in effect for any other purpose, and the appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as the Scheme. No such special terms, supplements, amendments or restatements, however, shall include any provisions that are inconsistent with the terms of this Scheme, as then in effect, unless this Scheme has been amended to eliminate such inconsistency. Notwithstanding the above, any Offer made to such Eligible Person(s) pursuant to the Scheme shall be valid strictly in Malaysia only unless specifically mentioned otherwise by the ESOS Committee in the Offer.

**33. NOTICE**

33.1 Any notice or request which the Company is required to give, or may desire to give, to any Eligible Person or the Grantee pursuant to the Scheme shall be in writing and shall be deemed to be sufficiently given:

- (a) if it is sent by ordinary post by the Company to the Eligible Person or the Grantee at the last address known to the Company as being his address, such notice shall be deemed to have been received three (3) Market Days after posting;
- (b) if it is given by hand to the Eligible Person or the Grantee, such notice or request shall be deemed to have been received on the date of delivery; or
- (c) if it is sent by electronic media, including but not limited to electronic mail, to the Eligible Person or the Grantee, such notice or request shall be deemed to have been received upon confirmation or notification received after the sending of notice or request by the Company.

Any change of address of the Eligible Person or the Grantee shall be communicated in writing to the Company and the ESOS Committee.

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**15. BY-LAWS (CONT'D)**

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- 33.2 Any certificate, notification or other notice required to be given to the Company or the ESOS Committee shall be delivered to its business address or any other address which may be notified in writing by the ESOS Committee from time to time.
- 33.3 Where any notice which the Company or the ESOS Committee is required to give, or may desire to give, in relation to the matter which may affect all the Eligible Employees or all the Grantee pursuant to the Scheme, the Company or the ESOS Committee may give such notice through an announcement to all employee of the Group to be made in such manner deemed appropriate by the ESOS Committee. Upon making such announcement, the notice to be made under By-Laws 33.1 shall be deemed to be sufficiently given, served or made to all affected Eligible Employee or Grantee.

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**15. BY-LAWS (CONT'D)**

**APPENDIX A**

(By-Law 15 – Alteration of Share Capital and Adjustment)

The Option Price and/or the number of Options in respect of the right to subscribe for new Shares so far as unexercised to which a Grantee may be entitled from time to time be adjusted, calculated or determined by the ESOS Committee and certified by the external auditor of the Company or such other persons allowed by Bursa Securities in accordance with the following relevant provisions in consultation with the Adviser and/or the external auditor:

- (a) If and whenever a consolidation, subdivision (including bonus issue of new shares without capitalisation) or conversion of Share occurs, the Option Price and/or the additional number of Options to be issued shall be adjusted, calculated or determined in the following manner:

$$\text{New Option Price} = \left[ \frac{A}{B} \right] \times S$$

For consolidation of Shares

$$\text{Number of additional Options} = T \times \left[ \frac{B}{A} \right]$$

For subdivision (including bonus issue of new shares without capitalisation) of Shares

$$\text{Number of additional Options} = T \times \left[ \frac{B}{A} \right] - T$$

Where:

- A = the aggregate number of issued Shares immediately before such consolidation, subdivision or conversion;
- B = the aggregate number of new Shares immediately after such consolidation, subdivision or conversion;
- S = existing Option Price; and
- T = existing number of Options that remains unexercised.

Each such adjustment will be effective from the commencement of the next Market Day following the Entitlement Date for the consolidation, subdivision or conversion.

- (b) If and whenever the Company shall make an issue of new Shares to shareholders by way of bonus issue or capitalisation of profits or reserves (whether of a capital or income nature), the Option Price shall be adjusted in the following manner:

$$\text{New Option Price} = S \times \left[ \frac{A}{A + B} \right]$$

Whilst the number of additional Options to be issued shall be calculated in the following manner:

$$\text{Number of additional Options} = T \times \left[ \frac{A + B}{A} \right] - T$$

**15. BY-LAWS (CONT'D)**

Where:

- A = the aggregate number of issued Shares immediately before such bonus issue or capitalisation issue;
- B = the aggregate number of new Shares to be issued pursuant to any allotment to shareholders of the Company by way of bonus issue or capitalisation of profits or reserves (whether of a capital or income nature);
- S = S as in By-Law 15(a) above; and
- T = T as in By-Law 15(a) above.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for such issue.

(c) If and whenever the Company shall make:

- (i) a Capital Distribution (as defined below) to its ordinary shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets);
- (ii) any offer or invitation to its ordinary shareholders where they may acquire or subscribe for Shares by way of rights; or
- (iii) any offer or invitation to its ordinary shareholders by way of rights where they may acquire or subscribe for securities convertible into Shares or securities with rights to acquire or subscribe for Shares,

then and in any such case, the Option Price shall be adjusted in the following manner:

$$\text{New Option Price} = S \times \left[ \frac{C - D}{C} \right]$$

and in any such case referred to in By-Laws 15(c)(ii) and (iii) above, the number of additional Options to be issued shall be calculated as follows:

$$\text{Number of additional Options} = T \times \left[ \frac{C}{C - D^*} \right] - T$$

Where:

- S = S as in By-Law 15(a) above;
- T = T as in By-Law 15(a) above;
- C = the prevailing market price at the close of business on the Market Day immediately preceding the date on which the Capital Distribution, or as the case may be, the offer or invitation is publicly announced or (failing any such announcement), immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation; and
- D = (A) In the case of an offer or invitation to acquire or subscribe for the Shares under By-Law 15(c)(ii) above or for securities convertible into Shares or securities with rights to acquire or subscribe for the Shares under By-Law 15(c)(iii) above, the value of rights attributable to one (1) Share; or

**15. BY-LAWS (CONT'D)**

- (B) In the case of any other transaction falling within By-Law 15(c) above, the fair market value, as determined (with the concurrence of the external auditor of the Company) by an investment bank or universal broker, of that portion of the Capital Distribution attributable to one (1) Share.

For the purpose of "D" above, the "value of rights attributable to one (1) Share" shall be calculated in accordance with the following formula:

$$\frac{C - E}{F + 1}$$

Where:

- C = C as in By-Law 15(c) above;
- E = the subscription price of one (1) additional Share under the terms of such offer or invitation to acquire or one (1) additional Shares upon conversion of the convertible securities or exercise of such rights to acquire or subscribe for one (1) Share under the offer or invitation;
- F = the number of Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or security convertible into rights to acquire or subscribe for one (1) additional Share; and
- D\* = the value of rights attributable to one (1) Share.

For the purpose of D\* above, the "value of the rights attributable to one (1) Share" shall be calculated in accordance with the following formula:

$$\frac{C - E^*}{F^* + 1}$$

Where:

- C = C as in By-Law 15(c) above;
- E\* = the subscription price of one (1) additional Share under the terms of such offer or invitation to acquire or subscribe for one (1) Share; and
- F\* = the number of Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share.

For the purpose of By-Law 15(c) above, "Capital Distribution" shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of Shares (other than an issue falling under By-Law 15(b) above) or other securities issued by way of capitalisation of profits or reserves (whether of a capital or income nature). Any dividend charged or provided for in the accounts of any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the ordinary shareholders of the Company as shown in the audited consolidated statement of comprehensive income of the Company.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for the above transaction.

**15. BY-LAWS (CONT'D)**

- (d) If and whenever the Company makes any allotment to its ordinary shareholders as provided in By-Law 15(b) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Laws 15(c)(ii) or (c)(iii) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose for the offer or invitation, the Option Price shall be adjusted in the following manner:

$$\text{New Option Price} = S \times \left[ \frac{(G \times C) + (H \times I)}{(G + H + B) \times C} \right]$$

and where the Company makes any allotment to its ordinary shareholders as provided in By-Law 15(b) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Laws 15(c)(ii) or (c)(iii) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose for the offer or invitation, the number of additional Options shall be calculated in the following manner:

$$\text{Number of additional Options} = T \times \left[ \frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

Where:

- B = B in By-Law 15(b) above;
- C = C in By-Law 15(c) above;
- G = the aggregate number of issued Shares on the Entitlement Date;
- H = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into Shares or with rights to acquire or subscribe for Shares, as the case may be;
- H\* = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights;
- I = the subscription price of one (1) additional Share under an offer or invitation to acquire or subscribe for Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share, as the case may be;
- I\* = the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares;
- S = S as in By-Law 15(a) above; and
- T = T as in By-Law 15(a) above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for such issue.

- (e) If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for Shares as provided in By-Law 15(c)(ii) above together with an offer or invitation to acquire or subscribe for securities convertible into Shares or securities with rights to acquire or subscribe for Shares as provided in By-Law 15(c)(iii) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose for the offer or invitation, the Option Price shall be adjusted in the following manner:

**15. BY-LAWS (CONT'D)**

$$\text{New Option Price} = S \times \left[ \frac{(G \times C) + (H^* \times I^*) + (J \times K)}{(G + H^* + J) \times C} \right]$$

and the number of additional Options shall be calculated in the following manner:

$$\text{Number of additional Options} = T \times \left[ \frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

Where:

C = C as in By-Law 15(c) above;

G = G as in By-Law 15(d) above;

H = H as in By-Law 15(d) above;

H\* = H\* as in By-Law 15(d) above;

I = I as in By-Law 15(d) above;

I\* = I\* as in By-Law 15(d) above;

J = the aggregate number of Shares to be issued to its ordinary shareholders upon conversion of such securities or exercise of such rights to subscribe for Shares by the ordinary shareholders;

K = the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share;

S = S as in By-Law 15(a) above; and

T = T as in By-Law 15(a) above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for such issue.

- (f) If and whenever the Company makes an allotment to its ordinary shareholders as provided in By-Law 15(b) above and also makes an offer or invitation to acquire or subscribe for Shares to its ordinary shareholders as provided in By-Law 15(c)(ii) above, together with rights to acquire or subscribe for securities convertible into or with rights to acquire or subscribe for Shares as provided in By-Law 15(c)(iii) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of offer or invitation, the Option Price shall be adjusted in the following manner:

$$\text{New Option Price} = S \times \left[ \frac{(G \times C) + (H^* \times I^*) + (J \times K)}{(G + H^* + J + B) \times C} \right]$$

and the number of additional Options shall be calculated in the following manner:

$$\text{Number of additional Options} = T \times \left[ \frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

Where:

B = B as in By-Law 15(b) above;

C = C as in By-Law 15(c) above;

G = G as in By-Law 15(d) above;

**15. BY-LAWS (CONT'D)**

H	=	H as in By-Law 15(d) above;
H*	=	H* as in By-Law 15(d) above;
I	=	I as in By-Law 15(d) above;
I*	=	I* as in By-Law 15(d) above;
J	=	J as in By-Law 15(e) above;
K	=	K as in By-Law 15(e) above;
S	=	S as in By-Law 15(a) above; and
T	=	T as in By-Law 15(a) above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the Entitlement Date for such issue.

- (g) If and whenever (otherwise than pursuant to a rights issue available to all ordinary shareholders of the Company and requiring an adjustment under By-Laws 15(c)(ii), (c)(iii), (d), (e) or (f) above), the Company shall issue either any Shares or any securities convertible into Shares or with rights to acquire or subscribe for Shares, and in any such case the Total Effective Consideration per Share (as defined below) is less than ninety per centum (90%) of the Average Price of a Share (as defined below) or, as the case may be, the price at which the Shares will be issued and/or transferred upon conversion of such securities or exercise of such rights is determine, the Option Price shall be adjusted in the following manner:

$$\text{New Option Price} = S \times \frac{L + M}{L + N}$$

Where:

L	=	the number of Shares in issue at the close of business on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;
M	=	the number of Shares which the Total Effective Consideration (as defined below) would have purchased at the Average Price of a Share (as defined below) (exclusive of expenses);
N	=	the aggregate number of Shares which so issued or, in the case of securities convertible into Shares or securities with rights to acquire or subscribe for Shares, the maximum number (assuming no adjustment of such rights) of Shares issuable upon full conversion of such securities or the exercise in full of such rights; and
S	=	S as in By-Law 15(a) above.

For the purposes of By-Law 15(g) above, the "Total Effective Consideration" shall be determined by the Board with the concurrence of an external auditor of the Company and/or the Adviser and shall be:

- (i) in the case of the issue of Shares, the aggregate consideration receivable by the Company on payment in full for such Shares;
- (ii) in the case of the issue by the Company of securities wholly or partly convertible into new Shares, the aggregate consideration receivable by the Company on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by the Company upon full conversion of such securities (if any); or



**15. BY-LAWS (CONT'D)**

- (iii) in the case of the issue by the Company of securities with rights to acquire or subscribe for Shares, the aggregate consideration attributable to the issue of such rights together with the total amount receivable by the Company upon full exercise of such rights,

in each case without any deduction of any commission, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the "Total Effective Consideration per Share" shall be the Total Effective Consideration divided by the number of new Shares issued as aforesaid or, in the case of securities convertible into new Shares, by the maximum number of new Shares issuable on full conversion of such securities or on exercise in full of such rights.

For the purpose of By-Law 15(g) above, the Average Price of a Share shall be the average price of one (1) Share as derived from either the last transacted price or average transacted price for one (1) or more board lots of Shares as quoted on Bursa Securities on the Market Days comprised in the period used as a basis upon which the issue price of such Shares is determined.

Each such adjustment will be calculated (if appropriate, retroactively) from the close of business on Bursa Securities on the Market Day immediately following the date on which the issue is announced, or (failing any such announcement) on the next Market Day immediately following the date on which the Company determines the offering price of such Shares. Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the Market Day immediately following the completion of the above transaction.

- (h) For the purpose of By-Laws 15(c), (d), (e) and (f) above, the current market price in relation to one (1) existing Share for any relevant day shall be the either the volume weighted average market price for the five (5) consecutive Market Days before such date or during such other period as many be determined in accordance with any guidelines issued, from time to time, by the relevant authorities.

The foregoing provisions on adjustment of the Option Price shall be subject to the following:

- (i) on any such adjustment, the resultant Option Price shall be rounded up to the nearest one (1) sen and in no event shall any adjustment involve an increase in the Option Price or reduce the number of Options so far as unexercised to which the Grantee is already entitled to;
- (ii) no adjustment shall be made to the Option Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions of "would be less than one (1) sen" or the number of Options so far as unexercised is less than one (1) Share and any adjustment that would otherwise be required then to be made will not be carried forward;
- (iii) if an event giving rise to any such adjustment shall be capable of falling within any two (2) or more of paragraphs (i) to (ii) of By-Law 15.1 (both inclusive) or if such event is capable of giving rise to more than one (1) adjustment, the adjustment shall be made in such manner as the directors of the Company and the external auditor of the Company may agree;
- (iv) if for any reason an event giving rise to an adjustment to the Option Price and/or the number of Options so far as unexercised to which a Grantee may be entitled to is cancelled, revoked or not completed, the adjustment shall not be required to be made or shall be reversed with effect from such date and in such manner as the directors of the Company and the external auditor of the Company may agree; and
- (v) in determining a Grantee's entitlements to subscribe for Shares, any fractional entitlements will be disregarded.

If an event that is not set out in By-Laws(a) to (g) above occurs or if the application of any of the formulae to an event results in a manifest error, the ESOS Committee in its discretion, may agree to an adjustment subject to the provision of By-Law 15.1 provided that the Grantees shall be notified of the adjustment through an announcement to all Grantees to be made in such manner deemed appropriate by the ESOS Committee.

## 16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

### 16.1 OPENING AND CLOSING OF APPLICATION PERIOD

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 28 DECEMBER 2022

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 9 JANUARY 2023

In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia, and make an announcement on the website of Bursa Securities.

**Late Applications will not be accepted.**

### 16.2 METHODS OF APPLICATION

#### 16.2.1 Application of our IPO Shares under the Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

<u>Types of Application and category of investors</u>	<u>Application Method</u>
Applications by the Eligible Persons	Pink Application Form only
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

#### 16.2.2 Application of our IPO Shares under the Institutional Offering

<u>Types of Application</u>	<u>Application Method</u>
Applications by:	
(a) Institutional and selected investors	Our Sole Placement Agent will contact the investors directly. They should follow the Sole Placement Agent's instructions.
(b) Bumiputera investors approved by the MITI	MITI will contact the Bumiputera investors directly. They should follow MITI's instructions.

**16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)****16.3 ELIGIBILITY****16.3.1 General**

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 ISSUE SHARES OR MULTIPLES OF 100 ISSUE SHARES.**

**MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.**

**AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.**

**16.3.2 Application by the Malaysian Public**

You can only apply for our IPO Shares if you fulfill all of the following:

- (i) You must be one of the following:
  - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares;
  - (b) a corporation/ institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/ trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
  - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and
- (iii) You must submit Applications by using only one of the following methods:
  - (a) White Application Form;
  - (b) Electronic Share Application; or
  - (c) Internet Share Application.

**16.3.3 Application by Eligible Persons**

The Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation.

**16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**

The Eligible Persons who have made applications using the Pink Application Form may still apply for our IPO Shares allocated to the Malaysia Public using the White Application Form or through the Electronic Share Application or the Internet Share Application.

**16.4 APPLICATION BY WAY OF APPLICATION FORMS**

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The **FULL** amount payable is RM0.68 for each IPO Share.

Payment must be made out in favour of “**MIH SHARE ISSUE ACCOUNT NO. 625**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Malaysian Issuing House Sdn Bhd  
(Registration No. 199301003608 (258345-X))  
11<sup>th</sup> Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor Darul Ehsan

or

P.O.Box 00010  
Pejabat Pos Jalan Sultan  
46700 Petaling Jaya  
Selangor Darul Ehsan

- (ii) or **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at the front portion of Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan

so as to arrive not later than 5.00 p.m. on 9 January 2023 or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

**16.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS**

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysia Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATMs of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

**16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

**16.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS**

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

**16.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE**

The Issuing House, on the authority of our Board, reserves the right to:

- (i) reject Applications which:
  - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
  - (b) are illegible, incomplete or inaccurate; or
  - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 16.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

**16.8 OVER/UNDER-SUBSCRIPTION**

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our Issue Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the Issuing House to the SC, Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website ([www.mih.com.my](http://www.mih.com.my)) within 1 business day after the balloting event.

**16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**

Pursuant to the Listing Requirements, we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 1,000 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or Eligible Persons, subject to the clawback and reallocation as set out in Section 4.1.5 of this Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Sole Underwriter based on the terms of the Underwriting Agreement.

**16.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS**

If you are unsuccessful/partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

**16.9.1 For applications by way of Application Forms**

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your registered or correspondence address last maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).
- (iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by ordinary post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

**16.9.2 For applications by way of Electronic Share Application and Internet Share Application**

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.

**16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**

- (ii) You may check your account on the 5<sup>th</sup> Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

**16.10 SUCCESSFUL APPLICANTS**

If you are successful in your application:

- (i) Our IPO Shares allotted to you will be credited into your CDS account.
- (ii) A notice of allotment will be despatched to you at your registered or correspondence address last maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. Consequently, our IPO Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

**16.11 ENQUIRIES**

Enquiries in respect of the applications may be directed as follows:

<b>Mode of application</b>	<b>Parties to direct the enquiries</b>
Application Form	Issuing House's Services Telephone at telephone no. +6(03) 7890 4700
Electronic Share Application	Participating Financial Institution
Internet Share Application	The relevant Internet Participating Financial Institution and Authorised Financial Institution

You may also check the status of your Application by calling your respective ADA during office hours at the telephone number as set out in the list of ADAs Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of this Prospectus on the website of Bursa Securities or the Issuing House at the telephone no. (603) 7890 4700 between 5 to 10 Market Days (during office hours only) after the final ballot day.